**What is money laundering?**  
Money earned through criminal activities is said to be “dirty”.

For this reason, criminals whose main goal is to profit from their criminal acts, have to “cleanse” such money of its illicit origin.

In order to enjoy their ill-gotten gains, criminals commonly seek to disguise the illegal source of their profits.

Money laundering is the term applied to the act of concealing the origins of such money and releasing it undetected into legitimate business activities, the purpose being to prevent it from being tracked and confiscated by the government.

Money laundering is most commonly associated with criminal activities such as drug trafficking, corruption, kidnapping, extortion, tax evasion, trafficking people and a range of other criminal activities.

|  |  |
| --- | --- |
| **What are the effects of money laundering and terrorist financing?** | |
| 1. | Money laundering and terrorist financing have significant effects in attainment of a country’s national goals |
|  | Money laundering can distort business decisions, increase the risk of bank failures, take control of economic policy away from the Government and harm a country’s reputation and scare away honest investors. |
|  | |
| 2. | Erodes the integrity of the financial system and harms a country’s reputation |
|  | Unchecked use of the financial system for money laundering and terrorist financing has the potential of undermining individual financial institutions’ integrity and ultimately that of the entire financial system and hence lead to erosion of the International confidence to invest in the country. |
|  | |
| 3. | Threaten economic, political and social stability |
|  | Through money laundering, organized crime can infiltrate institutions, seize control of large sectors of the economy through significant investment or through bribes to public officials and this, in turn, may lead to control of the Government by criminals. The economic and political influence of criminal organisations can weaken the social fabric, collective ethical standards and ultimately the democratic institutions of the society. |

|  |  |
| --- | --- |
| **Why fight money laundering and terrorist financing?** | |
| 1. | Failure to prevent money laundering allows criminal organizations to accumulate considerable economic and financial power, which can ultimately undermine national peace, security and stability. |
|  | |
| 2. | Failure to combat money laundering and terrorist financing facilitates corruption. This can lead to the accumulation of economic and financial power by unscrupulous people or criminal organisations and therefore undermine governance, democratic systems and public confidence in the financial and legal system. |
|  | |
| 3. | Money laundering perpetrates crime since it enables criminal activity that generates it to continue. The laundered funds provide financial support for drug dealers, terrorists, arms dealers and other criminals to operate and expand their criminal empires. This threatens economic, social and political stability. |
|  | |
| 4. | Money laundering and terrorist financing activities have significant effects on the attainment of a country’s national goals; if money laundering and terrorist financing are not fought effectively, it means efforts being undertaken by the Government to alleviate poverty and raise living standards will not succeed.  In recognition of the effects that money laundering can have in achieving national goals and cognizant of international efforts in this important area,  Tanzania is determined and committed to combat money laundering and has joined the international community in fighting money laundering and combating terrorist financing.  The Government is committed to the protection of the reputation of the financial sector and other sectors by doing all that is possible to combat money laundering and terrorist financing. |

**What is Financial Intelligence Unit?**  
The Financial Intelligence Unit (FIU) in Tanzania was established under section 4 of the Anti Money Laundering Act of 2006 to combat money laundering and the financing of terrorism. The FIU is responsible for receiving suspicious transaction reports from reporting persons, in relation to suspected money laundering and terrorist financing activities, analyzing and disseminating intelligence to appropriate law enforcement agencies for investigation and further action.  
  
The FIU is an integral part of Tanzania's efforts in the fight against the global crimes of money laundering and terrorist financing. Preventing organized crime and ensuring Tanzania's security are responsibilities we all share.

|  |  |  |
| --- | --- | --- |
| **Legal and Institutional Framework** | | |
| The Anti Money Laundering Act, 2006 prohibits legal and natural persons from engaging in transactions which involve the proceeds of crime, or from assisting others to do so. It also requires reporting persons to: | | |
|  | 1. | identify their customers before entering into a business relationship or carrying out any transaction or series of transactions. This includes: i)   obtaining customer personal data and validating it against independent sources ii)  obtaining customer business profile and validating it against independent sources iii) recording both, personal and business data and updating it from time to time iv) recording regular business transactions |
|  |  |  |
|  | 2. | establish and maintain customer records in all transactions, and |
|  |  |  |
|  | 3. | report suspicious transactions to the FIU. |

Reporting persons must report suspicious transactions – It is the Law.  
  
**Why is reporting important?**  
  
The world has changed. Globalization and, increase in crime and terrorism has forced countries to join together in an effort to control the scourge. With new legislation and international cooperation, authorities are now hitting criminals where it hurts – in the wallet.  
  
Licensees under the Bank of Tanzania (BOT), licensed brokers, dealers and investment advisors under the Capital Markets and Securities Authority, insurers under the Insurance Supervisory Authority and casinos under the Gaming Board and many others are required to file a Suspicious Transaction Reports (STR) with the FIU when there are reasonable grounds to suspect that a transaction is related to money laundering or a terrorist financing offence.

|  |  |  |  |
| --- | --- | --- | --- |
| **Who must report suspicious transactions?** | | | |
| The law identifies the following organisations and their employees as reporting persons who must report suspicious transactions to the FIU: | | | |
|  | 1. | Banks and financial institutions | |
|  | 2. | Accountants, real estate agents, dealers in precious stones, works of art or metals | |
|  | 3. | Regulators | |
|  | 4. | Customs officers | |
|  | 5. | Attorneys, notaries and other independent legal professionals when assisting clients in preparing or executing transactions involving, for example, the purchase or sale of real property or commercial enterprises or the management of funds, securities or other assets which belong to a client | |
|  | 6. | Auctioneers | |
|  | 7. | Cash dealers, Cash dealers include the following: | |
|  |  |  | i)   Insurers, intermediary insurance brokers, securities dealers or brokers ii)  Dealers in gold bullion or traveller's cheques iii) Operators of a gaming activity iv) Trustees/managers of collective investment schemes v)  Operators of bureaux de change. |

|  |  |  |
| --- | --- | --- |
| **What information must be reported?** | | |
| As a reporting person, you will need certain information to complete a suspicious transaction report (STR). This includes information about you as the reporting person, details about the person conducting the transaction and the transaction itself. If your suspicion was raised due to a series of transactions, you need to include information on each transaction with the report (you can attach supporting documentation to the STR).  There are also other regulatory requirements pertaining to reporting persons:- | | |
|  | 1. | Client identification |
|  | 2. | Record keeping |
|  | 3. | Internal reporting procedures |
|  | 4. | Employee training, and |
|  | 5. | The implementation of a compliance regime. |

**When must an STR be filed?**  
Once you have reasonable grounds to suspect a transaction is related to money laundering or terrorist financing, you must file a Suspicious Transaction Report with the FIU.  
  
**Identifying Suspicious Transactions**  
Suspicious transactions are financial transactions which you, as a reporting person, have reasonable grounds to suspect are related to a money laundering or terrorist financing activity regardless of the amount of money involved. You are in the best position to know what is normal for your customer's business and therefore what is suspicious. It is important to remember that behaviour is suspicious, not people. It is also possible that many factors, and not just one, may lead you to the conclusion that there are reasonable grounds to suspect a transaction is related to money laundering or terrorist financing.

|  |  |  |
| --- | --- | --- |
| **Submitting Suspicious Transaction Reports** | | |
| STR forms will be available online on the website of the Financial Intelligence Unit (http://www.fiu.go.tz). The STR form allows you to tell the FIU why you have suspicions about a specific transaction or transactions. You should provide as much detail as possible and include documentary proof where available. Your explanation may include: | | |
|  | 1. | Indicators that you observed during the transaction |
|  | 2. | Information about the person who requested the transaction, including any known alternate names, aliases or associates |
|  | 3. | The purpose of the transaction and method in which it was conducted |
|  | 4. | Information as to why this is suspicious behaviour given the kind of business your customer is in, and |
| If you include more than one transaction in the report, please indicate how they are connected or attach any supporting documentation. | | |

**Tipping Off**  
Any person or body corporate who knowing that a suspicious transaction may be disclosed to the FIU, alerts or warns another person is guilty of an offence of tipping off and on conviction will be liable to a fine or imprisonment.  
  
**Overriding Secrecy**  
Any secrecy or other restriction which may impede the disclosure of information regarding money laundering or terrorist financing is overridden by the Anti Money Laundering law.

**Trade Based Money Laundering**  
Trade-based money laundering is the process of disguising the proceeds of crime and moving value through the use of trade transactions, in an attempt to legitimise their illicit origins. In practice, this can be achieved through the misrepresentation of the price, quantity or quality of imports or exports.