



## CIRCULAR No. 8

**TO: BANKS AND FINANCIAL INSTITUTIONS IN TANZANIA**  
**SUBJECT: THE MONEY LAUNDERING CONTROL**

### PART I

#### PRELIMINARY

- Short Title* 1. This may be cited as the Money Laundering Control Circular.
- Application* 2. This circular shall apply to all licensed banks and financial institutions.
- Interpretation* 3. In this circular, unless the context requires otherwise -
- “account” means any facility or arrangement through which a bank or financial institution accepts deposits or allows withdrawals and includes facility or arrangement for -
- (a) a fixed term deposit box;
  - (b) a safety deposit box;
- “Act ” means the Banking and Financial Institutions Act, 1991;
- “the Bank” means the Bank of Tanzania established under the Bank of Tanzania Act, 1995;
- “bank” means a financial institution authorised to receive money on current account subject to withdrawal by cheque;
- “covered institutions” means banks, financial institutions, micro-finance institutions and such other institutions as the Governor may determine from time to time;

“director” means any fit and proper person by whatever title or designation known, carrying out or empowered to carry out functions in relation to the direction of a bank or financial institution which are substantially the same as those carried out by a member of the board of directors of a company incorporated under the Companies Ordinance – Cap. 212;

“financial institution” means any person authorised by or under the Act to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque;

“financial transaction” means -

- (a) the opening, operating (depositing and withdrawing of funds) or closing of an account held with a bank or financial institution; or
- (b) the opening or use of a deposit box held by a bank or financial institution; or
- (c) the telegraphic or electronic transfer of funds by a bank or financial institution on behalf of one person to another person; or
- (d) the transmission of funds between the United Republic of Tanzania and foreign countries or between foreign countries on behalf of any person; or
- (e) an application by any person for, or the receiving of, a loan from a bank or financial institution and repayment of the same; or
- (f) receiving or making a monetary/financial gift;
- (g) selling and buying of gold, foreign currency and negotiable instruments.

“law enforcement agency” means the police force, and includes any person authorised in writing by the Inspector General of Police to perform investigative or monitoring duties under the Proceeds of Crime Act, 1991;

“money laundering offence” means:

- (a) engaging directly or indirectly, in a transaction, whether in or outside the United Republic, which involves the removal into or from the United Republic, of money or other property which is the proceed of crime; or
- (b) receiving, possessing, concealing, disposing of, bringing into or removing from the United Republic of Tanzania any money or other property which is the proceeds of crime; while knowing or ought to know or to have known that the money or other property is or was derived or realised, directly or indirectly, from some form of unlawful activity;

“officer” means the Chief Executive Officer of a bank or financial institution, officials of lower rank down to the assistant head of a department or branch or their equivalent, and all members of a permanent committee or body (including the Regional Board) whose duties include functions of management such as those ordinarily performed by regular officers, and all those whose duties as officers are defined in the articles of association or who are generally known to be officers of the institution either through announcement, representation, publication, or communication made by the institution;

“person” means natural person and/or juridical person;

“proceeds of crime” means any property that is derived or realised, directly or indirectly, by any person from the commission of any serious offence;

## PART II

### ESTABLISHMENT OF POLICIES AND PROCEDURES, RETENTION OF RECORDS AND COMPLIANCE WITH LAW

Policies and  
Procedures

4. Every covered institution is required -
  - (a) to develop and communicate to staff, policies relating to money laundering;
  - (b) to facilitate co-operation with the relevant law enforcement agencies and other financial institutions in combating money laundering;
  - (c) to regularly inspect/audit compliance with policies, procedures and controls relating to money laundering;
  - (d) to develop procedures of identifying customers for account opening relationship and such procedures should provide for adequate evidence of the identity of potential customers;
  - (e) to retain records of the supporting evidence and methods used to verify identity for a minimum period of ten years after the account is closed or the business relationship ended;
  - (f) to provide training and guidance to staff in operation of procedures and controls relating to money laundering and their obligation under the law;
  - (g) to develop a reporting chain of suspicious transactions and report promptly such transactions to the law enforcement agency under advise to the Bank of Tanzania, Directorate of Banking Supervision. The report to Bank of Tanzania to which the format set out in the Fourth Schedule to this circular shall be used for reporting or disclosing the financial information to the Bank.

## PART III

### IDENTIFICATION PROCEDURES

*Identification procedures*

5. Every covered institution shall institute effective procedures to establish and verify the identity of their customers for the satisfaction of the bank or financial institution concerned at the time when the relationship is established.

*Documents and Information verification*

6. Every covered institution shall check and verify the authenticity of the submitted documents and information tendered to the institution for the purpose of opening the account.

*Minimum verification of information*

7. At a minimum, every new account and any other new financial transaction shall be subject to the verification of the information specified in the First Schedule to this circular.

*Exceptional opening of account*

8. Where a covered institution fails to obtain appropriate documentary evidence from the prospective customers, an account may be opened subject to the following -

(a) having been satisfied and documenting the circumstances in which the prospective customer is not able to provide appropriate documentary evidence of his identity. Such documentation should include a statement by the manager that he is satisfied with the given circumstances.

(b) having approached another covered institution on a non-competitive basis specifically for the purpose of verifying identity of such customers.

*Response to customer identification*

9. Every covered institution shall respond to a request to verify identity of the customers in respect of name, signature and address for account opening purposes from other covered institutions without undue delay.

10. A covered institution need not verify identity if the applicant or prospective customer is a Tanzanian covered institution.

*Non-account holders register*

11. Every covered institution shall maintain a register for recording details relating to non-account holders with the following particulars, in addition to other particulars they may require -

- (a) Date of transaction
- (b) Name(s) and address of customers
- (c) Passport number, if any
- (d) Nationality and National identity number, if any
- (e) Type of service provided
- (f) Amount in Shillings or in foreign exchange

- (g) Name(s) and address of beneficiary
- (h) Document/instrument issued.

#### PART IV

#### RECORD KEEPING

*Retrieving of Information*

12. Every covered institution shall at all stages of transaction be able to retrieve without delay relevant information.

*Retaining of Documents*

13. Every covered institution shall retain any document (original or otherwise) relating to a financial transaction for a minimum period of ten years.

*Register of released documents*

14. Where a covered institution is required by any provision of the law to release any document referred to in regulation 13 before the period of ten years has elapsed, it shall retain a copy of the document and shall maintain a register of the released documents with the following details:

- (a) Date of release
- (b) Name of customer
- (c) Type of transaction and amount involved (if any)
- (d) Name of institution/agency to whom the document is released
- (e) Address of receiving institution/agency
- (f) Name and signature of authorised official of the receiving institution/agency

*On-going investigation*

15. Every covered institution shall retain records related to on-going investigation until it is confirmed that the case has been closed.

#### PART V

#### RECOGNITION AND REPORTING OF SUSPICIOUS TRANSACTIONS

*Designated officer*

16. Every covered institution shall formally designate an officer to be responsible for money laundering deterrence and reporting procedures.

*Transaction profile*

17. Every covered institution shall develop procedures to determine a "transaction profile" of each customer by knowing enough about the customer's business. The "transaction profile" so developed shall be used in recognising that a transaction or series of transactions are unusual.

*List of suspicious transactions*

18. Every covered institution is required to utilise the list set out in the Second Schedule to this circular as a guide on what might constitute suspicious transactions.

*Employees awareness*

19. Every covered institution shall make the employees aware that the obligation to report suspicious transaction is on the staff who becomes suspicious. The designated officer mentioned in section 16 shall determine whether the suspicion is justified. In the absence of factual information to negate the suspicion, decision should be taken to report the matter to the law enforcement agency and the Bank without delay.

*No customer warning*

20. Covered institutions, their directors, officers and employees, shall not warn their customers when information relating to them is being reported to the law enforcement agency and the Bank.

## PART VI

### EDUCATION AND TRAINING

*Education and training*

21. Every covered institution shall ensure that its employees are aware of:

- (a) Policies and procedures put in place to prevent money laundering including those for identification, record keeping and internal reporting.
- (b) The legal provisions on deterrence of money laundering which include the provisions of Proceeds of Crime Act, 1991 and the circular issued by the Bank.

*Training Program*

22. Every covered institution shall develop education and training programme on money laundering which at minimum covers areas given in the Third Schedule to this circular.

## PART VII

### PENALTIES AND ADMINISTRATIVE SANCTIONS

*Penalty for failure to abide with this circular*

23. A covered institution shall be liable to a fine equivalent to not less than one million Tanzanian shillings per day for every day in which the default persists resulting from failure by such institution to abide by this circular.

*Penalty for failure to act or report.*

24. Failure by any director, officer or staff of a covered institution to act and report as prescribed in this circular shall attract a penalty charge amounting to not less than shillings one million payable by the defaulting officer.

*Other Sanctions*

25. The penalties mentioned in sections 23 and 24 shall be without prejudice to other sanctions and penalties which may be imposed by the Bank on account of persistent violations as prescribed in this circular

such as, but not limited to the following:

- (a) suspension from participating in the inter-bank foreign exchange market operations;
- (b) prohibition from issuing letters of credit and or guarantees;
- (c) prohibition from opening new branches;
- (d) suspension of the credit facilities of the Bank;
- (e) suspension of the declaration and or payment of dividend;
- (f) suspension and or removal from office of the officer and or employee and or perpetual disqualification from holding office in any bank or financial institution;
- (g) revocation of banking licence.

# FIRST SCHEDULE

(Section 7)

## 1. Personal Customers

- (a) True name(s) used and alias
- (b) Date of birth
- (c) Nationality and National identity number
- (d) Passport number, if any
- (e) Passport size photo of the customer(s)
- (f) Minimum of two referees known to the covered institution.
- (g) Permanent address

The permanent address should be verified by requesting sight of a recent utility bill or local authority tax bill and any other documentary evidence considered by the management to be appropriate and issued by reputable source.

- (h) The customers particulars above 1(a) - (g) should be verified through a full passport or national identity card (if any), or signed employer (known) identity card bearing a photograph and signature. In verifying the particulars, management may in addition use any other documentary evidence considered to be appropriate and issued by reputable sources.

## 2. Business organisation and other entities

- (a) Identity of the directors/owners and of the account signatories. These are to be verified as outlined in paragraph 1. above.
- (b) Nature of the business.
- (c) Copy of certificate of incorporation certified by the registrar of companies or of business names.
- (d) Organisation's mandate, signed application form or an account opening authority containing specimen signatures.



## SECOND SCHEDULE

(Section 18)

### EXAMPLES OF SUSPICIOUS TRANSACTIONS

#### 1. Money Laundering Using Cash Transactions

- (a) Unusually, large cash deposits made by an individual or company whose ostensible business activities would normally be generated by cheques and other instruments.
- (b) Substantial increase in cash deposits of any individual or business without apparent cause, especially if such deposits are subsequently transferred within a short period out of the account and or to a destination not normally associated with the customer.
- (c) Customers who deposit cash by means of numerous credit slips so that the total of each deposit is unremarkable, but the total of all the credits is significant.
- (d) Companies accounts whose transactions, both deposits and withdraws, are denominated by cash rather than the forms of debit and credit normally associated with commercial operations (e.g. Cheques, Letters of Credit, Bills of Exchange, etc.)
- (e) Customers who constantly pay-in or deposit cash to cover requests for banker's drafts, money transfers or other negotiable and readily marketable money instruments.
- (f) Customers who seek to exchange large quantities of low denomination notes for those of higher denomination.
- (g) Frequent exchange of cash into other currencies.
- (h) Branches that have a great deal more cash transactions than normal. (Head Office statistics detect aberrations in cash transactions).
- (i) Customers whose deposits contain counterfeit notes or forged instruments.
- (j) Customers transferring large sums of money to or from overseas locations with instructions for payment in cash.
- (k) Large cash deposits using night safe facilities, thereby avoiding direct contact with bank or financial institution staff.

#### 2. Money Laundering Using Covered Institutions:-

- (a) Customers who wish to maintain a number of trustee or clients' accounts, which do not appear consistent with the type of business, including transactions which involve nominee names.

- (b) Customers who have numerous accounts and pay in amounts of cash in each of them in circumstances in which the total of credits would be a large amount.
- (c) Any individual or company whose account shows virtually no normal personal banking or business related activities, but is used to receive or disburse large sums which have no obvious purpose or relationship to account holder and/or his business (e.g. a substantial increase in turnover on an account).
- (d) Reluctance to provide normal information when opening an account, providing minimal or fictitious information or, when applying to open an account, providing information that is difficult or expensive for the covered institution to verify.
- (e) Customers who appear to have accounts with several covered institutions within the same locality; especially when the bank or financial institution is aware of a regular consolidation process from such accounts prior to a request for onward transmission of the funds.
- (f) Matching of payments out with credits paid in by cash on the same or previous day.
- (g) Paying in large third party cheques endorsed in favour of the customer.
- (h) Large cash withdrawals from a previously dormant/ inactive account, or from an account which has just received an unexpected large credit from abroad.
- (i) Customers who together, and simultaneously, use separate tellers to conduct large cash transactions or foreign exchange transactions.
- (j) Greater use of cash deposit facilities, increased activity by individuals and the use of sealed packets deposited and withdrawn.
- (k) Companies' representatives avoiding contact with the branch.
- (l) Substantial increases in deposits of cash or negotiable instruments by a professional firm or company, using clients' accounts or in-house company or trust account, especially if the deposits are promptly transferred between other client company and trust accounts.
- (m) Customers who decline to provide information that in normal circumstances would make the customer eligible for credit or for other banking services that would be regarded as valuable.
- (n) Insufficient use of normal banking facilities e.g. avoidance of high interest rate facilities for large balances.

- (o) Large number of individuals making payments into the same account without an adequate explanation.

### 3. Money Laundering Using Investment Related Transactions

- (a) Purchasing of securities to be held by the covered institution in safe custody, where this does not appear appropriate given the customer's apparent standing.
- (b) Back to back deposit/loan transactions with subsidiaries of, or affiliates of, overseas banks or financial institutions in known drug trafficking areas.
- (c) Requests by customers for investment management services (either foreign currency or securities) where the source of the funds is unclear or not consistent with the customer's apparent standing.
- (d) Larger or unusual settlements of securities in cash form.
- (e) Buying and selling of a security with no discernible purpose or in circumstances which appear unusual.

### 4. Money Laundering by Off-shore International Activity

- a) Customer introduced by an overseas branch, affiliate or other bank based in countries where production of drugs or drug trafficking is prevalent.
- b) Use of Letters of Credit and other methods of trade finance to move money between countries where such trade is not consistent with the customer's usual business.
- c) Customers who make regular and large payments, including wire transactions, that cannot be clearly identified as bona fide transactions to, or receive regular and large payments from, countries which are commonly associated with the production, processing or marketing of drugs; prescribed terrorist organisations and tax haven countries.
- d) Building up of large balances, not consistent with the known turnover of the customer's business, and subsequent transfer to account(s) held overseas.
- e) Unexplained electronic fund transfers by customers on an in and out basis or without passing through an account.
- f) Frequent requests for travellers cheques, foreign currency drafts or other negotiable instruments to be issued.
- g) Frequent paying in of travellers cheques or foreign currency drafts particularly originating from overseas.

**5. Money Laundering Involving Covered Institution Employees and Agents**

- (a) Changes in employee characteristics, e.g. lavish life styles or avoiding taking holidays.
- (b) Changes in employee or agent performance, e.g. the salesman selling products for cash has remarkable or unexpected increase in performance.
- (c) Any dealing with an agent where the identity of the ultimate beneficiary or counterpart is undisclosed, contrary to normal procedure for the type of business concerned.

**6. Money Laundering by Secured and Unsecured Lending**

- (a) Customers who repay problem loans unexpectedly.
- (b) Request to borrow against assets held by bank or financial institution or a third party, where the origin of the assets is not known or the assets are inconsistent with the customer's standing.
- (c) Request by a customer for a bank or financial institution to provide or arrange finance where the source of the customer's financial contribution to a deal is unclear, particularly where property is involved.

# THIRD SCHEDULE

(Section 22)

## EDUCATION AND TRAINING PROGRAMMES

Timing and Content of training for various departments/sections of covered institutions should be adapted by individual institutions for their own need. The following programme is to be taken as a minimum that any institution in Tanzania can adopt.

1. New Employee

- Background to money laundering
- Need for reporting suspicious transaction to the money Laundering Reporting Officer

2. Cashier/Foreign exchange operator/Advisory staff

- Factors that may give rise to suspicious
- Procedures to be adopted when a transaction is deemed to be suspicious

3. Account opening/New Customer Personnel

- As per 1 and 2 above and in addition
- the need to verify the identity of the customer
- Customer/client verification procedures

4. Administration/operations supervisors and manager

- A higher level of instruction covering all aspects of money laundering procedures [1 - 3 above]
- In-depth analysis of legal requirements offences and penalties arising from criminal activities
- Internal reporting Procedures
- Retention of records

5. Money Laundering reporting officers

- In-depth training concerning all aspects of the legislation, regulations and internal policies.
- Extensive initial and on-going instruction on the validation and reporting of suspicious transactions and on the feed back arrangements.

# FOURTH SCHEDULE

(Section 4(g))

## SUSPICIOUS TRANSACTION REPORT

**Attention:**

This form shall be filled by the bank/financial institution and submitted to the Director Banking Supervision, Bank of Tanzania not later than seven business days following discovery of the suspected transaction.

1. Name and location of bank/financial institution.

Name: \_\_\_\_\_

Location: \_\_\_\_\_  
                                Street                                  Town/City

If activity occurred at branch office(s), please specify the branch \_\_\_\_\_

2. Appropriate date and the shilling or foreign exchange amount of suspected transaction

Date: \_\_\_\_\_ Amount: \_\_\_\_\_  
          Month     Day     Year

3. Person(s) suspected of money laundering (if more than one, use continuation sheet. Additional particulars may be attached)

Name: \_\_\_\_\_  
                                First                                  Last

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Explanation/Description of suspected transaction. (Give brief summary of the transaction including detail of accounts, vouchers and cheques used). (If necessary, use continuation sheet).

\_\_\_\_\_  
\_\_\_\_\_

5. Form prepared by:

Name: \_\_\_\_\_

Position in the bank/financial institution: \_\_\_\_\_

Name of the bank/financial Institution: \_\_\_\_\_

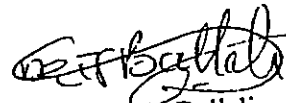
Phone No. \_\_\_\_\_ Fax No. \_\_\_\_\_

Date: \_\_\_\_\_ Official Stamp: \_\_\_\_\_

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This circular shall take effect on 1<sup>st</sup> September 2000.

**BANK OF TANZANIA**  
Dar es Salaam

  
Daudi T. S. Ballali  
GOVERNOR

Date: ...30th June, 2000...

Regulations:

The Independent Auditors Regulations, 12  
2001

