



REPUBLIC OF RWANDA

NRA REPORT 2017/2018



NATIONAL RISK ASSESSMENT ON MONEY LAUNDERING AND FINANCING TERRORISM



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DISCLAIMER

“The National Money laundering and Terrorism Financing (ML/TF) Risk Assessment of Rwanda has been conducted as a self-assessment by Rwandan authorities, using the ML/TF Assessment methodology that has been developed and provided by the World Bank. The World Bank team’s role was limited to delivery of the tool; providing guidance on technical aspects of it and review/feedback to assist with the accurate use of it. The data, statistics and information populated into National Money Laundering and Terrorist Financing Risk Assessment Tool templates, and any other finding, interpretation, and judgment under the scope of National Money Laundering Risk Assessment process completely belong to the Rwandan authorities and do not reflect the view of World Bank, its Board of Executive Directors or the governments they represent. Nothing herein shall constitute or be considered to be a limitation upon or waiver of the privileges and immunities of the World Bank, all of which are specifically reserved.”

EXECUTIVE SUMMARY

Rwanda conducted the first NRA on ML/FT from July 2017 to December 2018. The assessment findings revealed that the risk of Money Laundering (ML) in Rwanda is rated Medium. This was derived from the combined effect of the ML threat and vulnerability where national threat was rated Medium Low while national vulnerability was rated Medium.

Money Laundering and the Financing of Terrorism (ML/FT) is a global phenomenon that affects all countries. It undermines the integrity and stability of financial markets and institutions. The Financial Action Task Force (FATF) 40 recommendations set out a comprehensive and consistent framework of measures which countries should implement in order to combat ML/FT. Recommendation 1 requires all states to conduct the National Risk Assessment to identify, assess and understand their risks in order to apply the risk based approach in mitigating ML/FT risks. Rwanda conducted the first NRA on ML/FT from July 2017 to December 2018. The assessment findings revealed that the risk of Money Laundering (ML) in Rwanda is rated Medium. This was derived from the combined effect of the ML threat and vulnerability where national threat was rated Medium Low while national vulnerability was rated Medium.

The threat rate resulted from the analysis of predicate offenses cases recorded by law enforcement agencies in the period of five years from 2013 to 2017. Findings revealed that the prevailing predicate offences are corruption/ bribery and embezzlement of funds while the offences committed with highest proceeds of crime are tax evasion and embezzlement of funds.

The assessment of the national vulnerability focused on 24 areas with varying levels of capacity to deal with threats. These including but not limited to legal and institutional frameworks (both public and private), the quality of existing systems and infrastructure with regard to the prevention of money laundering and proceeds of crime as well as the role of the supervisory authorities with regard to monitor the compliance with AML/CFT obligations. The overall picture shows the existence of strong legislative and institutional frameworks, but a very low effectiveness in terms of enforcement and supervision.

At sectorial level, ML risks were assessed and rated as follow: primarily, banking, real estate and money transfer sectors were rated Medium High. Secondly, securities, electronic money and MFIs were rated Medium Low while the remaining sectors, which include life insurance and pension schemes, forex bureaus, accountant & auditors, lawyers, casinos as well as precious metal & stone dealers, were rated Low.

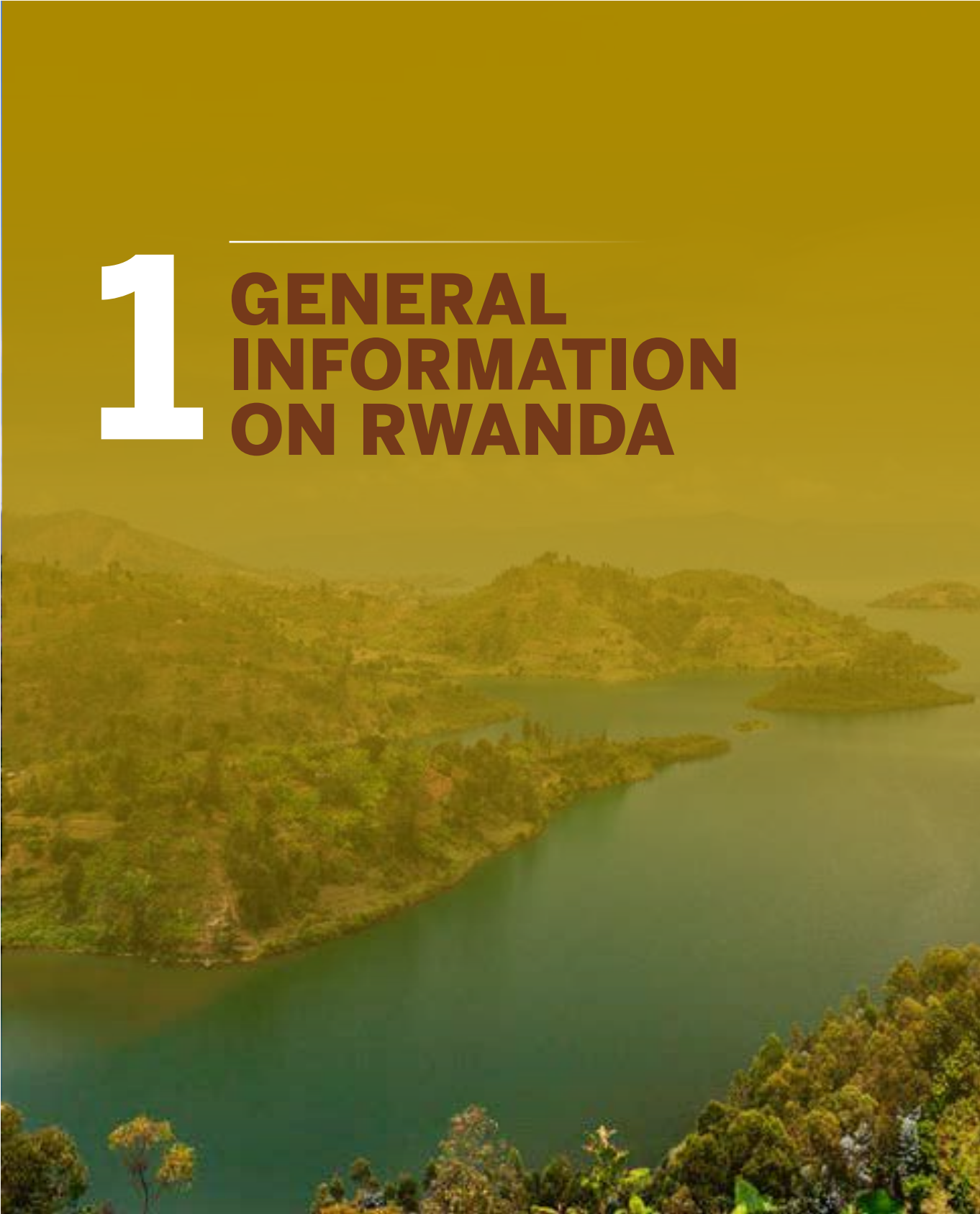
The findings of the assessment highlighted sectorial weaknesses in combating ML including the ineffective supervision/oversight activities, ineffectiveness of compliance function in reporting persons, inefficiency to detect suspicious activity as well as unavailability and inadequate enforcement of both administrative and criminal sanctions. Hence, the assessment of National Money Laundering combating ability was rated Medium.

The assessment of FT risk revealed that FT risk is Medium Low. This derived from the combined assessment of financing of terrorism threats and vulnerabilities where threats were rated Low while vulnerabilities were Medium. Rwanda does not face any immediate financing terrorist threats but need to put counter measures considering the volatile geo-political situation in neighboring countries and the region. Rwanda had terrorism cases in terms of radicalization but non-financial aspects were observed.

As for TF vulnerabilities, the assessment found that there is an effective institutional and legal framework in place to prevent and to counter terrorism. On institutional level, Rwanda National Police has established a specialized Counter Terrorism Unit with specialized forces and has sensitized the public on counter terrorism. Rwanda Investigation Bureau has also a department in charge of intelligence and counter-terrorism. On the legal side, the new law N° 46/2018 of 13/08/2018 on counter terrorism was enacted. The law provides for the preventive measures, investigative mechanisms and set out offences and penalties in relation with terrorist activities. However, there is no mechanism for the implementation of UNSCRs with regard to terrorism and terrorism financing.

From the above backdrops, the following key recommendations were made:

1. Enhance knowledge and skills for investigators, prosecutors and judges in AML/CFT;
2. Enhance the capacity of regulatory and supervisory authorities with regard to AML/CFT;
3. Securing adequate financial, human, and technical resources for the FIC to achieve its core functions;
4. Extend investigations on predicate offences to include the proceeds of crime in order to detect the possibility of money laundering;
5. Apply direct confiscation to all offences that generate proceeds of crime;
6. Introduce unrestricted non conviction based forfeiture (civil forfeiture) under Rwandan legal system;
7. Accelerate the integration of Integrated Electronic Case Management System (IECMS) with other national systems to facilitate the detection and data collection on money laundering and its predicate offences;
8. Allocate adequate funds and resources to relevant authorities in charge of fighting against ML/TF;
9. Enhance the inter-agency cooperation (domestic cooperation) in the fight against ML/TF;
10. Issue regulations and guidance to reporting persons on AML/CFT obligations;
11. Ensure that supervisory authorities are imposing administrative sanctions to reporting persons for the non-compliance with AML/CFT obligations;
12. Put in place a legal and regulatory framework for real estate agents;
13. Enhance the effective of KYC/CDD measures by reporting persons;
14. Develop outreach campaigns to raise awareness on AML/CFT;
15. Develop typologies to raise awareness and create a better environment for detection of ML/TF offences by both private and public sector;
16. Put in place effective laws and regulations implementing UN Security Council Resolutions on counter terrorism financing.



1 GENERAL INFORMATION ON RWANDA



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GEOGRAPHY AND DEMOGRAPHY

Rwanda is a landlocked country situated in Central Africa. Also known as the land of Thousand Hills' Rwanda has five volcanoes, 23 lakes and numerous rivers, some forming the source of River Nile. The country lies 75 miles south of the equator in tropical of Capricorn, 880 miles as crow flies' west of the Indian Ocean and 1,250 miles east of Atlantic Ocean-literally in the heart of Africa. Uganda to the North, Tanzania to the East, Burundi to the South and Democratic Republic of Congo to the West border Rwanda. Its total surface area is 26,338 square kilometers. Most of the country is savanna grassland, and its population predominantly rural. Vegetation ranges from dense equatorial forest in the northwest of the country to tropical savannah in the east. Altitude ranges from 1,000 to 4,500 meters above sea level.¹

The country has about 11.7 million inhabitants, as of (2012), and the population are young and predominantly rural, with a density among the highest in Africa. The life expectancy is just 64.3 years at birth in 2017.²

HISTORY

By 1962, when Rwanda gained independence, after colonization by Germany in 1899, after World War I, it came under Belgian administration in 1919. In 1961 its monarchical government was formally abolished by a referendum, and the first parliamentary elections were held. Political turmoil over the sharing of power and repeated explosions of ethnic violence has marked the country's history. These conflicts triggered the displacement of tens of thousands of Rwandese to neighboring countries from 1959 onward (1963 to 1973) and ultimately resulted, in the early 1990s, in a rebellion by Rwandan Patriotic Front (RPF), and the 1994 Genocide.³

In July 1994, a transitional Government of national unity as well as the National Assembly of the Transition was established, comprising representatives of all the political parties in the government.

A period of reconciliation and justice began, with the establishment of the International Criminal Tribunal for Rwanda (ICTR) and the reintroduction of "Gacaca," a traditional village court system. Following the installation of the new government in July 1994, more than 2.5 million exiles from previous conflicts returned to Rwanda.⁴

Rwanda is a member of several regional and International organizations. It is notably member of the United Nations, the Africa Union, Organization internationale de la Francophonie, the Common Market for East and Southern Africa, the International Conference for the Great Lakes Region, the East African Community, and the Commonwealth of Nations as well as the Eastern and Southern Africa Anti-Money Laundering Group.

Despite the numerous hurdles, Rwanda has made significant achievements toward the MDGs thanks to strong political commitment, right policies and institutions that people can involve. As one of the African countries piloting thematic areas of the post-2015, SDGs-Sustainable Development Goals-Rwanda upholds the establishment of good governance, effective institutions, and rule of law as key priorities for future development.

ECONOMY AND SERVICES

Rwanda's gross domestic product (GDP) rose by 10.6 percent in the first quarter of 2018 compared with the same quarter of 2017. The nominal GDP in the second quarter totaled 1,985 billion Rwandan Francs, up from 1,816 billion in Q1 2017. Rwanda is improving in agriculture; GDP from agriculture was 457 RWF billion in September 2017 while it was 451 RWF billion in previous year.⁵

¹ <http://www.rdb.rw/about-rwanda/geography.html>

² <https://www.indexmundi.com/g/g.aspx?c=rw&v=30>

³ The 2015 Rwanda Mutual Evaluation Report, p. 11.

⁴ See <http://www.gov.rw>

⁵ Rwanda - Economic Indicators, Obtained from: <https://tradingeconomics.com/rwanda/indicators>

Activities in the industry sector increased by 7 percent, manufacturing activities increased by 7 percent boosted by food processing activities which increased by 9 percent and textiles, clothing & leather goods activities which grew by 24 percent, construction activities increased by 8 percent. Activities in services sector increased by 12 percent in Q1 2018; the main contributors are, wholesale and retail trade which grew by 26%.

Transport activities, which grew by 28%. Information and communication which grew by 24%, financial services which grew by 12%, public administration which grew by 15% and human health & social work activities increased by 7%.⁶

Doing Business 2018, ranked Rwanda on 41st place out of 190 countries ease of doing business. In EAC, Kenya ranked on 80th, Uganda is on 122th, Tanzania is on 137th and Burundi is ranked on 164th.⁷ The Global competitiveness Index 2017-2018 covered 137 economies, ranked Rwanda on 58th place out of 137 countries. In EAC, Kenya is on 91th, Tanzania is on 113th, Uganda is on 114th and Burundi is on 126th. Thus, Rwanda remained number one in EAC.⁸

GOVERNMENT AND POLITICAL SYSTEM

The current Constitution was adopted by referendum in June 2003 and was revised in December 2015. It prescribes a multi-party system of government based on universal principles, rule of law, democracy, and elections. In accordance with the Constitution, the legislative power is vested in Parliament, which consists of two chambers: the Chamber of Deputies⁹ and the Senate.¹⁰

The President of Rwanda is the head of State, and has broad powers, including creating policy in conjunction with the Cabinet, exercising the prerogative of mercy, commanding the armed forces, negotiating and ratifying treaties, signing presidential orders, and declaring war or a state of emergency.

The President is elected by popular vote every seven years, and appoints the Prime Minister and, upon proposal of the latter, all other members of Cabinet.

The Constitution also establishes, among other institutions aimed at fostering the socio-economic agenda of the country, the office of the Ombudsman, one of whose duties is to prevent and fight corruption and other related offenses in public and private administration. All public officials (including the President of the Republic) are required by the Constitution to declare their wealth to the Ombudsman on an annual basis.

GOOD GOVERNANCE, TRANSPARENCY MEASURES TO COMBAT CORRUPTION

Rwanda has achieved impressive development progress since 1994 Genocide against Tutsi. Rwanda's success in development has been unbelievable to consolidating gains in social development and accelerating growth while ensuring that those efforts will aid in endeavor to mitigate risks to eroding the country's hard-won political and social stability. In order to maintain social and political stability, the government of Rwanda has taken on the task of ensuring good governance practices exist throughout the country.

The Gallup Global Law and Order 2015 Report has ranked Rwanda among the safest countries in the world. Rwanda placed 5th in global ranking with score 85 percent. Rwanda has been on several occasions ranked among developing countries in the world that are dynamic performers when it comes to social and economic growth, and is the 5th largest contributor of peacekeepers worldwide.¹¹ Rwanda continues to feature as one of the safest countries in world, according to the 2018 Gallup Global law and order report. The report has ranked Rwanda 11th globally and 2nd in Africa with over 87 percent of citizens saying that they feel safe and confident in the security organs.

⁶ NISR, GDP National Accounts (First Quarter 2018).

⁷ Doing Business 2018, Reforming to create Jobs.

⁸ The Global Competitiveness Report 2017-2018. By World Economic Forum

⁹ With 80 seats for 53 members elected by popular vote, 24 women elected by local bodies, 2 selected by youth and 1 of disability organizations.

¹⁰ With 26 seats, 12 of which are elected by local councils, 8 appointed by the President, 4 by a political organizations forum, and 2 represent institutions of higher learning.

¹¹ The Gallup Global Law and Order 2015 Report ranks Rwanda one of the Safest Countries in the World, 2015.

The 2017 Ibrahim Index of governance report by Mo Ibrahim Foundation has ranked Rwanda as the most transparent country in Africa when it comes to governance. The research was conducted among 54 African countries and covered the overall governance, safety and rule of law, participation and human rights and sustainable economic opportunity among others. Rwanda scored 72.1 percent in terms of accountability, fighting corruption in government and public officials. Rwanda scored 100 percent in access to information, 61.8 percent in online public services, and 82.8 percent in access to justice, 85.5 percent in public sector accountability and transparency.

Rwanda ranked 52nd globally and 3rd in Africa by the Global Competitiveness Report 2016-2017 which assessed the competitiveness landscape of 138 economies, providing insight into the drivers of their productivity and prosperity. Rwanda rises up six places comparing to the ranking of 2015 following the region's traditionally most competitive economies, Mauritius (45th) and South Africa (47th), which climbed two places and one place, respectively.

Rwanda continues to feature as one of the safest countries in the world. Rwanda ranks 2nd in cyber-security in Africa. The latest report from research carried out by the International Telecommunication Union on Global Cyber Security Index (GCI) has ranked Rwanda as the second Country in Africa that is most committed to uphold and ensure cyber Security, and 36th worldwide due to its good cyber-protection policies and practices.

The GCI analyses each country's level of cyber-security development within five categories, namely: legal measures, technical measures, organizational measures as well as capacity building and cooperation. The report ranks Rwanda 5th in personal safety, 1st in gender, 3rd in Sustainable economic development and 9th in public management.

Rwanda tops other African countries in business environment and rural development and is the 17th in infrastructure.

Corruption perceptions Index 2017 of Transparency International, ranked Rwanda on 48th place out of 180 countries, whereas in EAC's members Tanzania ranked on 103th place, Kenya on 143th, Uganda on 151th, Burundi on 157th and South Sudan on 179th.¹² Rwanda ranked on 50th place in 2016.

In addition to the existing measures, the new law on anti-corruption which was enacted in August 2018 has set up enhanced measures including inter alia broadening the definition of corruption¹³ that is now covering embezzlement of funds as well as all public funds mismanagement, increasing penalties and criminalizing new conducts (e.g. abuse of functions), non-prescription of the offence of corruption (absence of statutes limitations), confiscation of proceeds of corruption and exemption of criminal liability for a person who gives or receives an illegal benefit and informs the justice organs before the commencement of criminal investigation by providing information and evidence.

¹² Corruption Perceptions Index 2017, published on February 21, 2018.

¹³ Law N° 54/2018 of 13/08/2018 on fighting against corruption published in Official Gazette of 20/09/2018.

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OVERVIEW ON AML/ CTF NATIONAL RISK ASSESSMENT





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"The Government of Rwanda decided to undertake the ML/TF NRA to identify, assess, and understand money laundering and terrorist financing risks for the country. The NRA was also part of the process to create awareness and stakeholder buy-in on the NRA process. Government launched the NRA on 5th December 2017. Participants included a number of officials from Government, private sector and civil society."

Rwanda is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF) styled regional body. FATF, as an independent inter-governmental body, has developed and promoted policies to protect the global financial system against Money Laundering, Terrorist Financing and proliferation. FATF set standards on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) which are globally recognized and referred to as "Recommendations". FATF Recommendation 1 of the revised FATF standards requires countries to identify, assess, and understand the ML/TF risk they face to enable them to apply a Risk Based Approach (RBA) in mitigating ML/TF risks.

Money laundering and the Financing of Terrorism are of global concern and if left unchecked can impact negatively on security, economic development and social cohesion. Countering ML and TF has therefore become a key priority for international standard setters, governments, civil society and the financial sector. Therefore, identifying, assessing and understanding ML/TF risks is an important part of the development and implementation of national anti-money laundering and countering the financing of terrorism regime which includes laws, regulations, enforcement and other measures to mitigate ML/TF risks.

The Government of Rwanda decided to undertake the ML/TF NRA to identify, assess, and understand money laundering and terrorist financing risks for the country. The NRA was also part of the process to create awareness and stakeholder buy-in on the NRA process. Government launched the NRA on 5th December 2017. Participants included a number of officials from Government, private sector and civil society.

PURPOSE AND OBJECTIVES OF ML/TF ASSESSMENT

Identification, assessing and understanding of ML/TF risks are essential parts of the development and implementation of an effective AML/CFT regime. The NRA would assist in the prioritization and efficient allocation of resources by authorities and provide useful information to reporting entities to support the conduct of their own risk assessments. In particular, the objectives of the NRA were to:

- Understanding the ML/TF risks both domestically and internationally;
- Informing the relevant public and private stakeholders about the risks in the country;
- Designing a risk-based approach to AML/CFT;
- Prioritizing the actions to address the deficiencies, weaknesses in AML/CFT system;
- Increasing the effectiveness of measures and institutions against ML/TF.

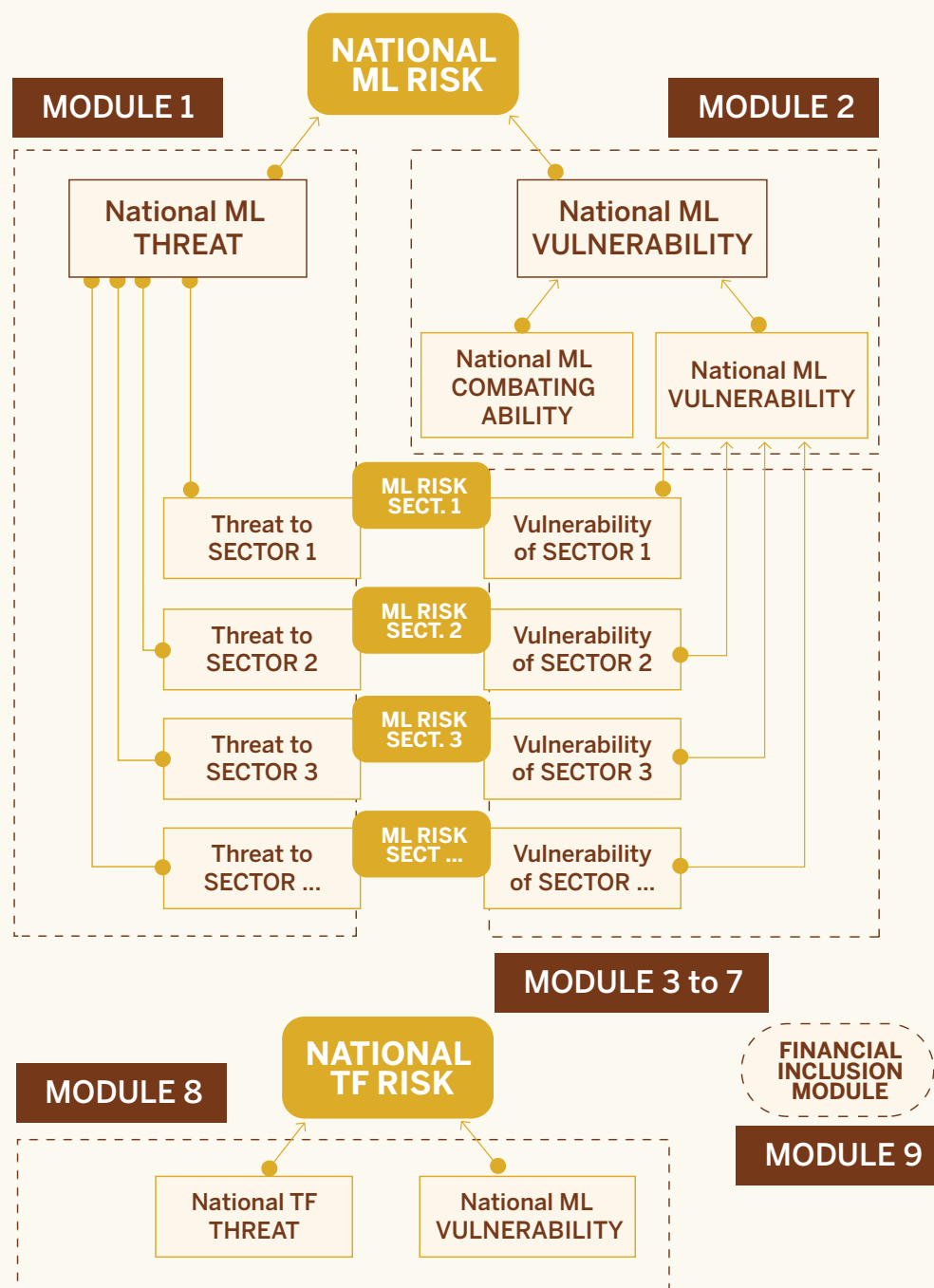


ASSESSMENT METHODOLOGY

ASSESSMENT TOOL

In conducting the NRA, Rwanda used the ML/TF risk Assessment tool developed by the World Bank. The World Bank model defines the ML risk as a combination of national threat and national vulnerability. The national ML risk consists of 8 modules as shown in the structure of the NRA in figure 1.

Figure 1: The structure of the WB's Risk Assessment tool



The tool comprises several interrelated modules: Module 1 focused on National ML Threats (prevalence of crime and proceeds of crime assessment). Module 2 focused on the analysis of the national combating ability as well as the vulnerability of the various sectors to money laundering.¹⁴ Module 3 to 7 covered different sectors including banking sector; insurance and pension; securities sector; other financial institutions and DNFBPs respectively. Module 8 assessed the terrorism financing risk.¹⁵ These modules are built on “input variables”, which represent factors related to money laundering/terrorist financing threats¹⁶ and vulnerabilities.¹⁷

SELECTION OF PARTICIPANTS IN THE NRA PROCESS

In undertaking the ML/TF NRA process, a working group was established to take the lead of the NRA process. The National Public Prosecution Authority coordinated the NRA process while the National Bank of Rwanda facilitated the secretariat. The working group members comprised participants from public and private institutions.¹⁸ The participants were chosen based on their experience and expert knowledge in their respective fields as well their involvement in prevention of ML/TF.

WORKSHOPS FOR NOMINATED EXPERTS

Prior to the launch of the NRA, the World Bank experts held video conferences with the Working Group team as part of the NRA preparatory process. The World Bank also assisted in inducting the Working Group team on the WB methodology in the workshop held on 2nd to 3rd October 2017. The World Bank also participated in the 5 days' workshops aiming at involving different stakeholders in the NRA process and guiding the working group in the data collection and assessment. During the process, the working group has also organized 3 workshops in which participants assessed threats and vulnerabilities at national and sectorial levels and completed the tools dedicated to collect information and data.

DATA AND INFORMATION COLLECTION

The working group shared information collection templates to various institutions for data collection. Both quantitative and qualitative data were used in undertaking the NRA. Qualitative data included intelligence information, expert judgments, private sector inputs, case studies and perception surveys as well as research papers and various internet sources. Quantitative data was obtained from LEAs, FIC, supervising authorities and reporting entities. The data series were limited to a period of five years (from 2012-2013 to 2016-2017) where data was available but shorter time-periods were also used in cases where availability of data was limited.

¹⁴ Combining the vulnerabilities of the relevant sectors and taking the deficiencies in national combating ability into account, the National Vulnerability Module yields a “vulnerability score” (which ranges from 0.0 to 1.0, and corresponds to one of five levels ranging from “low” to “high”).

¹⁵ It is important to mention that the NRA did not assess the financial inclusion products. It will be assessed separately.

¹⁶ Threats here refer to the scale and characteristics of the proceeds of crime or financing of terrorism in the country.

¹⁷ Vulnerabilities here refer to weaknesses or gaps in a country's defenses against money laundering and terrorist financing.

¹⁸ See the list of participated institutions on Appendix 2.

FINDING SUMMARY OF ML/FT RISK ASSESSMENT

OVERALL MONEY LAUNDERING RISK ASSESSMENT IN RWANDA

According to the figure below, the assessment of overall ML risk in Rwanda was rated Medium. This derived from overall threat, which is rated Medium Low while the overall vulnerability is Medium.

Figure 2: A risk Map of Threat and Vulnerability (ML)

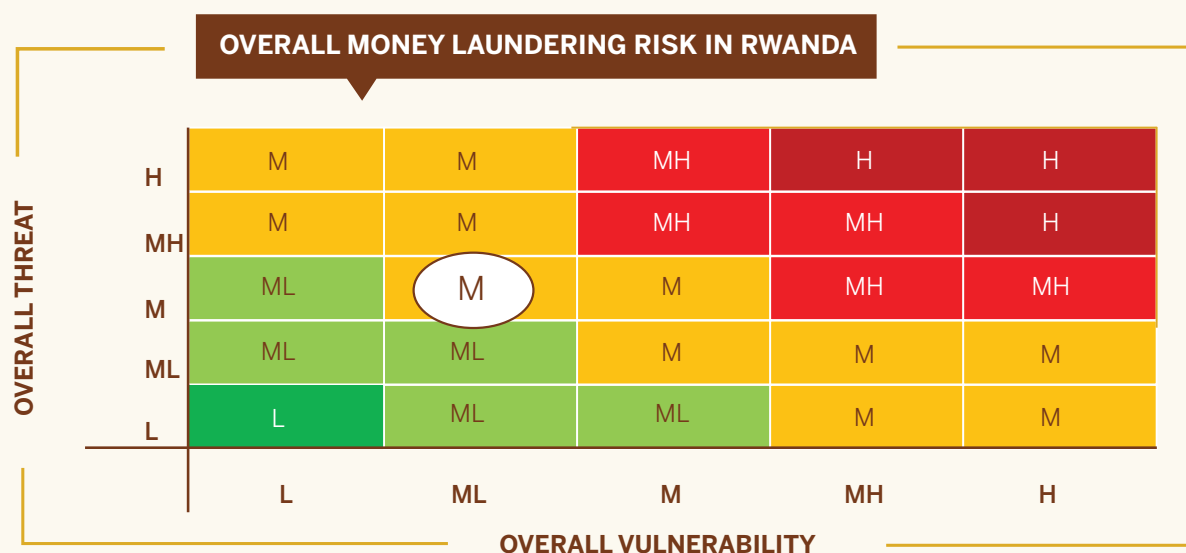


Table 1: Sectorial Money Laundering Risk

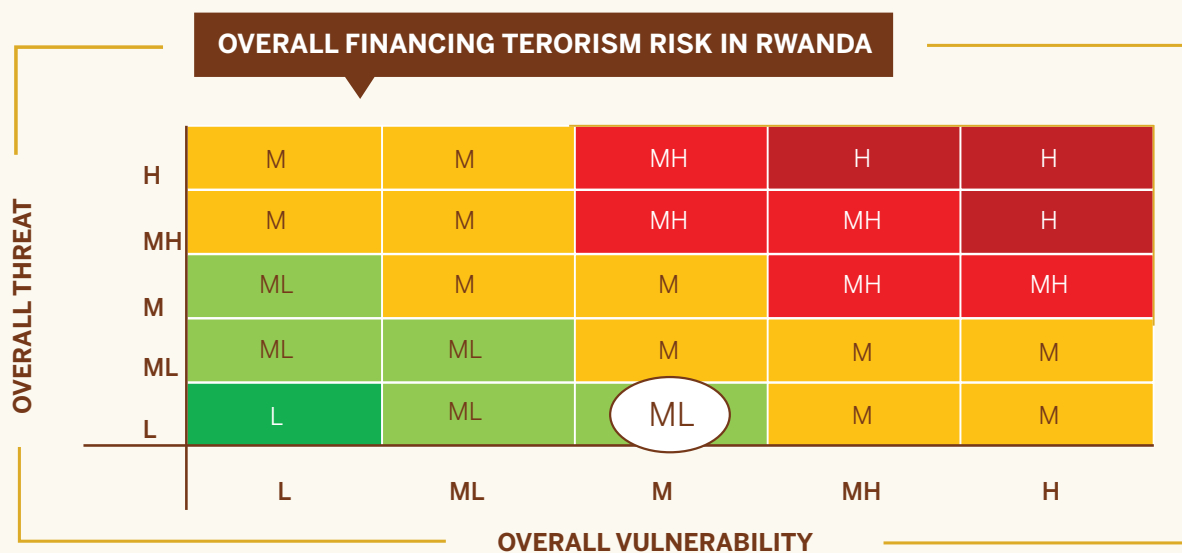
SECTOR	OVERALL THREAT	OVERALL VULNERABILITY	ML RISKS	WEIGHT
Banking	High	Medium	Medium High	10
Real estate	High	Medium High	Medium High	7
Microfinance	Low	Medium	Medium Low	7
Money transfer	High	Medium High	Medium High	6
Insurance and pension	Medium Low	Low	Low	5
Precious metal dealers	Very Low	Medium	Low	2
Securities	Low	Medium	Medium Low	1
Forex Bureaus	Very Low	Medium Low	Low	1
Casinos	Very Low	Medium	Low	1
Accountants	Very Low	Medium	Low	1
Lawyers	Very Low	Medium	Low	1
E-money	Low	Medium	Medium Low	1

Note: The weight (last column) indicates the contribution level of sector in national economy. However, a weight between 1 and 10 for each sector, more important the sector (in Rwanda's economy), higher the weight is.

OVERALL FINANCING TERRORISM RISK ASSESSMENT

Based on the figure below, the assessment of terrorist financing revealed that the rate of TF risk is Medium Low as derived from the combined assessment of financing of terrorism threats and vulnerabilities rated Low and Medium respectively.

Figure 3: A risk Map of Threat and Vulnerability (TF)





3 MONEY LAUNDERING THREAT ASSESSMENT AT NATIONAL LEVEL



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Identification and understanding of the ML threat is an important aspect in the process of assessing ML risk. This requires understanding of the environment in which predicate offences are committed. In assessing the ML threat, consideration was given to the level and trend of predicate offences reported, investigated and prosecuted, convictions recorded, seizure and forfeiture of proceeds of crime.

The objectives of the threat assessment were to: (1) identify ML threats in terms of the magnitude of predicate offences; (2) Assess the offences that are the main source of proceeds and (3) analyze cross border threats from foreign jurisdictions. Thus, this chapter has analyzed ML threats at international and domestic levels. At international level, it looked at cross-border financial in-outflows while at domestic level; it considered prevailing predicate crimes, main predicate offences generating proceeds of crime, findings of case (50) analysis case studies and data collection.

INTERNATIONAL THREAT

In this section, the assessment focused on money laundering threat at international level. It looks at financial in-outflows to consider how Rwanda is dealing with the potential cross-border treat.

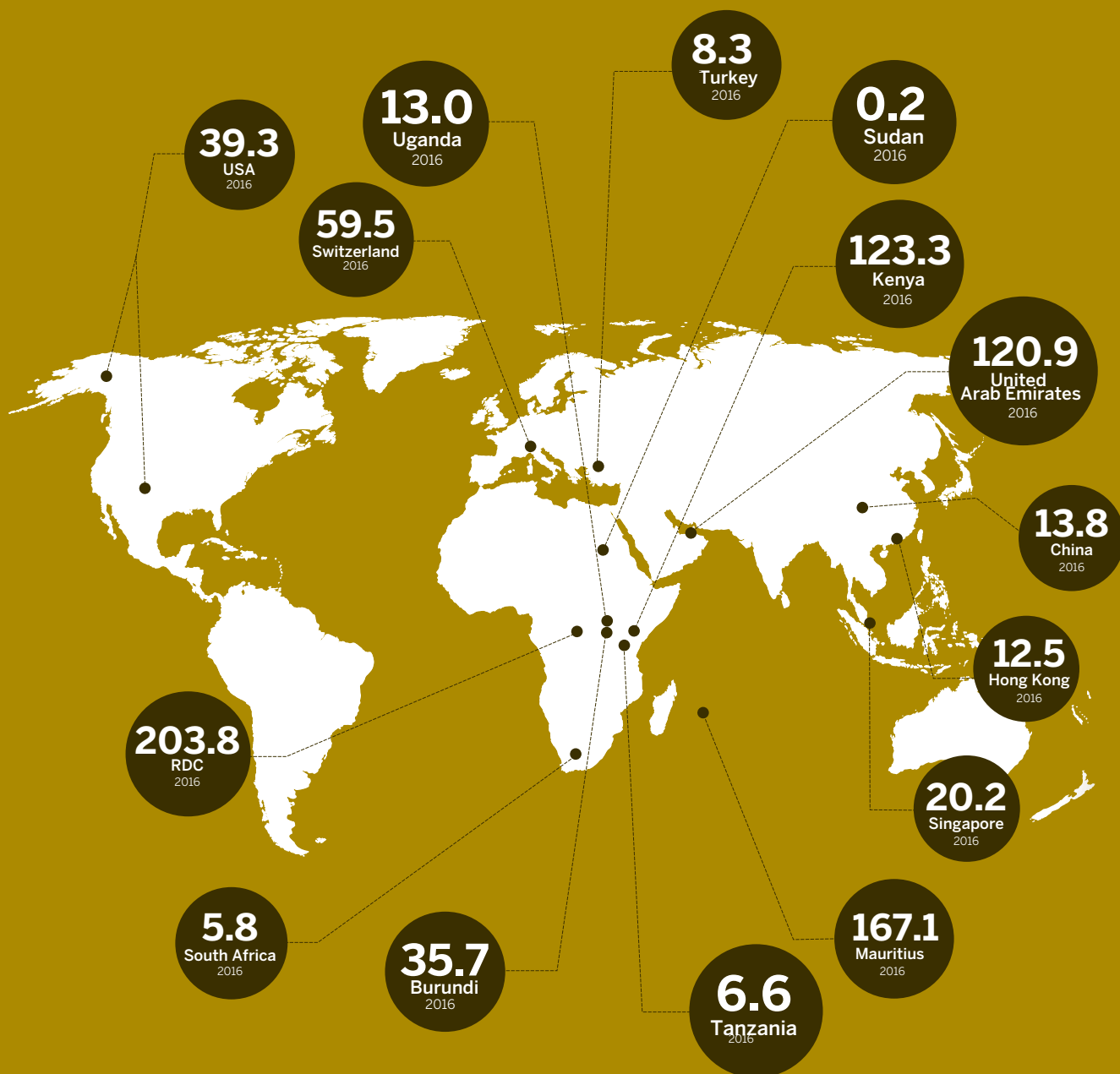
CROSS-BORDER FINANCIAL INFLOWS

The IMF defines financial inflows as the movement of funds into domestic economy from abroad, representing either the purchase of domestic financial securities, and physical assets by foreigners or the borrowing of foreign funds by domestic residents.¹⁹ The following figure indicate the status of Cross-border financial inflows in the last 3 years consecutives in Rwanda:

¹⁹ IMF, Official Financial Flows, Capital Mobility, and Global Imbalances, IMF Working paper, October 2014, p. 12.

"Thus, this chapter has analyzed ML threats at international and domestic levels. At international level, it looked at cross-border financial in-outflows while at domestic level; it considered prevailing predicate crimes, main predicate offences generating proceeds of crime, findings of case (50) analysis case studies and data collection."

Cross-border financial inflows (in Million USD)



From the graphical representation on cross-border financial inflows, it is depicted that DRC is the net importer indicating high cross-border financial inflows consistently from 2014 to 2016 followed by Mauritius and Kenya. The assessment revealed that high financial inflows from different jurisdictions, especially from DRC, Kenya and Mauritius, are related to trade and Foreign Direct Investments (FDIs). With regard to ML threat, the assessment on financial inflows found that no case was investigated in the last 3 years. From this analysis, the assessment concluded that the financial inflows do not pose any threat.

CROSS-BORDER FINANCIAL OUTFLOWS

Contrary to financial inflows, financial outflows refer to the financial movement from one country to another country. Outflowing capital can be caused by economic and political reasons but can often be motivated by criminal activities such as money laundering and terrorism financing. The following figure indicates the status of outflowing capital from Rwanda.

Cross-border financial outflows (in Million USD)



From the analysis of the data, China dominates in high financial outflows, followed by India and Uganda. China had high financial outflows in 2014 compared to 2015 and 2016 and this was due to the import nature of Rwanda in this country, whereby it is involved in construction projects and major materials and goods are consequently imported from there. Uganda also had high financial outflows in 2014 compared to 2015 and 2016 due to the importation of goods (merchandises) and agricultural products. As for India, it had high financial outflows due to medical services. In sum, the assessment has concluded that financial outflows do not pose any threat as no predicate offence on ML was identified.

DOMESTIC THREAT

The assessment assessed also the money laundering domestic threat. It assessed available statistics related to predicate offences investigated, prosecuted and convictions during the period from 2013 to 2017. It also compared the analysis with the finds of the perception survey conducted for purpose of the NRA. It sought to identify the prevailing offences; the offences which are the main source of proceeds and the amounts involved. The table below shows available data to be analyzed

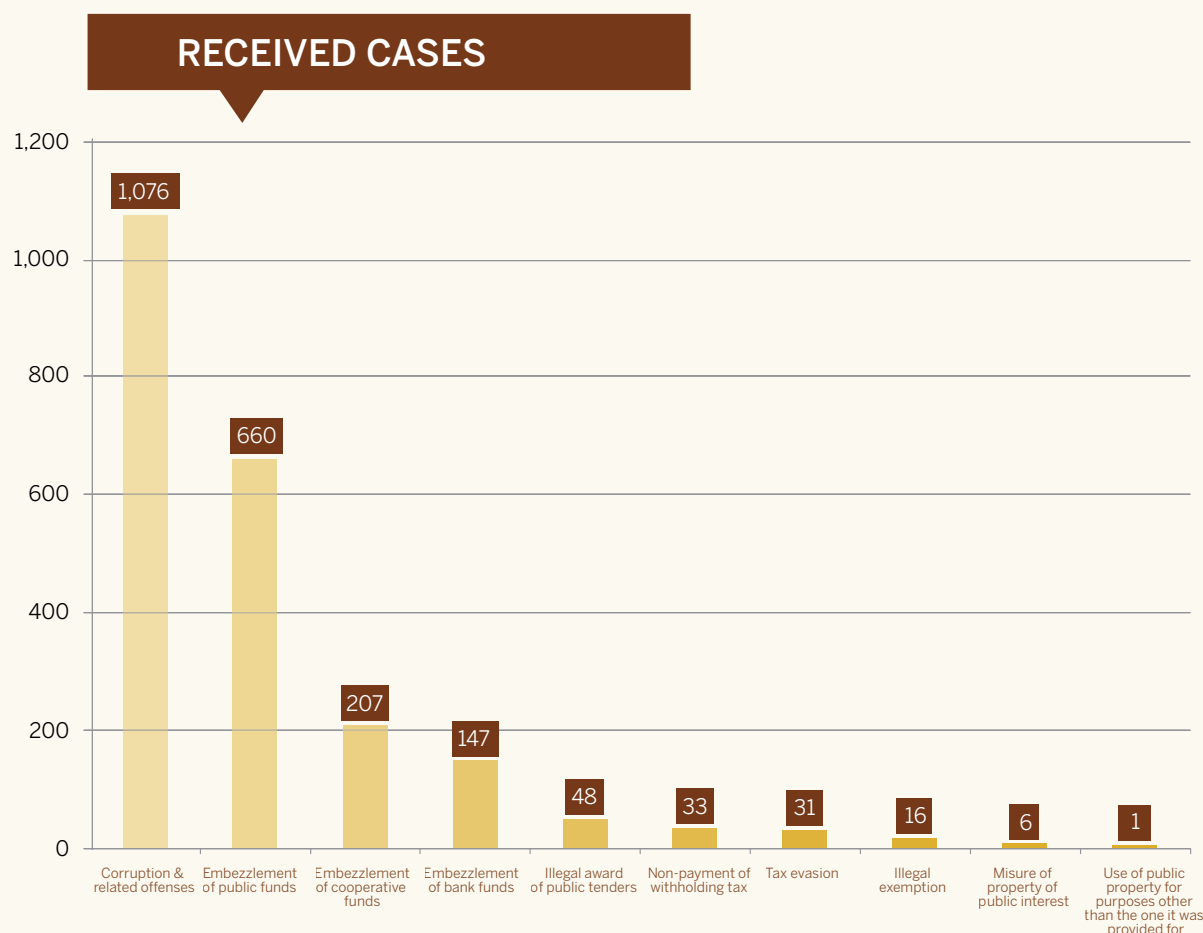
Table 2: Domestic Threat from 2012-2013 to 2016-2017

OFFENCES	RECEIVED CASES	FILED WITH COURTS	CLOSED CASES	TRANSMITTED TO THE MPD	HANDLED CASES	PENDING CASES AT THE END OF JUNE 2017	NUMBER OF SUSPECTS	NUMBER OF DETAINEES	ACCUSED PERSONS	AMOUNT OF MONEY INVOLVED IN RWF
Embezzlement of public funds	660	410	234	12	656	4	1,018	312	664	7,447,553,614
Embezzlement of bank funds	147	115	32	0	147	0	237	81	147	2,980,544,552
Embezzlement of cooperatives funds	207	149	56	0	205	2	533	123	348	3,262,779,228
Tax evasion	31	25	6	0	31	0	81	35	44	18,777,884,043
Illegal exemption	16	7	6	0	13	3	27	7	7	2,405,568,282
Non- payment of withholding tax	33	12	21	0	33	0	49	8	18	2,180,918,682
Corruption and related offences	1,076	753	294	21	1,068	8	1,192	642	787	398,905,256
Illegal award of public tenders	48	24	20	0	44	4	155	26	92	5,948,944,257
Use of public property for purposes other than the one it was provided for	1	1	0	0	1	0	1	1	1	2,760,300
Misuse of property of public interest	6	3	1	0	4	2	8	3	3	1,508,440,000
Total	2,225	1,499	670	33	2,202	23	3,301	1,238	2,111	44,914,298,214

ANALYSIS OF PREVAILING PREDICATE OFFENCES AND CRIMES WHICH ARE THE MAIN SOURCE OF ILLICIT PROCEEDS

The analysis of statistics shown in the table above revealed that the prevailing ML predicate offences as indicated also in the figure 6, are corruption (=bribery=); embezzlement of funds (public, banks, microfinance and cooperative funds).

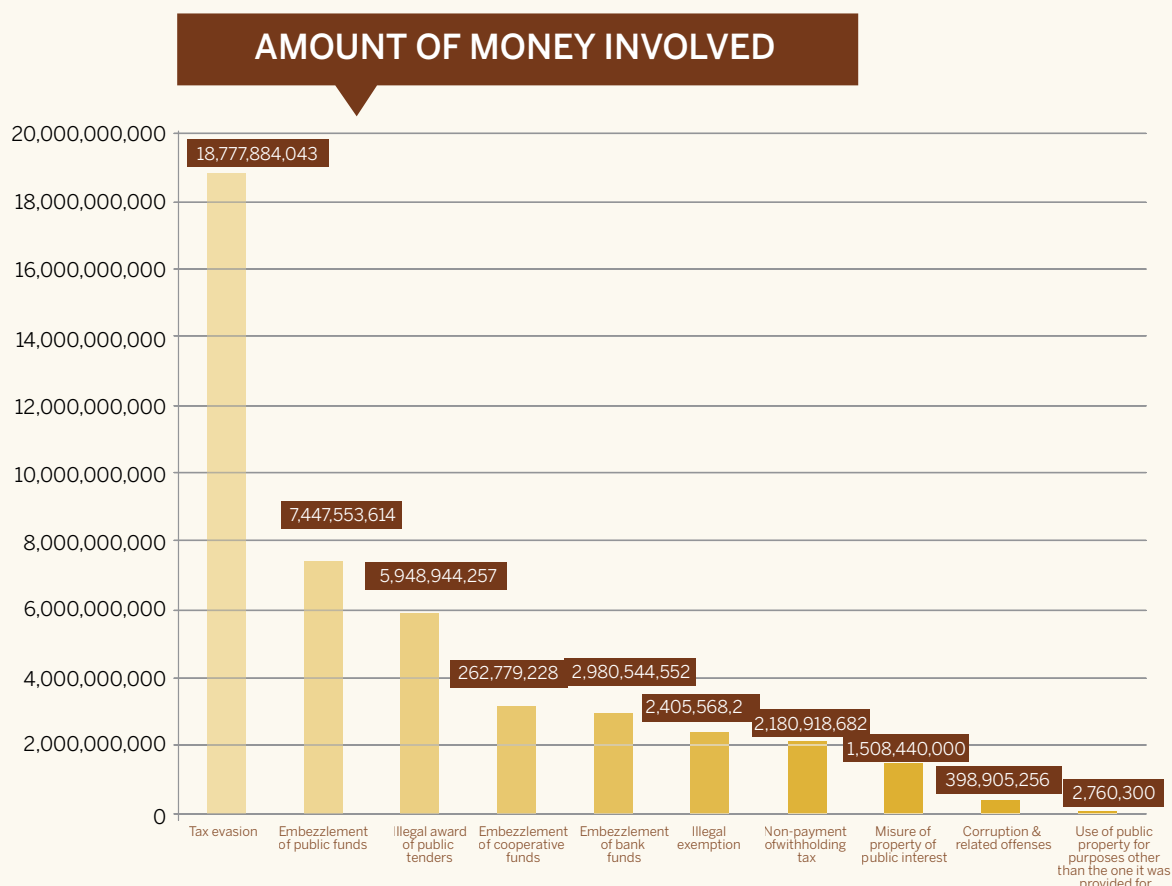
Figure 4: Prevailing ML Predicate Offences



Source: **NPPA**

The figure above shows that in the last five years, authorities have registered 1,076 cases of bribe (corruption) and 1,014 cases of embezzlement of funds. Contrary to the prevailing offences, the crimes that are the main source of illicit proceeds are tax evasion and embezzlement of funds. Corruption (= bribery) is the second last among the top 10 predicate offence cases registered by the authorities in the last 5 years as it is also shown in the next figure (figure 5).

Figure 5: Offences that are the main source of proceeds



Source: NPPA

According to the figure 5, illegal awarding of public funds also appears among the crimes that are generating more proceeds of crime. The figure shows that tax evasion comes first followed by embezzlement, which was also the second in prevalence. Similarly, a perception survey which was conducted during the assessment indicated that corruption, embezzlement and drug trafficking are the main predicate offences generating more proceeds of crime. 70.1% of the respondents indicated that corruption is the main source of proceeds, followed by tax evasion (49.1%), drug trafficking (45.6%) and embezzlement (26.3 %) respectively. Based on the above analysis, the domestic threat assessment will focus on the above mentioned crimes that are prevailing and those which are the main source of illicit proceeds.

a) Tax offenses

Most of us pay taxes. Equally, most of us do not have a real choice on how much tax we pay, the money being deducted at source by our employer. But some people choose the path of dishonesty and fraud when it comes to paying their taxes. They hide their income and wealth to evade tax, claim tax relief to which they are not entitled and subvert the tax system to make money for them. A report on Africa revealed that tax evasion across Africa alone results in an estimated total revenue loss of \$80 billion a year in illicit financial outflows through miss invoicing and deliberately mispriced intra-group transfers by multinationals, excluding individual tax evasion.²⁰ These people, make no mistake, are criminals motivated by greed, and very often, corrupt professionals assist them.

²⁰ Norman Mugarura, "The war against corruption is "a lost cause" without robust measures to repatriate stolen assets to countries of origin" 2017 1 (1)Journal of Anti-Corruption Lawat 25. (53-69).

The Rwandan Penal code does not define the concept of “tax offences.” It only lists three offences committed in tax domain. SatyajitBoolell defines tax offences as ‘willful attempts to defeat and circumvent the tax law in order to illegally reduce ones tax liability.’²¹ These are crimes ranging from hiding cash wages to avoid tax, using complex offshore secrecy arrangements to falsely claiming refunds and benefits not entitled to.²² The offences listed by the Rwandan penal code are: tax evasion, non-payment of withholding tax and non-payment of required tax.

Between 2012-2013 to 2016-2017, 80 tax offence cases were registered by authorities involving over 18.77 Billion Rwandan francs. The assessment revealed that the tax offences in Rwanda are not the most prevalent predicate offenses for money laundering. However, registered cases in the last past five years involved a huge amount of money comparing to other predicate offences. This was also the findings of the perception survey in which 49.1% of the respondents confirmed that tax evasion is the second source of illicit proceeds.

Nonetheless, the threat of tax offences was rated Medium Low and the trend is decreasing due to the fact that adequate mechanisms for the monitoring and compliance with tax obligations have been put in place. These include taxation system which has been digitalized and sensitization of the population through different media channels as well as a specialized department in charge of preventing tax offences within RRA. In addition, the VAT law No. 40/2016 of 15/10/2016, under article 3 obliges all VAT registered taxpayers in Rwanda to acquire and use Electronic Billing Machine (EBM) to issue tax invoices to their customers on every transaction they make. Failure to comply with these obligations attracts either administrative or criminal penalties.

b) Embezzlement of funds

The offence of embezzlement is criminalized at both international and domestic levels. According to the United Nations Convention Against Corruption, state party are required to adopt legislative and other measures as may be necessary to establish as criminal offences of embezzlement, misappropriation or other diversion of property by a public official²³ and embezzlement of property in the private sector.²⁴

World Bank defines embezzlement as ‘an offence which criminalizes the fraudulent conversion of public or private money or property or any other thing of value by a person who had a lawful possession of it.’²⁵ World Bank indicates that the author of the criminal conduct in this case ‘is entrusted with authority and control over the property by virtue of his or her position as an official and “used/converted/misappropriate” this property in violation of the terms of his or her mandate or employment contract.’²⁶

Similarly, the Rwandan anti-corruption law²⁷, under article 10, defines embezzlement as the fact for ‘any person whether public servant or any other agent in charge of public service or working within public organs, an officer or an employee of a commercial institution, a company or a cooperative, an agent of an individual, a religious-based organization or any other organization [of embezzling] for personal or someone else’s interests property, funds or securities entrusted to him or her by virtue of his or her office, or any person [of using] for personal gains, the staff under his or her authority.’ Upon conviction, he/she is liable to imprisonment for a term of not less than seven (7) years but not more than ten (10) years and a fine of three (3) to five (5) times the value equivalent to the value of the property.

Between 2012-2013 to 2016-2017, 1014 embezzlement cases were prosecuted which involved over 13 billion Rwandan francs. The assessment revealed that the offence of embezzlement of funds is the second prevalent predicate offence and second main source of illicit funds. However, this was not the findings of the perception survey in which 26.3 % of the respondents confirmed that embezzlement is the fourth source of illicit proceeds after corruption, tax evasion and drug trafficking respectively. Hence, the threat of embezzlement level was rated Medium Low and its trend is decreasing due to a number of mechanisms that were put in place such as e-payment system (IEFMS) and e-procurement introduced by MINECOFIN. In addition, different public institutions were put in place to counter embezzlement such as the office of the Ombudsman, the Public Accounts Committee (PAC) in the Parliament, the Office of Auditor General, specialized Units in Rwanda Investigation Bureau and National Public Prosecution Authority as well as specialized chambers in court system.

²¹ SatyajitBoolell SC ‘Tax crimes, Money laundering offences and International Cooperation’ available online at [http://dpp.govmu.org/English/Documents/publication/TAX%20%20CRIMES%20\(FINAL\).pdf](http://dpp.govmu.org/English/Documents/publication/TAX%20%20CRIMES%20(FINAL).pdf), accessed on 26 August 2018.

²² Australian Taxation Office, ‘Tax crimes explained’ available online at <https://www.ato.gov.au/General/the-fight-against-tax-crime/tax-crime-explained/>, accessed on 26 August 2018.

²³ Art. 17 of United Nations Convention against corruption (the UNCAC), adopted in New York on 31 October 2003. Rwanda ratified it by Presidential Order n° 56/01 of 27/12/2005.

²⁴ Art. 22 of the UNCAC.

²⁵ World Bank, ‘Corruption and Money Laundering: Concepts and Practical Applications’ available online at <http://pubdocs.worldbank.org/en/887011427730119189/AML-Module-1.pdf>, accessed 26 August 2018.

²⁶ Ibid.

²⁷ Law n° 54/2018 of 13/08/2018 on fighting against corruption published in the Official Gazette No. Special of 20/09/2018, p. 65.

c) Corruption (= bribery=)

Corruption is a complex social, political and economic phenomenon that affects all countries. Corruption undermines democratic institutions, slows economic development and contributes to governmental instability. Corruption attacks the foundation of democratic institutions by distorting electoral processes, perverting the rule of law and creating bureaucratic quagmires whose only reason for existing is the soliciting of bribes.

There is no comprehensive and universally accepted definition of corruption. The common definition that has achieved consensus among scholars and practitioners is that, 'corruption is the use or misuse of public office for private gain.'²⁸ In recent decades, this type of misuse of the public office has manifested itself in "state capture", "patronage and nepotism", and "administrative corruption."²⁹ During the negotiations of the United Nations Convention against Corruption (UNCAC), an agreement was achieved by the state parties to define corruption by simply listing a whole series of specific types or acts of corruption. As a result, reference to the Convention, corruption is defined by providing for numerous acts of what would constitute as corruption when there are committed.³⁰

Reference to the UNTOC³¹, UNCAC³² and the AU Convention³³, the Rwandan law on anti-corruption under article 2(2), defines corruption by listing 12 acts of corruption. It states that corruption is reflected in the following acts: to solicit, accept or offer illegal benefit; to solicit, promise or offer sexual favors; to make a decision based on favoritism, friendship, hatred, acquaintances or nepotism; influence peddling; to illicit enrichment; embezzlement; to use public property for unintended purposes; to misuse property of public interest; illegal exemption; to demand or receive undue or excessive money; abuse of functions and appropriation of unlawful favors.

Between 2012-2013 to 2016-2017, authorities registered 1076 corruption (bribery cases) and those cases involved over 398 million Rwandan francs. The assessment revealed that the offence of bribery is the first prevalent predicate offence but the second last main source of illicit funds among the 10 top predicate offences.

This means that the incidents of bribery are mainly for low amount. However, this was not the findings of the perception survey in which 70.1% of the respondents confirmed that corruption is the first source of illicit proceeds followed by, tax evasion, drug trafficking and embezzlement respectively. Thus, corruption threat was rated Medium Low and the trend is decreasing. This was because of adequate effectiveness in implementing legal and administrative measures for enforcement of zero tolerance policy. As it was previously highlighted, Rwanda has been on several occasions ranked among developing countries in the world that are the most transparent and dynamic performers when it comes to the fight against corruption.

Corruption perceptions Index 2017 of Transparency International, ranked Rwanda on 48th place out of 180 countries, whereas in EAC's members, Tanzania ranked on 103th place, Kenya on 143th, Uganda on 151th, Burundi on 157th and South Sudan on 179th.³⁴ Rwanda ranked on 50th place in 2016.³⁵

d) Illegal awarding of public tenders (procurement related offences)

According to the Auditor General of State finances of Rwanda, public procurement is one of the major avenues through which taxpayers' money is misappropriated, with the country losing billions of francs through illegally awarded contracts.³⁶ The law on public procurement³⁷ provides for 6 offences related to public procurement. These are: illegal awarding of public procurement (Article 188); Collusion with bidder (Article 189); Award of unjustified advantages during the performance contract (Article 190); Influence peddling in public procurement (Article 191); Allocation of funds from public tenders to the use other than that for which they are intended (Article 192) and Coercing procurement participation (Article 193).

Between 2012-2013 to 2016-2017, 48 cases in relation with the public procurement were registered by authorities. These cases involved 5.9 billion Rwandan francs corresponding to the value of public tenders unlawfully awarded.

The analysis of available data shows that public procurement related offences are the third source of

²⁸ J. Edgardo Campos & Sanjay Pradhan, eds., *The Many Faces of Corruption*, The World Bank, 2007, p. 9.

²⁹ Ibid.

³⁰ See Articles 15 through 25 of the UNCAC.

³¹ Art. 8 of the UNTOC.

³² See art. 16-22 of the UNCAC.

³³ See Art. 4 (1) of the African Union Convention on preventing and combating corruption.

³⁴ Corruption Perceptions Index 2017, published on February 21, 2018.

³⁵ The 2007 corruption perceptions index.

³⁶ 'RPPA moves to weed out public procurement vices' <https://www.newtimes.co.rw/section/read/184071>, assessed on 22/02/2018.

³⁷ Law N°62/2018 of 25/08/2018 governing public procurement, published in the Official Gazette no. Special of 07/09/2018.

illicit proceeds among the top 10 predicate offences, after tax evasion and embezzlement of funds respectively.

However, the assessment revealed that the threat of illegal awarding of tenders is Low and its trend is decreasing. This is due to implementation of legal and administrative measures like e-procurement, audit, detection and investigative mechanisms which were reinforced in order to prevent and fight these crimes.

Rwanda has put in place regulatory institutions (Rwanda Public Procurement Authority); audit mechanisms (Internal auditors and audit committees in each government institution controlled by the Office of the Chief Government Internal Auditor and the Office of the Auditor General). Rwanda has also set up specialized units in law enforcements (RIB and NPPA) and specialized court chambers in charge of handling only economic and financial crimes including public procurement related offences.

e) Drug trafficking

Illicit drugs are drugs that have been banned or made illegal by the government. These drugs are dangerous and can have many side effects, including death. The Rwandan law determining offences and penalties in general³⁸ under article 263 provides for the offence of carrying out acts related to the use of narcotic drugs or psychotropic substances. Paragraph 3 this article states that 'Any person who sells narcotic drugs and psychotropic substances commits an offence.' The law provides for a range of penalties depending on the category of narcotic drugs.³⁹ Penalties vary for 7 years of imprisonment and life imprisonment and a fine varying from 5 million to 30 million Rwandan francs.

Between 2012-2013 to 2016-2017, over 5,000 cases in relation with drug trafficking were registered by authorities. Analysis of the cases shows that most of the drugs used in Rwanda are cannabis and Kanyanga (local manufactured drug). According to the perception survey, 45.6% of the respondents confirmed that drug trafficking is the third source of illicit proceeds after, corruption and tax evasion respectively. However, the assessment rated ML threat of drug trafficking as Medium High though the trend is not changing. This rating is justified by the fact that the majority of cases registered by authorities relate only to consumption, hence, not relevant for proceeds of crime. The only challenge for Rwanda is that it is located between some neighboring countries where some narcotic drugs are not prohibited while there are criminalized in Rwanda.

FINDINGS FROM FIFTY CASES ANALYSIS

In assessing ML domestic threat, fifty (50) predicate offence cases registered from 2012-2013 to 2016-2017 have been sampled and analyzed. The sample criteria were the case involving the amount not less than 20,000 USD for each. This section assessed the distribution of predicate offences from the fifty cases sampled, the main crimes generating illicit proceeds, origin and destination countries.

a) Predicate offences distribution and main crime generating illicit proceeds

The threat assessment based on the fifty cases analysis found that embezzlement is the leading predicate offence, as displayed in the table and figure below, followed by forgery, fraud⁴⁰ and corruption. It is important to recall that previous analysis on statistics and survey findings placed embezzlement offences on the second rank for both prevalence and proceeds of crime. The assessment (of fifty cases) also shows that forgery is the second crime generating illicit proceeds. However, the analysis found that forgery offences identified in the 50 cases were always the "offence means" to embezzlement of funds.

b) Origin, destination countries and nationalities of criminals

The threat assessment based on fifty cases was also analyzed in terms of origin, illegal proceeds destination countries and nationalities of criminals. With regard to origin and destination countries, the assessment indicated that the originating country of illicit proceeds were Rwanda and Democratic Republic of Congo (DRC) while the destination country is Rwanda, Canada, USA, Belgium and Norway. It was established that the number of destination cases exceed that of origination ones. This discrepancy was due to the fact that there was a criminal who was suspected to have spent money in three different countries (Rwanda, Canada and USA) and another one purportedly spent money in two different countries (Rwanda and Belgium). These findings correspond to the survey results in which 33 % of the respondents also confirmed that the proceeds of crime generated in the countries are both laundered in the countries and outside the country (Rwanda). The following tables show the countries of origin and destination:

³⁸ Law N°68/2018 of 30/08/2018 determining offences and penalties in general published in the Official Gazette No. Special of 27/09/2018.

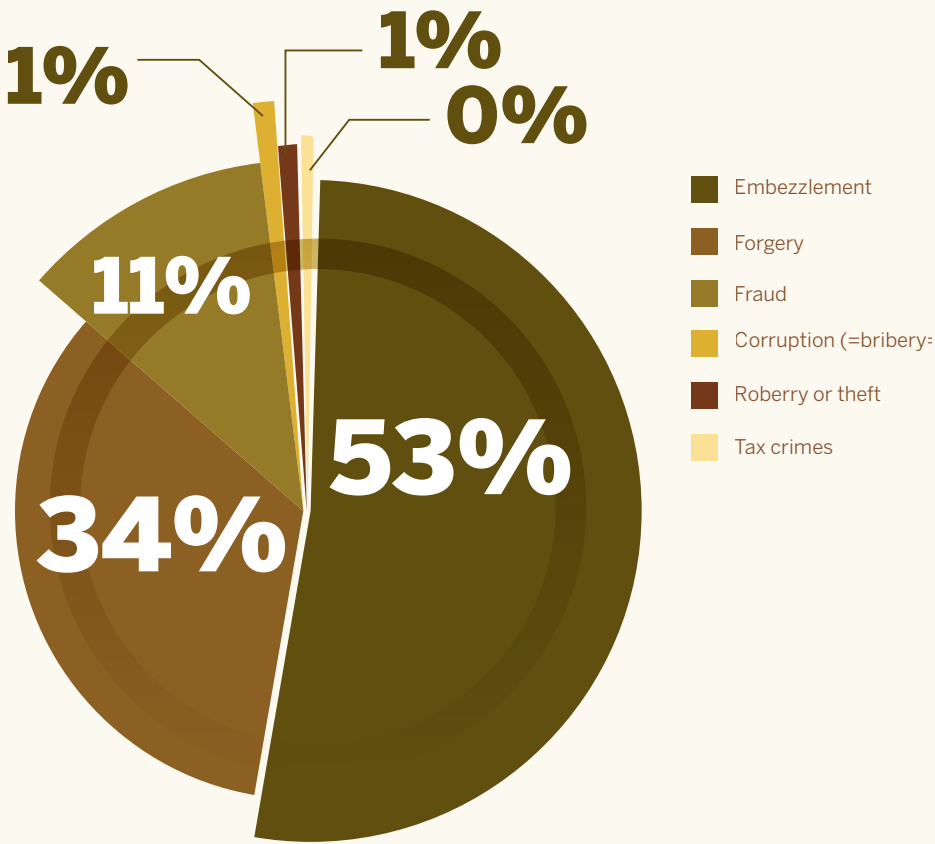
³⁹ Categories are simple narcotic drugs and severe narcotic drugs.

⁴⁰ Here 'Fraud' refers to the act of as an obtaining another person's property, whole or part of his/her finance by deception using false names or qualifications, or offering positive promises or threatening of future misfortunes. See to art. 174 of the new law on offences and penalties in general.

Table 3: Predicate offences distribution

PREDICATES	NUMBER OF CASES	TOTAL AMOUNT (RWF)	AVERAGE AMOUNT PAR CASE
Embezzlement	22	8,053,462,831	366,066,492
Forgery	15	5,122,309,181	341,487,279
Fraud	9	1,760,669,019	195,629,891
Corruption (=bribery=)	1	100,621,635	100,621,635
Robbery or theft	1	93,437,498	93,437,498
Tax crimes	2	93,401,361	46,700,681
Total	50	15,223,901,525	304,478,031

Figure 6: Main crime generating illicit proceeds



b) Origin, destination countries and nationalities of criminals

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Table 4: Origin and destination countries

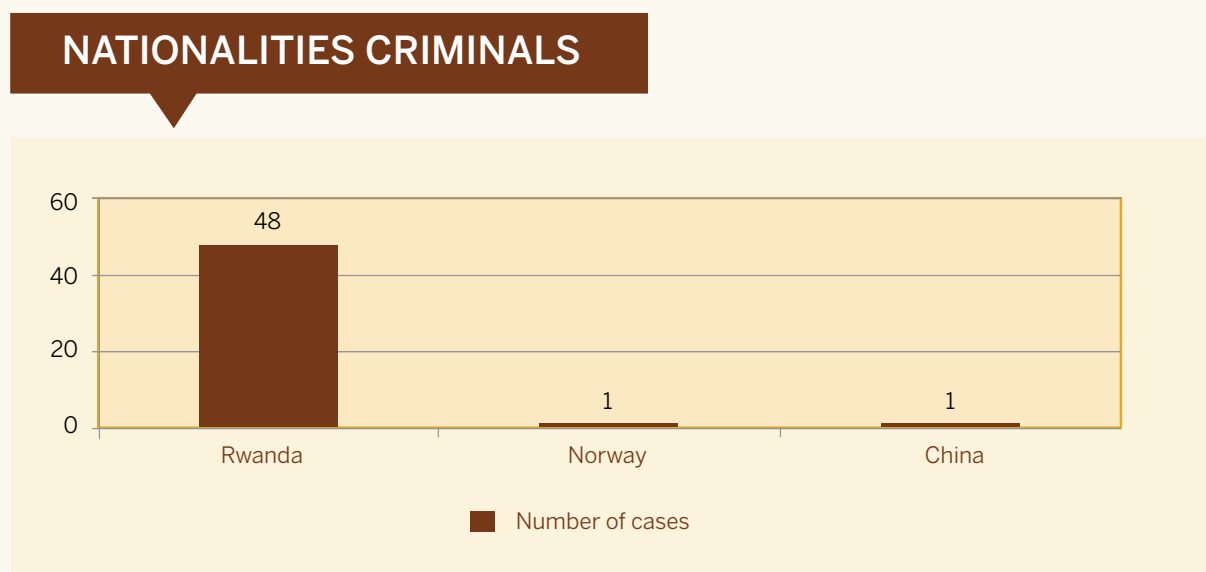
ORIGINATION COUNTRY	CASES	TOTAL AMOUNT (RWF)	AVERAGE AMOUNT
Rwanda	49	15,198,980,777	310,183,281
Congo	1	24,920,748	24,920,748
Total	50	15,223,901,525	304,478,031
DESTINATION COUNTRY	CASES	TOTAL AMOUNT	AVERAGE AMOUNT
Rwanda	49	13,734,238,851	280,290,588.8
Canada	1	403,390,052	403,390,052
USA	1	403,390,052	403,390,052
Belgium	1	378,457,300	378,457,300
Norway	1	304,425,270	304,425,270
Total	53	15,223,901,525	304,478,031

With regard to nationalities of criminals, the assessment revealed that they are three namely, Rwanda, Norway and China. This does not correspond to the findings of the survey in which 38% of the respondents said that Uganda is the main destination of the proceeds of crime followed by Congo (29% of the respondents); Kenya (10%); Burundi (7%); South Africa and Europe (5% each); Dubai (3%); Tanzania, China, Sudan and USA (2% each) ; Sweden and Asia (1%). The following table and figure indicate the nationalities of criminals:

Table 5: Nationalities of criminals

NATIONALITIES OF CRIMINALS	NUMBER OF CASES	TOTAL AMOUNT (RWF)	AVERAGE AMOUNT
Rwanda	48	14,835,671,765	309,076,495
Norway	1	304,425,270	304,425,270
China	1	83,804,490	83,804,490
Total	50	15,223,901,525	304,478,031

Figure 7: Nationality of criminals



In terms of origin and destination, the analysis of fifty cases revealed that most of illegal proceeds are both originated and spent in Rwanda. This corresponds to the financial outflows assessment which indicated that most of outflows are related to importation of construction materials, goods (merchandises) and medical services and therefore, do not pose any threat as none of the trading partners have identified any predicate offence on ML. For purpose of 50 cases analysis, ML Threat was rated Low.

MONEY LAUNDERING CASE STUDIES

Since the enactment of the anti-money laundering law in 2008 up to the time of the assessment, only two cases were prosecuted. The first ruling was delivered by the Intermediate Court of Ngoma on 17 January 2014 in the case of Prosecutor vs Murasira Diogene alias Kadafi⁴¹ who was accused of drug trafficking and laundering the proceeds of that crime. In this case, the accused was convicted and sentenced to 7 years' imprisonment and imposed a fine of 10 million. The court also confiscated his properties including a vehicle (plate number RAA828T) and RWF 733,500 cash found at his home. The accused appealed the case but the High Court Chamber of Rwamagana upheld the ruling of the Intermediate Court. It is important to note that the prosecution managed to secure the conviction in this case because the suspect pleaded guilty and revealed that he has selling drugs for so long.

This helped the prosecution to know the predicate offence, which was a precondition under the 2008 AML Law.

In the second case No. RP/EC00006/2017/TGI/NYGE, Intermediate Court of Nyarugenge convicted 2 persons for Money Laundering (Concealment of the origin of property), illicit enrichment and embezzlement. The court sentenced them to 12 years and 9 months' imprisonment, a fine of 20 Million Rwandan Francs and ordered the confiscation of a house worth RWF 81,603,800 and two farms. The convicts appealed the case in the High Court. On 14/09/2018, the High court, in the case No. RPA 01082/2017/HC/KIG and RPA 00001/2018/HC/KIG overturned the Intermediate Court ruling and acquitted all the suspects. According to the court ruling, on one hand, the prosecution did not prove the predicate offence committed by the suspects. On the other hand, it didn't prove the linkage between the suspects and concealed house and plots of lands (2 farms).

⁴¹ Prosecutor vs Murasira Diogene alias Kadafi, No. RP 0640/13/TGI Ngoma, 17 January 2014.

From the analysis of these cases, it is clear that the precondition of predicate offence conviction was one of the challenges of conducting a successful prosecution of money laundering cases in Rwanda.⁴² This challenge was also uncovered during the 2012 MER which reported that “The fact that the authorities consider that a prior conviction for the predicate crime is necessary to prove that property is the proceeds of crime has the potential to raise a practical obstacle that needs to be overcome by the prosecution before any money laundering charges may be brought before the court.”⁴³

Another challenge that is depicted from the analysis of these cases is relation with how the prosecution has conducted its investigations. According to court, the prosecution was only contending that the house and plots of land (in the case No. RPA 01082/2017/HC/KIG and RPA 00001/2018/HC/KIG) were registered under the names of his friend and his servant but the prosecutor did not show to the court tangible evidence linking the suspect to the properties. This implies that Rwandan law enforcements need to take another step further to enhance expertise in handling money laundering cases as it was also recommended under the 2012 MER.⁴⁴

STATISTICS OF ML AND ITS PREDICATE OFFENCES

The assessment has also considered whether Rwanda has efficient data collection mechanisms. It was observed that the country has developed a case management system (Integrated Electronic Case Management System) which is used in criminal justice chain. This system was initiated in 2014 to improve the judicial service delivery. It will be integrated with other national systems to ensure that law enforcement agencies have access to data and information related to the property of criminals. The system will also enable Rwanda to hold statistics for all crimes including money laundering and terrorism financing as it is required by the FATF Recommendation 33, which requests all countries to maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems, include statistics on money laundering and terrorist financing investigations, prosecutions and convictions; on property frozen, seized and confiscated.

CONCLUSIONS AND RECOMMENDATIONS

The national ML threat was assessed at international and domestic levels. At international level, the assessment focused on cross-border financial inflows and outflows. The assessment found that financial inflows and outflows do not pose any threat as none of the predicate offence of ML was identified. At domestic level, the threat analysis involved carrying out a detailed examination of the most occurring predicate offences committed in association with ML and its related value. It also analyzed money laundering case studies, a sample of fifty cases and data collection. In addition, the assessment considered the results of the perception survey that was conducted during the workshop for NRA data collection. Based on the assessment results, the overall threat of ML was rated Medium Low.

The Government implemented effective anti-crime measures more specifically, anti-money laundering and anti-corruption policies such that major crimes generating proceeds appear to be controlled. The Government is also promoting a cashless economy that will help to monitor financial transactions. Furthermore, based on security, legal and administrative measures which make the country's borders relatively secure against unlawful entry and smuggling, the proceeds of foreign crimes are not generally found in Rwanda. Those measures combined with financial sector supervision, regulation and law enforcement greatly reduce the attractiveness of Rwanda as a place to launder the proceeds of foreign crimes.

In order to keep the threat of money laundering as low as possible, it is recommended to:

- Enhance the expertise of LEAs in handling money laundering cases;
- Focus sufficiently on proceeds of crime during investigations into predicate offences;
- Improve mechanisms to enforce measures on seizure, freezing and confiscation;
- Accelerate the integration of IECMS with other national systems to facilitate the detection and data collection on money laundering activities;
- Develop typologies to raise awareness and create a better environment for detection and enforcement by both private and public sector.

⁴²Art. 23 of the new AML of 2018 has solved the issue. It states that “When prosecuting the offence of money laundering, it is not required that the suspect be first convicted of felony or misdemeanor.”

⁴³Para 113 of the 2012 MER for Rwanda.

⁴⁴Para 115 of the 2012 MER for Rwanda.

The assessment has also considered whether Rwanda has efficient data collection mechanisms. It was observed that the country has developed a case management system (Integrated Electronic Case Management System) which is used in criminal justice chain. This system was initiated in 2014 to improve the judicial service delivery. It will be integrated with other national systems to ensure that law enforcement agencies have access to data and information related to the property of criminals.

4

MONEY LAUNDERING VULNERABILITY AT NATIONAL LEVEL





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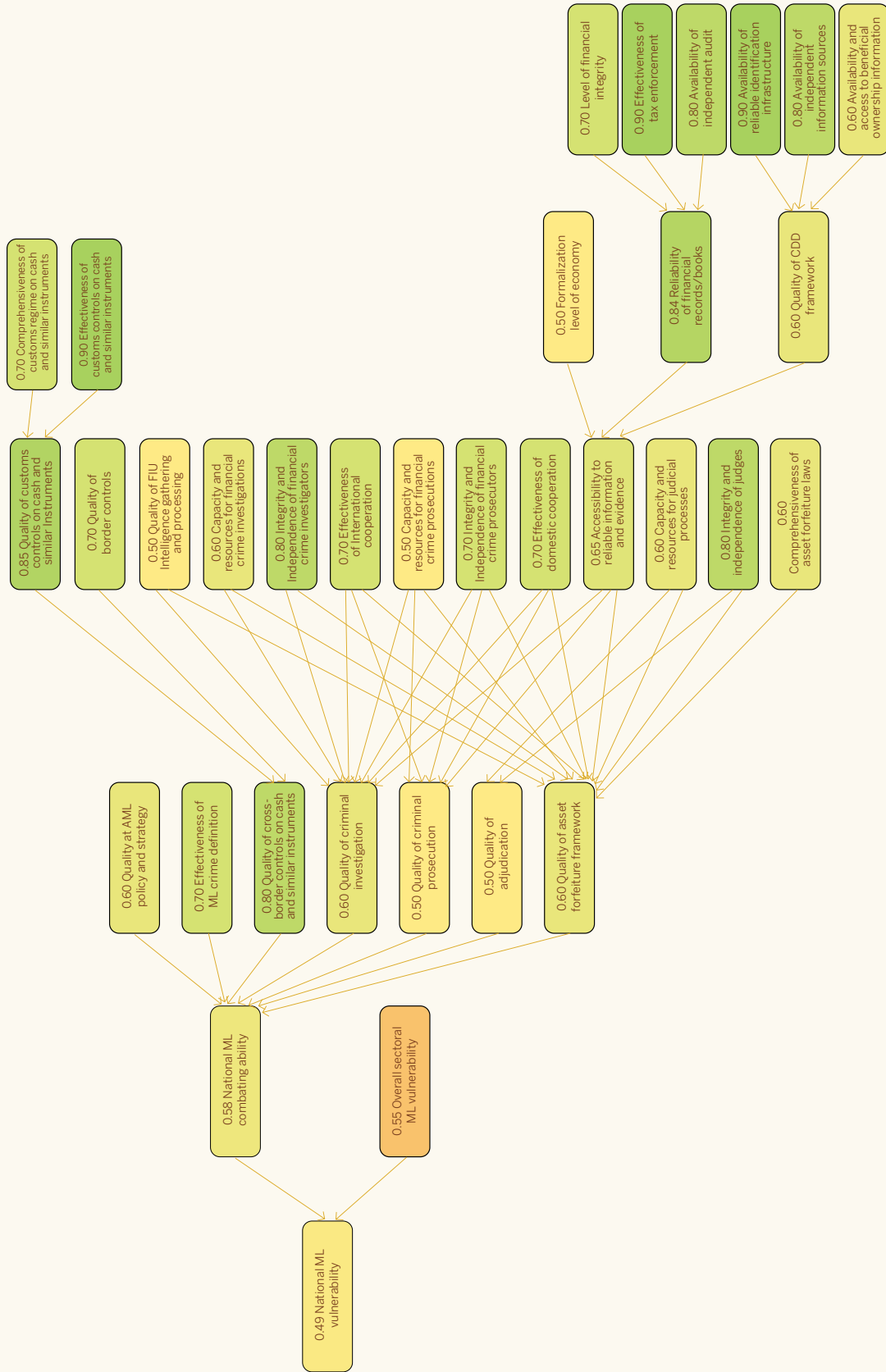
“The assessment of National Vulnerability focused on the defense and reaction mechanisms available for combating money laundering at national level. It was also assessed on the basis of vulnerabilities of various sectors that could potentially be abused for money laundering.

The main objectives of the National Vulnerability assessment was: (1) to identify the overall vulnerability of the country to money laundering; (2) the weaknesses and gaps in the country’s ability to combat money laundering and (3) prioritization of actions that would improve the country’s ability to combat money laundering by strengthening AML controls at national level.”

NATIONAL OVERALL MONEY LAUNDERING VULNERABILITY

The National Money Laundering vulnerability of the country was assessed to be Medium with the score of 0.49. This rate was arrived at through an assessment of the national combating ability and the overall vulnerability of various sectors. Figure 10 below shows that the national money laundering combating ability is Medium with the score of 0.58 and the overall sectorial money laundering vulnerability is also Medium with the score of 0.55 resulting in the overall national vulnerability rate of Medium. The vulnerability map summarizes the assessment ratings of all the variables relating to overall national money laundering vulnerability. It maps all input and intermediate variables, which affect the overall national combating ability. It also shows the total impact of sectorial vulnerability on the national ML vulnerability.

Figure 8: vulnerability map



The assessment indicates that the overall national vulnerability was driven by a medium sectorial vulnerability. Table 6 below shows that the highest vulnerability was in real estate, money transfer operators and banking sector, which were, rated Medium High. These results correspond almost to the findings of the perception survey in which 25 respondents over 53 (47.16%) confirmed that real estate sector is the highest risk sector followed by banking sector, mining, financial institutions, money exchange, money transfer and mobile money services. Details on overall sectorial vulnerability are developed in the chapter five of this report.

Table 6: Sector vulnerability

SECTOR	SCORE	RATING LEVEL	IMPORTANCE
Real Estate	0.63	MH	5
Money Transfer	0.61	MH	2
Banking	0.61	MH	10
Precious Metal & Stone dealers	0.56	L	2
Securities	0.56	ML	3
E-Money	0.52	ML	6
Forex Bureaus	0.52	L	2
Casino	0.51	L	1
Microfinance (MFIs)	0.48	ML	5
Life Insurance & Pension schemes	0.43	L	1
Accountants & Auditors	0.41	L	1
Lawyers	0.41	L	1

NATIONAL COMBATING ABILITY

The assessment rated the national ML combating ability as Medium. The overall measure of national combating ability was assessed using twenty-two (22) variables which related to AML controls such as quality of criminal investigations, effectiveness of ML Crime definition, quality of asset forfeiture framework, quality of border controls, among others as summarized in figure 10. For purpose of this assessment, some of the key variables were analyzed in the following sub-sections.

AML AND LEGAL FRAMEWORK

In assessing the national ML vulnerability, the AML Policy, Strategy and Legal Framework were firstly evaluated. The quality of AML policy and strategy was ranked Medium High while effectiveness of ML Crime definition was ranked High. These rates

are explained by the fact that, at the time of the assessment, the reform of AML strategy and Legal Framework were in progress and the AML/CFT law was reviewed to fill gaps identified in the MER. After the MER, the following laws were enacted:

- Law N° 42/2014 of 27/01/2015 governing recovery of offence related assets; Law N° 68/2018 of 30/08/2018 determining offences and penalties in general;
- Law N° 54/2018 of 13/08/2018 on fighting against corruption;
- Law N° 46/2018 of 13/08/2018 on counter terrorism;
- Law N° 51/2018 of 13/08/2018 relating to the prevention, suppression and punishment of trafficking in persons and exploitation of others and
- Law N° 69/2018 of 31/08/2018 on prevention and punishment of money laundering and terrorism financing.

With regard to the AML/CFT, the new law has addressed most of deficiencies that were identified in the MER 2014. This is for example, criminalizing the concealment or disguise of the movement of property knowing that such property is derived from an offense and the clarification that prior conviction for the predicate offense is not a necessity to secure a money laundering conviction when proving that property is the proceeds of crime.

QUALITY OF CUSTOMS CONTROLS ON CASH AND SIMILAR INSTRUMENTS

The quality of customs controls on cash and similar instruments was rated High. This is determined by the effectiveness of Border controls and Controls on Cash which is High and the effectiveness of Customs Controls on Cash and Similar Instruments also ranked High. This rate is evidenced by the cooperation between relevant authorities that monitor borders mainly the tax authority, the immigration office and the national police. There are mechanisms to detect cash transit on borders. The AML law vested the power to FIC to issue directives to border officials to check and report on suspicious cash transit. At the time of assessment, the directive on cross border cash declaration was in place.

EFFECTIVENESS OF BORDER CONTROLS AND CONTROLS ON CASH AND FINANCIAL INTELLIGENCE

The Article 16 of AML Law vested the power to FIC to issue directives to border officials to check and report on suspicious cash transit. At the time of assessment, the directive on cross border cash declaration was in place. The Directive requires Immigration/emigration, customs and police officers deployed at national borders, airports and ports to ensure the implementation of this Directive. Therefore, effectiveness of border controls and controls on cash, and financial intelligence were rated High.

EFFECTIVENESS OF FINANCIAL INVESTIGATIONS

The mandate of the financial investigation is under the new created organ – Rwanda Investigation Bureau (RIB). Previously, Rwanda National Police was undertaking this function; however, to ensure the effectiveness of investigation, there was a separation of the police and the criminal investigation.

The financial investigation under RIB was given an importance as there is a special Division in charge of financial and economic crimes. The Division has 18 staff at the RIB headquarters and 1 staff at District level that brings the number of financial investigators at 48.

With regard to professional skills, all financial investigators are lawyers by training and have specific training in investigation techniques. In addition, the Institute of Legal Practices and Development has developed (ILPD) a one-year program dedicated on practical aspects of economic and financial crimes and so far 5 investigators were trained.

With regard to ML investigations, the assessment revealed that since the 2013 to 2007, investigations have mainly focused on predicate offences. Statistics and case studies analyzed previously shows that predicate offences involving billions of proceeds of crime have been investigated but only two money laundering cases have successfully investigated (See chapter 3). This shows that financial investigations need to be extended to the proceeds of crime rather than focusing only on arresting and detaining the criminals. Nonetheless, the effectiveness of financial investigations was rated Medium.

EFFECTIVENESS OF PROSECUTION IN ML CASES

According to the 2018 Law on NPPA,⁴⁵ the public prosecution is particularly responsible for investigating and prosecuting economic and financial crimes including inter alia money laundering. It is important to mention that the

⁴⁵Art. 3 of the Law N°014/2018 of 04/04/2018 determining the organization, functioning and competence of the National Public Prosecution Authority and of the Military Prosecution Department published in the Official Gazette n° Special of 30/05/2018.

⁴⁶It was established in July 2014.

NPPA had previously established a special Unit that is prosecuting financial and economic crimes both at central and decentralized levels.⁴⁶ The Unit is currently staffed with 14 prosecutors at central level and 12 prosecutors at decentralized level.

During the assessment, the NPPA was considered highly effective and of high integrity in general, particularly on predicate offences prosecution. However, the effectiveness of ML prosecution was rated Medium.

This rating resulted from the NPPA weakness in investigating and prosecuting money laundering cases while there are predicate offences which were prosecuted during the period covered by the assessment. As it was previously discussed in the threat assessment, only two cases of ML were successful tried. Analysis of the two cases also showed that the prosecution has won one case in which the suspect was pleading guilty. This infers that the NPPA still has a lot to do in improving its capacity to conduct investigations and prosecuting money laundering cases. Prosecutors as well as investigators need to understand that their job does not end with the arrest and detention of criminals. They need to understand that their job has to be extended to the proceeds that were generated by the crimes committed.

EFFECTIVENESS OF ADJUDICATION AND ASSET FORFEITURE

Effectively combating and preventing the phenomena of cross-border crimes involving money laundering and financing of terrorism not only require finding the offenders and bringing them to justice. It is also important to recover the material proceeds of the crimes in order to take them away from the offenders.⁴⁷ In this context, Rwanda has enacted a law governing recovery of offence related assets that sets out the procedure of seizure/freezing and confiscation of the proceeds of crime.⁴⁸ With regard to adjudication, the Rwandan judiciary has recently established special chambers for economic crimes at all intermediate court levels.⁴⁹ These special chambers have jurisdiction to try only economic crimes including money laundering.

During the assessment, the Rwandan Judiciary was also considered highly effective and of high

integrity and independent in general. However, it was rated Medium in as far as adjudication and asset forfeiture are concerned. Like the prosecution service, adjudication is also focusing highly on predicate offences with insufficient focus on money laundering cases or the confiscation of proceeds of crime. As it was previously discussed, only one case of ML was adjudicated.

With regard to confiscations, 2 confiscations were made while there are a lot of predicate offence cases which were successfully adjudicated.

EFFECTIVENESS OF DOMESTIC COOPERATION

Domestic cooperation was rated High. Various MoUs aiming at strengthening working relationships between relevant institutions have been signed. To name few, there is MoU on fighting black market that was signed between the Central Bank, Ministry of Local Government, RIB (through the former CID of RNP) and the NPPA. There are also MoUs which have been signed between the NPPA, Capital Market Authority and Transparency International Rwanda respectively. These MoUs intends to build strong partnership in fighting economic crimes.

In addition to MoUs, anti-corruption weeks are annually organized by the Judiciary, the Office of the Ombudsman and the National Police. These campaigns bring together different public and private institutions to discuss on challenges and strategies to fight against corruption and other organized crimes.

Furthermore, the NPPA organizes annually a workshop on combating economic and financial crimes. This workshop brings together investigators, prosecutors and judges as well as other key stakeholders including the Central Bank, intelligence agencies, FIU staff, land authorities, tax authorities, Banker's Association, Insurer's Association, members of the civil society like Transparency International, etc. The aim of this annual workshop is build domestic cooperation in fighting financial crimes including money laundering. The latest workshop has resolved to establish the National Task Force on combating

⁴⁷ Ralf Riegel and Till Gut Asset Recovery under German Law: Pointers for practitioners, Ministry of Justice and consumer protection, p. 3.

⁴⁸ Law N° 42/2014 of 27/01/2015 governing recovery of offence-related assets published in the Official Gazette n° 07 of 16 February 2015.

⁴⁹ Art. 38 of the Law N°30/2018 of 02/06/2018 determining the jurisdiction of courts published in the Official Gazette n° Special of 02/06/2018.

economic and financial crimes and asset recovery. This working group will be one of the important mechanisms to build domestic cooperation especially the surgery between public and private institutions in combating economic crimes including money laundering.

EFFECTIVENESS OF INTERNATIONAL COOPERATION

The Asset Recovery law⁵⁰ defines the framework of cooperation between Rwanda and other foreign countries in the process of recovering of such assets. Rwanda understands the need for international cooperation in asset recovery process as it is stipulated by article 18 of the law: "Rwanda shall cooperate with foreign States in recovering its

assets in foreign countries and returning assets of foreign States on its territory." Article 19 of the same law reconfirms this commitment by stipulating that "all assets found on the territory of the Republic of Rwanda related to an offence committed or that may be required as elements of evidence shall be returned to the requesting State."

These legal provisions illustrate Rwanda's commitment to cooperate with other states in matters relating to the exchange of information and investigation on proceeds of crime.

In assessing ML vulnerability, international cooperation in AML/CFT was rated High. This rating is a result of the efforts made by Rwanda to improve cooperation with other countries in criminal

Table 7: Indications of Mutual Legal Assistance (MLA)

	NUMBER OF MLA SENT	NUMBER OF IAW ⁵¹ SENT	RESPONSE GOT ON MLA/IAW SENT	RECEIVED MLA AND RESPONDED
Total	8	9	3	2

matters by establishing legal and institutional framework regulating the process of cooperation with other countries. In this regard, a number of MLA requests have been sent or/and received as it is indicated in the following table:

As it is shown in the table above, 2 out of 8 MLA and 1 out of 9 IAW requests sent abroad have been responded. 2 MLA requests received from other countries have been also responded. The above table also shows that the number of cases is relatively low but however this is the result of the fact that most of the cases are only of domestic nature. MLAs were sent in all the cases with transnational aspects.

CONCLUSIONS

The National ML Vulnerability was assessed with the aim of identifying the overall vulnerability of the country to money laundering; the weaknesses and gaps in the country's ability to combat money laundering and prioritizing actions that would improve the country's ability to combat money laundering by strengthening AML controls at

national level. Due to the combination of the overall sectorial vulnerability and the combating ability, the National Money Laundering vulnerability of the country was rated Medium.

Although there are some weaknesses in AML controls, the assessment revealed that Rwanda has made efforts in preventing, investigating, prosecuting and adjudicating money laundering.

In order to keep the vulnerability of money laundering as low as possible, it is recommended to:

- Building the capacity of FIC staff, investigators, prosecutors and judges through, Training of Trainers programs and study visits;
- Prosecuting and adjudicating not only predicate offences but also Money laundering components;
- Improving the practice of asset forfeiture in Rwanda (criminal forfeiture and civil forfeiture).
- Improving cross boarder declarations.
- Improving domestic cooperation and coordination in information sharing, evidence collection, asset seizure/freezing and recovery.
- Strengthening international cooperation in AML/CFT.

⁵⁰ Law N° 42/2014 of 27/01/2015 governing recovery of offence-related assets published in the Official Gazette n° 07 of 16 February 2015.

⁵¹ International Arrest Warrant.



According to the 2018 Law on NPPA, the public prosecution is particularly responsible for investigating and prosecuting economic and financial crimes including inter alia money laundering. It is important to mention that the NPPA had previously established a special Unit that is prosecuting financial and economic crimes both at central and decentralized levels. The Unit is currently staffed with 14 prosecutors at central level and 12 prosecutors at decentralized level.



5 ASSESSMENT OF MONEY LAUNDERING VULNERABILITY IN FINANCIAL SECTOR

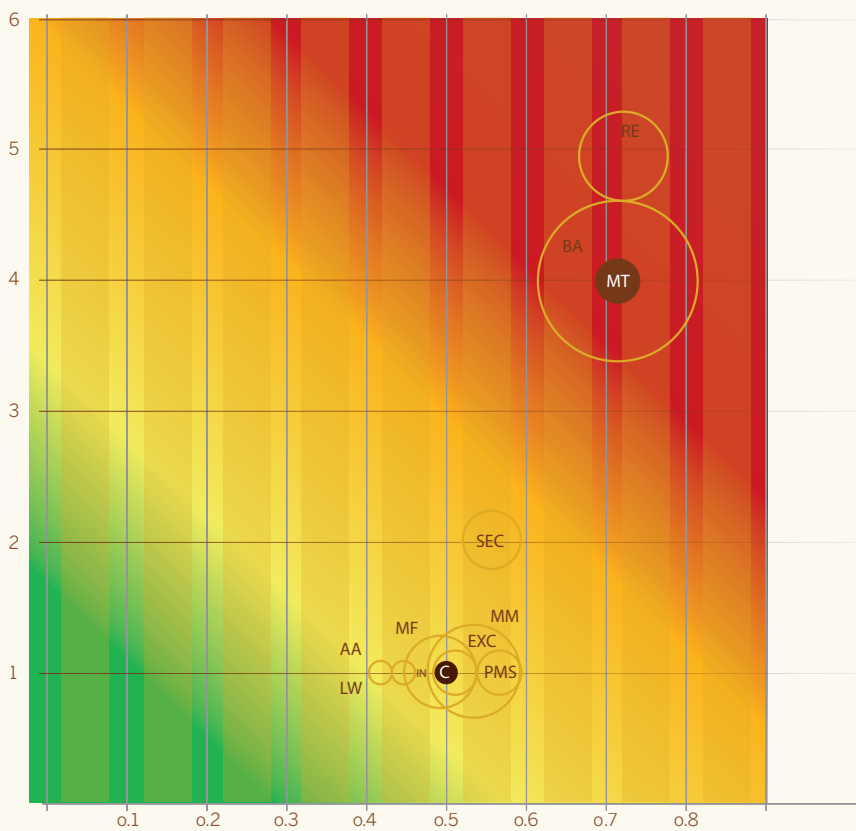


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This chapter assessed the vulnerability at sectorial level. The assessment focused on the following sectors: Banking sector, securities sector, insurance and pension sector, real estate, casinos, microfinance, money transfer, forex bureaus, lawyers, accountants and auditors, precious metals and stones. The figure and table below indicate the summary of risk in each sector.

FIGURE 9: SECTORIAL MONEY LAUNDERING RISK



SECTOR	SHORT FORM	THREAT	VULNERABILITY	IMPORTANCE	RISK LEVEL
Banking	BA	4	0.61	10	MH
Life Insurance & Pension scheme	IN	1	0.43	1	L
Securities	SEC	2	0.56	3	ML
Real Estate	RE	5	0.63	5	MH
Accountants & Auditors	AA	1	0.41	1	L
E Money	MM	1	0.52	6	ML
Casinos	C	1	0.51	1	L
Precious metals and Stones	PMS	1	0.56	2	L
Lawyers	LW	1	0.41	1	L
Microfinance	MF	1	0.48	5	ML
Exchange Br	EXC	1	0.52	2	L
Money Transfer	MT	4	0.61	2	MH

Note that 5th column (importance) indicates the contribution level of sector in national economy. However, a weight between 1 and 10 for each sector, more important the sector (in Rwanda's economy), higher the weight is. Note also that the 3rd column (threat) describe the level of threat where 5 is related Very High, 4: High, 3: Medium, 2: Low and 1: Very Low.

According to the table above, it is indicated that Real Estate, Banking sector and Money transfer are the most sectors affected to money laundering risk while the lowest are Life Insurance, Accountants and Auditors as well as Casino and Lawyers.

The assessment of ML focused on threats, AML controls and inherent vulnerabilities of the sector as well as products of a particular business by using the rating criteria set out the methodology. The assessment details are in below sections.

MONEY LAUNDERING RISK IN BANKING SECTOR

OVERVIEW OF BANKING SECTOR

Rwanda's banking system is highly concentrated, but increasingly competitive as foreign banks look to enter the country. Around 50 percent of all bank assets in Rwanda are held by four to five of the largest commercial banks, while just one bank – majority state-owned Bank of Kigali (BK) – holds 30 percent of all assets. Currently, the banking sector is stable and well capitalized with an industry capital adequacy ratio of 22.5 per cent above 15 percent central bank regulatory requirement. Rwanda's banking industry is composed of commercial banks, development banks, cooperative banks and microfinance banks.

The banking sector comprised of 16 Banks (from 17 in June 2017 following a merger of CBA Rwanda and Crane Bank Rwanda). These banks are spread across the country with a network of 265 branches, 75 sub-branches, 213 outlets and 3,547 banking agents.

Table 8: Banking sector branches

BRANCHES	JUN-2015	JUN-2016	JUN-2017
Number of branches	161	177	265
Number of sub branches	196	187	75
Number of counters/ outlets	164	183	213
Total networks of banks	521	547	553
ATMs	371	398	405
POS ⁵²	1,718	1,707	2,031
Mobile Money Agents	35,863	52,081	83,550

Source: BNR, Annual Report 2016-2017

Table 9: Banking sector branches

INDICATORS	JUN-2014	JUN-2015	JUN-2016	JUN-2017	JUN-2018
Total asset (Net)	1,767.6	2,000.0	2,278.2	2,571.7	2,824.5
Loans & Overdrafts (Net)	904.5	1,108.8	1,322.7	1,512.8	1,833.0
Deposits	1,061.2	1,181.2	1,507.1	1,674.4	1,833.0
Total liabilities	1,476.3	1,640.1	1,859.4	2,118.1	2,343.2
Profits after tax	17.3	23.6	19.4	21.5	22.9
Total shareholders' Funds	291.3	359.9	418.8	453.6	481.3

Source: BNR, 2018

THE THREAT OF BANKING SECTOR

The main business of banks in Rwanda are deposits, saving and credit, international trade as well as other products or services offered by banks. After assessing the banking products/services, it was observed that SME deposits are the most vulnerable followed by corporate loans and wire transfer while the lowest vulnerable product is custody services. Statistics show that from 2013 to 2017, the prosecution has registered 147 cases in which 237 persons were pursued for embezzlement of the bank funds⁵³ totaling 2,980,544,552 RWF.

From the above analysis the threat in banking sector was rated High. However, the Government of Rwanda via regulatory authorities and Law Enforcement Agencies set measures to prevent those crimes in banking sector to reduce the level of ML risk.

THE VULNERABILITY OF BANKING SECTOR

Banking sector vulnerability refers to weaknesses or gaps in a country's defenses against money laundering activities. The vulnerability of this sector arises passing through products and services offered by banks and other general indirect factors such as regulations, supervision, bank staff integrity, enforcement actions,

⁵² PPoint of Sale: is an electronic device used to process card payments at retail locations.

⁵³ This includes also microfinances.

identification infrastructure, compliance function, and related factors. The assessment of this sector's vulnerability was based on two factors, which are anti-money laundering (AML) variables controls and inherent vulnerability.

a) General AML Variable Controls

In assessing the AML combating ability, the World Bank AML variable controls were used. The table below summarizes the control variables.

Table 10: AML variable controls in banking sector

BANKING SECTOR	ASSESSMENT RATING
Comprehensive of AML Legal framework	(0.7) High 0.7
Availability and Enforcement of Criminal Sanctions	(0.3) Low 0.3
Level of Market Pressure to Meet AML Standards	(0.8) Very High 0.8
Availability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Effectiveness of Supervision Procedures and Practices	(0.4) Medium Low 0.4
Availability and Enforcement of Administrative Sanctions	(0.4) Medium Low 0.4
Integrity of Banks' Staff	(0.7) High 0.7
AML Knowledge of Banks' Staff	(0.6) Medium High 0.6
Effectiveness of Compliance Systems	(0.6) Medium High 0.6
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.5) Medium 0.5
Availability and Access to Beneficial Ownership Information	(0.7) High 0.7
Availability of Reliable Identification Infrastructure	(0.9) Close to Excellent 0.9
Availability of Independent Information Sources	(0.7) High 0.7

The basis and factors supporting the ratings assigned to each general input variable are discussed below:

COMPREHENSIVENESS OF AML LEGAL FRAMEWORK

The AML/CFT laws and regulations were assessed to consider whether Rwanda has adequately designed laws and by-laws concerning money laundering prevention measures and supervision, with the aim of significantly reducing money laundering/terrorist financing risks.

Following the 2014 MER, Rwanda embarked in the review of the AML/CFT Law. The new Law No 69/2018 of 31/08/2018 on prevention and punishment of money laundering and terrorism financing was enacted. This law has closed the main gaps that were observed in the MER especially requiring financial institutions (banks) to not open anonymous accounts and undertake the risk based approach in mitigating the ML/FT risks. In addition, the FIU Directive issued on 16/02/2018 relating to anti-money laundering and combating the financing of terrorism guide banks on how they have to comply with the AML/CFT obligations. In addition, the banking law⁵⁴ empowers the Central Bank to monitor the implementation of AML/CFT law by banks. From this, the AML variable control of the comprehensiveness of AML legal framework was rated High.

AVAILABILITY AND ENFORCEMENT OF CRIMINAL SANCTIONS

The assessment of the AML variable control of the availability and enforcement of criminal sanctions was rated Low. Statistics from 2013 to 2017 shows that the prosecution service investigated 147 cases involving embezzlement of bank funds totaling 2.9 billion FRW. This shows the commitment of the prosecution with regard to enforcement of criminal sanction in banking sector. However, at the time of assessment, there was no criminal sanction to banks or their personnel for money laundering.

LEVEL OF MARKET PRESSURE TO MEET AML STANDARDS

The assessment revealed that the level of Market Pressures for banks to comply with international best practices in combating ML was Very High. In fact, the assessment noted that the Rwanda Banking Sector was dominated by subsidiaries of regional banking groups which have adopted AML

policies and procedures from parent banks. The assessment also noted that foreign correspondents banks exert pressures on local banks to adopt best practices in AML risk management as preconditions in the international transactions to avoid de-risking.⁵⁵

AVAILABILITY AND EFFECTIVENESS OF ENTRY CONTROLS

The assessment of the availability and effectiveness of entry controls in banking sector was rated Very High. Indeed, the assessment noted that the National Bank of Rwanda undertakes strict due diligence of applicant banks prior to issue the operating license. The due diligence includes the assessment of shareholder of the applying bank including the assessment of the legitimacy of the sources of funds. The assessment further observed that the National Bank of Rwanda seeks and exchanges information with foreign jurisdictions when assessing licensing of foreign banks. In addition, the significant shareholder shall not have been involved in money laundering, genocide and financing of terrorism.

EFFECTIVENESS OF SUPERVISION PROCEDURES AND PRACTICES

The assessment of effectiveness of supervision procedures and practices was rated Medium Low. This is due to limited AML/CFT supervision that is undertaken by the National Bank of Rwanda. At the time of assessment, the National Bank of Rwanda had developed the off and on-site supervision manual and only two AML/CFT on-site supervision had been conducted. In addition, the prudential supervision staffs are not trained with regard to AML/CFT supervision although there was AML/CTF supervision manual.

⁵⁴ The paragraph 5 of Article 56 of the Law No 47/2017 of 23/9/2017 governing the organization of banking states that "Specific supervision is exercised by the Central Bank inspectors, to assess compliance with the laws and regulations on prevention and penalizing the crime of money laundering and financing terrorism"

⁵⁵ A Practical Guide for Bank Supervisors on Preventing Money Laundering and Terrorist Financing by WB. retrieved from: <http://documents.worldbank.org/curated/en/893901468166157283/pdf/488950PUB0mone101Official0Use0Only1.pdf>

AVAILABILITY AND ENFORCEMENT OF ADMINISTRATIVE SANCTIONS

The assessment revealed that the availability and enforcement of administrative sanctions in banking sector is Medium Low. The new AML/CFT Law requires supervision authorities to establish administrative sanctions for any reporting person or any other person who does not fulfill his/her responsibilities as provided by the Law. However, at the time of assessment, no supervisory authority has issued a regulation on administrative sanction.

INTEGRITY OF BANK'S STAFF

When assigning the score regarding the integrity of bank officers, account was taken of the frequency of fraud reports in which bank staff were involved. The assessment of ML vulnerability revealed that the level of bank's staff integrity (in banking sector) is High. Statistics from the National bank of Rwanda shows that from 2015 to 2017, only 24 staff was involved in bank frauds. Despite the review of fraud cases in the banking sector, the assessment took note of the controls in place to increase the level of integrity of officers in the banking sector including subjecting the senior management and directors to BNR's vetting and approval which screens out people whose integrity is questionable. In addition, staff who are involved in the fraud or any misconduct are blacklisted and cannot be employed by any financial institution.⁵⁶

AML KNOWLEDGE OF BANK'S STAFF

This variable assesses whether officers of banks have adequate understanding of their obligations and duties regarding the prevention of money laundering and terrorist financing. When assessing the knowledge of the bank officers, account was taken on the quality of training material, training frequency and level, as well as the type of personnel

receiving the training. It was noted that bank staffs have general awareness on ML but during the group discussions, compliance officers emphasized on the need advanced training with regard to AML/CFT obligations. Thus, the ML vulnerability through AML knowledge of bank's staff control was rated Medium High.

EFFECTIVENESS OF COMPLIANCE SYSTEMS

This variable assesses whether banks have an effective function of compliance with the anti-money laundering rules. The assessment revealed that the vulnerability of effectiveness of compliance systems is Medium High due to the fact that all banks have appointed compliance officers at managerial level to ensure compliance with respect to AML/CFT. Nevertheless, it was observed that the compliance officers do not have advanced skills on AML/CTF.

EFFECTIVENESS OF SUSPICIOUS ACTIVITY MONITORING AND REPORTING

This variable was used to assess whether banks have appropriate information systems to support their anti-money laundering policies and procedures. In this regard, the assessment noted that the effectiveness of suspicious activity monitoring and reporting in banking sector is Medium. According to the assessment, banks have systems for monitoring suspicious, unusual transactions, identify high-risk individuals and entities.

However, there was low number of STRs received by FIC at the time of this assessment. From the group discussion with compliance officers from banks, this low level of STRs could be caused by the fact that they do not receive any feedback from FIC on one hand and there are no sanctions in place for the non-compliance on another hand. The table below shows the STRs and CTRs reported by banks to FIC.

⁵⁴ Article 54 of the National Bank regulation on corporate governance for banks- Official Gazette n° 6bis of 05/02/2018

Table 11: STRs and CTRs from 2013-2018

Year	STR received	STR disseminated	CTR received	CTR disseminated
2013	12	4	-	-
2014	7	2	-	-
2015	9	7	517	-
2016	51	47	8120	-
2017	26	4	7664	-
Nov, 2018	7	6	7135	-
Total	118	70	23,436	-

Source: FIC/BNR

AVAILABILITY AND ACCESS TO BENEFICIAL OWNERSHIP INFORMATION

The assessment revealed that the level of availability and access to beneficial ownership information in banking sector was High. Banks undertake customer due diligence not only to direct individual clients and companies but also assess owners of those companies through submitted information such as memorandum and articles of association. In addition, the current registration system of companies enables banks to get basic information of beneficial shareholders through registration certificate. However, the company registration system needs to be upgraded to avail beneficial ownership information. In addition, the law on AML/CFT requires reporting persons to assess the beneficial owners when undertaking the CDD.

AVAILABILITY OF RELIABLE IDENTIFICATION INFRASTRUCTURE

This variable was used to assess to what extent the banks are able to perform customer identification and verification using reliable, independent source documents, data or information.

⁵⁴ The paragraph 5 of Article 56 of the Law No 47/2017 of 23/9/2017 governing the organization of banking states that "Specific supervision is exercised by the Central Bank inspectors, to assess compliance with the laws and regulations on prevention and penalizing the crime of money laundering and financing terrorism"

It is considered that the existence of good identification infrastructure contributes to preventing the use of counterfeit documents and false identities, which hinder the implementation of customer due diligence measures.

The assessment observed that the level of availability of reliable identification infrastructure in banking sector is close to excellent. Banks are required to verify the identities of individuals Rwanda, 1st NRA 2017-18⁴⁵ and legal entities before business relationships are established. Banks are capable to verifying National IDs by accessing the Government ID servers through online infrastructure. The IDs that are used in Rwanda to open bank accounts are Government-issued electronic IDs. In addition, banks currently have online access to company, land registry and credit reporting registry.

AVAILABILITY OF INDEPENDENT INFORMATION SOURCES

This variable was used to assess the availability of independent, reliable information sources in identifying customer transaction patterns.

The assessment of the availability and effectiveness of entry controls in banking sector was rated Very High.

Indeed, the assessment noted that the National Bank of Rwanda undertakes strict due diligence of applicant banks prior to issue the operating license. The due diligence includes the assessment of shareholder of the applying bank including the assessment of the legitimacy of the sources of funds.

The assessment further observed that the National Bank of Rwanda seeks and exchanges information with foreign jurisdictions when assessing licensing of foreign banks. In addition, the significant shareholder shall not have been involved in money laundering, genocide and financing of terrorism.

The customer due diligence measures are conducted more easily and better if there are available sources of comprehensive, reliable historical data and other data on customers that may be used in identifying their transaction patterns and commercial history, such as the data in the possession of credit reporting bureaus, information on previous transactions with banks, availability of public company information. The assessment revealed that the level of availability of independent information sources in banking sector is High. The assessment observed that credit reference bureau exists in Rwanda and is extensively used by banks in assessing client's creditworthiness. The land and companies' registry are also available and accessible by banks and provide reliable source of information.

b) Inherent vulnerability

Inherent vulnerability was assessed based on the characteristics of products/services offered by banks by considering the total value, average transactions size, client base profile, level of cash activity and other vulnerable factors.

Twelve (12) products and services offered by the banks were considered for this exercise (see table 12). These products represented almost all activities undertaken by the banking sector. The choice of the product was based on the fact that any potential money laundering or terrorist financing activity would most probably occur through them.

Table 12: Products/Services with their inherent and final vulnerability scores to ML

PRODUCT/SERVICE VULNERABILITY	TRANSFER COLUMN	
	Inherent Vulnerability	Final Vulnerability
RETAIL DEPOSITS	0.53	0.53
CORPORATE DEPOSITS	0.63	0.62
SME DEPOSITS	0.73	0.63
RETAIL LOANS	0.51	0.51
SME LOANS	0.49	0.49
CORPORATE LOANS	0.67	0.59
TRADE FINANCE	0.65	0.54
WIRE TRANSFERS	0.67	0.54
CUSTODY SERVICES	0.28	0.28
INTERNET BANKING	0.37	0.37
MOBILE BANKING	0.35	0.35
CREDIT/DEBIT CARDS	0.44	0.44

The table above demonstrates the detailed products/ services produced by banks in Rwanda. Among these listed products or services, SME deposits and corporate loans are highest vulnerable to ML owing to the fact that the big number of deposits which are highly cash based. Hence, it can be an easy way of money laundering. Based on the same table, internet and mobile banking, as well as custody services are low vulnerable given that these products and services transacted on a small scale.

CONCLUSION AND RECOMMENDATIONS

The Banking Sector is the largest in the Financial Sector. The sector is well organized and the regulator plays an important role in the prudential supervision. The Banking sector is generally vulnerable to money laundering and terrorist financing risks because of the significant role it plays in the Rwandan economy through various products and services offered. The assessment revealed that money laundering risk in the banking sector is Medium High. This rate derived from the combination of both threat level, which is High, and vulnerability level which is Medium High.

The deficiencies or gaps in the AML controls that make the banking sector being most vulnerable

to the threats of money laundering and terrorist financing are inter alia: the level of STR reporting is still low due to limited knowledge in ST identification by staff in banking sector; no requirement to undertake CDD measures when there is suspicion of terrorist financing; the appointed Compliance Officers lack advanced level of skills in AML/CFT; supervisory authority was not applying monetary sanctions for non-compliance with AML/CFT obligations; the supervisory authority was not conducting AML/CFT supervision; cash transactions, is still dominant in the banking sector; inadequate location of customer addresses, and the fast growing mobile money activities, even though at the time of the exercise, banks indicated that mobile banking contributed very little to their overall business.

The following key recommendations have been made:

- Improve skills and knowledge for bank staff on AML/CFT obligations;
- Provide advanced skills to Compliance Officers in AML/CFT;
- Issue and enforce administrative sanctions to banks for non-compliance with AML/CFT obligations;
- Improve the AML/CFT supervision and
- Promote the cashless culture in financial transactions.

The Banking sector is generally vulnerable to money laundering and terrorist financing risks because of the significant role it plays in the Rwandan economy through various products and services offered.

MONEY LAUNDERING RISK IN SECURITIES

OVERVIEW OF SECURITIES

Securities sector is regulated and supervised by the Capital Market Authority (CMA). This is a public institution established by the Law No.23 /2017 of 31/05/2017. It is responsible for developing and regulating the capital markets industry, commodities exchange and related contracts, collective investment schemes as well as warehouse receipts system. The capital market businesses are governed by Law N° 01/2011 of 10/02/2011 regulating Capital Market in Rwanda as modified to date. The main products in Capital Market are: equities (shares); Bonds (corporate and treasury bonds); Commercial Papers; Collective Investment Schemes and Real Estate Investment Trust (REIT's). These products are provided by different licensees such as Custodial services; Securities exchange; Clearing house; Securities brokers; Dealers; Securities sponsors; Investment banks; Investment managers; Credit ratings; Investment advisers and Trustees. The following table shows the number of licensed institutions:

Table 13: Classification of Sec- licensed Institutions

TYPE OF INSITUTION	NUMBER OF INSTITUTIONS
Security brokers	8
Sponsoring brokers	1
Custodian	2
Credit rating agency	3
Investment advisors	4
Asset managers	2
Registrar	1

Source: Rwanda Stock Exchange

THREAT OF SECURITY SECTOR

Statistics from LEAs and the analysis of fifty cases indicate that no money laundering and predicate offences such as embezzlement, frauds, and forgery documents or insider dealings were committed in Security Sector during the period covered by the assessment. In addition, the assessment revealed that there is no direct threat against the securities market as it is nascent. However, as the sector is growing, typologies should be done to assess the profile of investors in this market. Therefore, the level of threat was rated as Low.

VULNERABILITY OF SECURITIES SECTOR

The vulnerability of securities is stand on assessment of general AML controls which are related to the strength of preventing money laundering and also on inherent vulnerability which is related to the characteristics of products or services provided in the sector.

a) General AML Control Variables of Securities Sector
In assessing the general AML controls, the following inputs variables were assessed and then rated as it is shown in the table below:

The capital market businesses are governed by Law N° 01/2011 of 10/02/2011 regulating Capital Market in Rwanda as modified to date. The main products in Capital Market are: equities (shares); Bonds (corporate and treasury bonds); Commercial Papers; Collective Investment Schemes and Real Estate Investment Trust (REIT's).

Table 14: General AML controls in securities sector

SECURITIES INSTITUTIONS	Rating Assessment		
GENERAL INPUT VARIABLES/AM L CONTROLS	Investment advisors	Brokers	Asset Managers
Comprehensiveness of AML Legal Framework	0.4	0.4	0.4
Effectiveness of Supervision Procedures and Practices	0.6	0.4	0.3
Availability and Enforcement of Administrative Sanctions	0.6	0.4	0.2
Availability and Enforcement of Criminal Sanctions	0.7	0.6	0.6
Availability and Effectiveness of Entry Controls	0.8	0.9	0.9
Integrity of Staff in Securities Firms	0.6	0.8	0.8
AML Knowledge of Staff in Securities Firms	0.5	0.5	0.3
Effectiveness of Compliance Function (Organization)	0.2	0.4	0.5
Effectiveness of Suspicious Activity Monitoring and Reporting	0.2	0.3	0.2
Level of Market Pressure to Meet AML Standards	0.5	0.8	0.8
Availability and Access to Beneficial Ownership Information	0.4	0.7	0.7
Availability of Reliable Identification Infrastructure	0.9	0.9	0.9
Availability of Independent Information Sources	0.7	0.7	0.7

The assessment of money laundering vulnerability of securities sector was established on three types of institutions which are investment advisers, brokers and asset managers due to the fact that they could be mostly abused by ML risk.

The legal framework of capital market business is clear on the prevention of ML in capital market. The new AML/CFT law considers all players at capital market as reporting persons that have to comply with the AML/CFT obligations. In the same law, the CMA as the supervisory authority has to ensure that players at the capital market are complying with obligations of the Law.

The assessment illustrated that there are admirable conditions in term of entry controls. This was evidenced by the licensing of players by the capital market. The law regulating the capital markets business in Rwanda requires all persons intending to conduct capital markets business to hold a valid license issued by the Capital Market Authority of Rwanda.

At the time of the assessment, 23 companies were licensed.⁵⁷

With regard to CDD measures, it was observed that securities firms do not have mechanism in place to identify beneficial owners, but securities market players undertake the KYC using a very comprehensive reliable information including the National ID system, company registration system and passports for foreigners. In addition, securities firm relies on international platforms to access information not provided by investors.

The assessment revealed that the Compliance Officers in assessed firms were not well trained and skilled about ML/FT risks and it was also observed that the staffs did not have enough awareness on AML/CFT in securities firms. In addition, no suspicious report transactions were submitted to FIC. Further, it was revealed that there was no tool in the securities firms to identify suspicious

⁵⁷ License applications are submitted to the Capital Market Authority via the Authority's Online Services Portal. Online applications forms are available in the system after the applicant has successfully created an account and validated.

transactions and beneficial owners as well as the PEPs. CMA has a supervision function with a limited number of staff. At the time of assessment, CMA had no framework for the AML supervision and no specific supervision was undertaken to market players with regard to AML/CFT. From this assessment, the quality of AML controls was rated Medium to both brokers and investment managers and Medium Low to investment advisors.

b) Inherent Vulnerability

The assessment of the inherent vulnerability of the securities sector was based on total value/size of the institution type, client base profile, existence of investment/deposit feature, liquidity of the portfolio, frequency of international transactions; and other vulnerable factors. Products or services that are offered by the capital market were also considered in this assessment such as equities (shares), Bonds (corporate and treasury bonds), commercial Papers and collective Investment Schemes. The assessment observed that Rwandan Capital Market is at its nascent stage given its size, business portfolio as well as market players. Considering the above, the overall ML vulnerability of securities sector was rated Medium.

CONCLUSION AND RECOMMENDATIONS

Money laundering assessment within securities sector displayed that there are weaknesses to cover ML vulnerability. The most inputs variables identified are lack of AML knowledge of staff in securities firms; followed by inefficiency of supervisions practices and procedures; lack of effectiveness of compliance functions and inefficiency of suspicious activities monitoring and reporting. The assessment revealed that the money laundering risk of securities sector is Medium Low. This rating is derived from the combination of threat level that was rated Low and the vulnerability level that was rated Medium.

The following key recommendations have been made:

- Due to the limited focus of AML supervision, CMA has to improve its off and onsite supervision practices and procedures as supervisory authority; Rwanda,

- CMA to develop regulations and guidance to securities firms on their AML obligations;
- Internal controls and policies required to all market players must include AML obligations;
- Develop the skills level of securities firm's staffs in AML/CFT;
- Securities firms to comply with obligations of reporting STRs.

MONEY LAUNDERING RISK IN INSURANCE AND PENSION SECTORS

OVERVIEW OF THE INSURANCE AND PENSION SECTOR

Insurance sub-sector is regulated and supervised by National Bank of Rwanda. It is composed of 16 insurers including 10 private non-life insurers, 4 private life insurers and 2 public medical insurers. At the time of assessment, the central bank had also licensed 16 brokers; 581 agents and 13 loss adjusters.

The pension sub-sector consists of mandatory and voluntary pension fund. Rwanda Social Security Board (RSSB) is the mandatory pension fund which provides 'defined pension benefits on a mandatory basis to all employees officially employed in public and private sector.

The NBR had also licensed 10 private pension schemes including inter alia 6 complementary occupational pension schemes and 4 personal pension schemes.⁵⁸ These schemes are managed by 10 pension service providers, of which 3 are administrators, 4 investment managers, 2 custodians, and 1 corporate trustee.⁵⁹ Pension sub-sector is also regulated and supervised by National Bank of Rwanda.

Pension and insurance subsectors are considered as non-banking financial institutions (NBFIs). At the time of the assessment, their assets (insurance and pension sector) were representing a share of 14.5 percent of the GDP; pension being the

⁵⁸ Since the enactment of the new Pension Law in 2015 which put forward the licensing conditions of private pension schemes.

⁵⁹ Monetary Policy and Financial Stability Statement, 6th March 2018

dominant subsector with 9.3 percent of the assets' contribution to the GDP compared to insurance.⁶⁰ The assessment covered only the life insurance as it is the most likely vulnerable to money laundering.

THREAT OF LIFE INSURANCE AND PENSION SCHEMES

Insurance and pension sector ML threat analysis considered the level and trend of predicate offenses each sector was prone to and the resultant money laundering threats associated with the identified predicate offences. Based on the findings of fifty cases analysis and statistics collected from LEAs, the assessment noted that there were no predicate offense cases investigated from life insurances and pension schemes. Hence, the level of threat in these sectors were rated Very Low.

VULNERABILITY OF LIFE

INSURANCE AND PENSION SCHEMES

Assessment was focused on how these sectors comply with AML controls by assessing input variables, which determine the ML combating ability. The assessment was also focused on inherent vulnerability by assessing profile features of life insurance and pension schemes (Individual and group).

a) General AML Control Variables of life Insurance and Pension schemes

In assessing the general AML controls, the following inputs variables were assessed and were rated in the table below.

Table 15: General AML controls in insurance and pension sectors

INSURANCE AND PENSION SECTOR

A. GENERAL INPUT VARIABLES/AM L CONTROLS	Assesment Rating
Comprehensiveness of AML Legal Framework	(0.7) High 0.7
Effectiveness of Supervision/Oversight Activities	(0.3) Low 0.3
Availability and Enforcement of Administrative Sanctions	(0.4) Medium Low 0.4
Availability and Enforcement of Criminal Sanctions	(0.6) Medium High 0.6
Availability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Integrity of insurance and pension's Staff	(0.8) Very High 0.5
AML Knowledge of insurance and pension's Staff	(0.5) Medium 0.3
Effectiveness of Compliance Function	(0.3) Low 0.3
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.3) Low 0.3
Availability and Access to Beneficial Ownership information	(0.3) Low 0.7
Availability of Reliable Identification Infrastructure	(0.7) High 0.7
Availability of Independent Information Sources	(0.7) High 0.7

⁶⁰ Financial Stability Report, June 2017.

Insurance and pension sector ML threat analysis considered the level and trend of predicate offenses each sector was prone to and the resultant money laundering threats associated with the identified predicate offences. Based on the findings of fifty cases analysis and statistics collected from LEAs, the assessment noted that there were no predicate offense cases investigated from life insurances and pension schemes. Hence, the level of threat in these sectors were rated Very Low.

The basis and factors supporting the ratings assigned to each general input variable are discussed as follows.

The Law on AML/CFT in Rwanda considers financial institutions including insurance⁶¹ and pension as reporting persons. The pension and insurance legal framework provide that the regulator may revoke the license of pension and insurers in case they are involved in ML/TF.⁶² The pension law provides in particular that regulator may appoint a special administrator to take over responsibilities of any pension scheme if it determines that the pension scheme or any service providers engaged in risky or unlawful practices including money laundering and terrorist financing.⁶³

The assessment found that the entry control in pension and insurance sectors is well organized. All insurers, pension schemes and their intermediaries as well as pension service providers are licensed, registered and supervised by the NBR. In addition, the shareholders, senior managers and pension's services providers are vetted to establish the sources of their capital and assess their fit and propriety requirements.

Similarly, the CDD is well undertaken. Clients are identified using comprehensive reliable information (electronic identity card) and the current registration system of companies allows insurers to get information of beneficial shareholders.

The insurance and pension companies have branches and agents to deal with clients. It was observed also that the local government entities were obliged to provide information required to public insurance in particular on community Based Health Insurance (Mutuelle de Santé) scheme.

However, the assessment displayed weaknesses of AML inputs variables such as effectiveness of

supervision, effectiveness of suspicious activities monitoring and reporting, compliance functions and AML knowledge of staff.

The assessment noted that there were no supervisory manuals with regard to AML controls and there was no specific report on the compliance level of insurance companies and pension schemes with AML/CFT obligations. In addition, the supervision staff had no sufficient knowledge with regard to AML/CFT framework i.e. the AML/CFT risk based supervision.

It was revealed that insurance staff, insurance intermediaries and pension trustees were not generally aware of ML/TF risks and they had no adequate AML training programs. Additionally, compliance function is in place but with limited activities of AML/CTF function owing to that the Compliance Officers are not sufficiently resourced to meet the requirements for combating money laundering. Hence, the assessment confirmed that the quality of AML controls was rated as Medium Low.

b) Inherent vulnerability

The assessment covered the life insurance and pensions schemes (individual and group pension) with a specific focus on number of individuals insured and their premium; the total value of assets, average transaction size, client base profile, availability of investment type policy, level of cash activity and level of cash activities. After the assessment, it was revealed that the inherent ML vulnerabilities in life insurance and pension schemes are Medium Low. This rate is justified by the fact that member of these schemes are mainly employees from public and private sector and the premium source is the salary.

⁶¹ This was to cover the gap identified by the MER, where insurance companies and intermediaries were not considered as reporting persons.

⁶² See Regulation N° 08/2017 of 19/05/2017 on pecuniary and administrative sanctions applicable to pension schemes and pension scheme service providers

⁶³ See art. 66.

CONCLUSION AND RECOMMENDATIONS

The assessment in insurance and pension sector focused on life insurances and pension schemes (personal and corporate) due to the fact that they are the most likely to be affected by Money Laundering. It was observed that there are gaps or weaknesses in AML controls including the lack of awareness on AML/CFT obligations, unskilled compliance officers on AML/CFT framework and ineffectiveness of supervision.

As a conclusion, the findings of the assessment revealed that the level of ML risk in life insurance and pension schemes is Low. This was derived from the combination of the rate of threat that was Very Low while the rate of final vulnerability was Medium Low. The following key recommendations have been made:

- The supervisory authority requires adequate resources such as advanced skills and capacity to conduct effective supervision on AML/CTF compliance;
- Supervisory authority to issue guidelines on AML/CFT to insurance and pension and
- FIC to establish a program to raise awareness and knowledge for using STR system and how to detect suspicious transactions.

MONEY LAUNDERING RISK OF OTHER FINANCIAL INSTITUTIONS

This part will cover the Micro-finance institutions, Money transfer services, E- money services and Forex bureaus.

MICROFINANCE SECTOR OVERVIEW OF MICROFINANCE SECTOR

Microfinance institutions continue to offer financial inclusion opportunities to the rural population in Rwanda. At the time of assessment, the microfinance sub-sector comprised of 470 institutions: 19 limited liability companies; 451 Savings and Credit Cooperatives (SACCOs), which include 416 Umurenge SACCOs and 35 non-Umurenge-SACCOs). The total number of accounts in microfinance institutions was 3.4 million. The MFIs sector remains adequately capitalized and liquid. The Capital Adequacy Ratio (CAR) stood at 32.8 percent in June 2018, above the minimum regulatory requirement of 15 percent. In the same period, the liquidity ratio of MFIs stood at 103.3 percent, above the prudential limit of 30 percent. The NPLs ratio of MFIs dropped from 12.3 percent in June 2017 to 8 percent in June 2018.

THREAT OF MICROFINANCE SECTOR

The assessment noted some fraud cases, which were occurred in Umurenge SACCOs where, during the period covered by the assessment, 32 staff were convicted for having embezzled Umurenge Sacco's funds totaling 148 million. According to the group discussions findings, these fraud malpractices are mainly caused by the lack of computerization of Umurenge SACCOs operations. However, the assessment found that MFI(s) sector is characterized by the clients with low income, low value transactions, low risk customers and lack of cross border transfer. Accordingly, this subsector is not directly affected by ML threat because the treatability of the transactions is well upheld due to that all clients are living in the same location where they now each other. Hence, the level of threats in microfinance sector was rated Very Low.

VULNERABILITY OF MICROFINANCE SECTOR

Assessment was focused on how these sectors comply with AML controls by assessing input variables which determine the ML combating ability. The assessment was also focused on inherent vulnerability by assessing profile features of microfinance products.

The overall money laundering vulnerability of MFI(s) is the grouping of AML controls and inherent vulnerability. These are assessed as follows.

a) General AML Controls

In assessing the combating ability of MFIs (Limited liability microfinance institutions and SACCOs) the variables which relate to the strength of the general AML controls were assessed as indicated in the table below:

Table 16: AML Variables Controls ratings in MFI(s)

MICROFINANCE SECTOR

A. GENERAL INPUT VARIABLES/AM L CONTROLS	ASSESMENT RATING
Comprehensiveness of AML Legal Framework	(0.7) High 0.7
Availability and Enforcement of Criminal Sanctions	(0.5) Medium 0.5
Level of Market Pressure to Meet AML Standards	(0.5) Medium 0.5
Availability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Effectiveness of Supervision Procedures and Practices	(0.2) Very Low 0.2
Availability and Enforcement of Administrative Sanctions	(0.5) Medium 0.5
Integrity of Microfinances' Staff	(0.5) Medium 0.5
AML Knowledge of Microfinances' Staff	(0.5) Medium 0.5
Effectiveness of Compliance Systems	(0.4) Medium Low 0.4
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.4) Medium Low 0.4
Availability and Access to Beneficial Ownership Information	(0.7) High 0.7
Availability of Reliable Identification Infrastructure	(0.5) Medium 0.5
Availability of Independent Information Sources	(0.7) High 0.7

The assessment found that MFI(s) are licensed at entry point and their agents are vetted by MFIs before being recruited based on BNR regulation on agency banking.

Shareholders of microfinance companies Ltd are scrutinized to establish the source of their capital at the entry point. Directors and senior staffs are also evaluated if they are fit and proper at the entry point. Furthermore, the Law N° 40/2008 of 26/08/2008 establishing the organization of microfinance activities prohibits any person convicted with money laundering offence to exercise any activity within a microfinance institution.

Also, the Central Bank may take a decision of appointing a special commissioner in a micro finance institution when it has been established that the microfinance institution is involved in money laundering. In addition, microfinance institutions are considered as reporting persons by the AML/CFT Law.

The assessment revealed that there is no market pressure in MF sector to meet AML standards. This was evidenced by the fact that most of them do not have any relationship with international banks that may put pressure on them to comply with AML obligation.

CDD procedures of MFIs are well organized in general although it was observed that reliable identification infrastructure is not available in all MFIs especially SACCOs due to that most of them have been operating their activities in rural areas. KYC policy was strengthened by the fact that the clients or customers of SACCO are living in the same place where they are well known between themselves (as neighbors) and known by local authorities.

On other hand, the effectiveness of supervision procedures and practices is the main weakness identified followed by effectiveness of suspicious activity monitoring and reporting.

The NBR as a supervisor did not undertake any supervision on AML/CFT. It was also observed that supervisor do not have clear supervision procedures and advanced skills to conduct AML/CFT supervision in MFI(s).

The assessment moreover revealed that there was no any suspicious transaction reported to FIC due to that many Compliance Officers are not skilled to detect suspicious transactions. Hence, the assessment concluded that the quality of AML controls is Medium.

b) Inherent Vulnerability

The assessment of inherent vulnerability was focused on products of both MFIs and SACCOs. Those products are retail deposits, SME deposits, retail loans, SMEs loans, and mobile banking (for some MFIs). The assessment revealed that the client's status of MFIs are individuals and SMEs while that of SACCOs are farmers and clients with low income where most of them are operating in cooperatives owing to they are living in the same agglomerations. , the assessment noted that inherent vulnerability of MFIs is Medium Low.

CONCLUSION AND RECOMMENDATION

MFI(s) have been significantly contributing in Rwandan economic growth. MFI(s) are regulated and supervised by NBR. Even if the sector is not directly affected by ML threat, the assessment illustrated that there are weaknesses in complying with AML regime to mitigate ML risk.

The gaps identified are such as ineffective supervision procedures and practices, low AML knowledge of staffs and ineffective compliance functions. The assessment noted that these identified gaps are caused by many MFIs located in rural areas where the infrastructures are inadequate. It was also noted that there is no pressure of complying with AML regime due to that MFI(s) have been focusing on domestic clients with low income. Hence, the assessment found that ML risk is Medium Low. This is derived from threat level, which is Low while vulnerability level is Medium Low. For this, the following recommendations were made:

- Supervisory body to establish supervision framework to improve both on and off-site supervision activities;
- FIC to mobilize MFIs and SACCOs to STR system;
- NBR to improve capacity of inspectors on AML controls and supervision;
- Accelerate the automation of SACCOs to avoid manual intervention;
- MFIs and SACCOs to appoint a specific staff in charge of Compliance function;
- NBR to issue administrative sanctions to MFIs and SACCOs for the non-compliance.

MONEY TRANSFER SECTOR

OVERVIEW OF MONEY TRANSFER SERVICES

Apart banks, the money remittance firms operating in the country were licensed to provide payment services by NBR. Those companies are: (1) DAHABSHIL money transfer ltd; (2) Rwanda cash ltd; (3) UNIMONI; (4) VIRUNGA money transfer services ltd and (5) WANDA money transfer ltd. At the time of assessment, there were also two additional businesses (Western Union and MoneyGram) that operate under an agency agreement with the majority of the banks.

In 2018, the NBR issued a Regulation No 06/2018 of 27/03/2018 on money remittance services in Rwanda. One of the aims of this regulation is to increase transparency of remittance and payment flows in and outside Rwanda by ensuring that anti-money laundering and the combating of the financing of terrorism measures are observed in remittance services.

In addition, the regulation governing payment service providers lead down all requirements related to licensing and governance.

The 2018 regulation requires PSP to comply with AML/CFT obligations. The National Bank of Rwanda has a supervisory role of PSP. The findings of onsite supervision highlighted the following weaknesses: lack of automated AML/CFT monitoring system; insufficient training of PSPs staff about AML/CFT issues; risks management policies for some PSPs were not exhaustive on AML.

THREAT OF MONEY TRANSFER

The analysis of fifty cases and statistics from LEAs demonstrated that there was no predicate offence or money laundering case related to money transfer services that was investigated or prosecuted. However, the assessment noted that the threat level of money transfer is High due its nature of transactions (international transfers).

VULNERABILITY OF MONEY TRANSFER

The vulnerability of money transfer was assessed based on the general AML Controls and Inherent vulnerability. The AML control variables refer to the national combating ability against ML. The general AML controls are illustrated in the following table:

The 2018 regulation requires PSPs to comply with AML/CFT obligations. The National Bank of Rwanda has a supervisory role of PSP. The findings of onsite supervision highlighted the following weaknesses: lack of automated AML/CFT monitoring system; insufficient training of PSPs staff about AML/CFT issues; risks management policies for some PSPs were not exhaustive on AML.

Table 17: Rating assessment of AML controls of Money Transfer

MONEY TRANSFER SERVICES

A. GENERAL INPUT VARIABLES/AM L CONTROLS	ASSESSMENT RATING
Comprehensiveness of AML Legal Framework	(0.7) High 0.7
Effectiveness of Supervision/Oversight Activities	(0.6) Medium 0.6
Availability and Enforcement of Administrative Sanctions	(0.5) Medium 0.5
Availability and Enforcement of Criminal Sanctions	(0.7) High 0.7
Availability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Integrity of Money transfer Staffs	(0.7) High 0.7
AML Knowledge of Money transfer service's Staffs	(0.6) Medium 0.6
Effectiveness of Compliance Function (Organization)	(0.6) Medium 0.6
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.7) High 0.7
Availability and Access to Beneficial Ownership Information	(0.5) Medium 0.5
Availability of Reliable Identification Infrastructure	(0.9) Close to Excellent 0.9
Availability of Independent Information Sources	(0.8) Very High 0.8

From the above analysis, it is evidenced that the legal framework of money transfer services with regard to AML/CFT is in place. The National Bank of Rwanda put more efforts to license and supervise the MTOs. In addition, the National Bank is able to monitor the MTOs transactions in real time even if there is need to strengthen the supervisory methods. The initial services offered by Remittance Service Providers are to send and receive money of clients. It was observed that money transfers operators have AML/FT policies and most of them comply with those policies to avoid international pressure.

The assessment of inherent vulnerable factors exposed the sector as vulnerable to money laundering as it is illustrated in the following table.



Table 18: The inherent vulnerability of Money transfer

B. INHERENT VULNERABILITY FACTORS FOR MTOs	ASSESSMENT RATING
Total Size/ Volume	Medium High
Client Base Profile	Medium Risk
Use of Agents	Medium
Level of Cash Activity	Medium High
Frequency of International Transactions	High
Other Vulnerable Factors - Anonymous use of the product in Other Financial Institution Category	Not Available
Other Vulnerable Factors - Difficulty in tracing the transaction records	Easy to Trace
Other Vulnerable Factors - Existence of ML typologies on the abuse of Other Financial Institution Category	Exist and Significant
Other Vulnerable Factors - Use of Other Financial Institution Category in fraud or tax evasion schemes	Exist but Limited
Other Vulnerable Factors - Non face to face use of the product in Other Financial Institution Category	Available but Limited
Other Vulnerable Factors - Specify	Does not Exist
Other Vulnerable Factors - Specify	Does not Exist
Other Vulnerable Factors - Specify	Does not Exist

The findings of the assessment as it is illustrated in the above table, demonstrate that Money transfers are the most risky products because of the frequency of international transactions. These findings correspond to the perception survey results which placed money transfers on the first level among the most risky products/services.

In sum, the assessment, based on the combination of the level of quality of AML controls and that of inherent vulnerability, concluded that the final vulnerability is Medium High.

CONCLUSION AND RECOMMENDATIONS

Money transfer service providers are significantly contributing in economic development of Rwanda. Nevertheless, the sector of money transfer can generally be affected by money laundering risk owing to the nature of their activities. It is in this regards that the assessment of the ML risk of MT sector identified the weaknesses in preventing ML activities such as low AML knowledge of MTOs staff, ineffective supervision, and unavailability of administrative sanctions. Thus, the assessment noted that ML risk of money transfer sector was rated Medium High. This was derived from the threats and vulnerability levels which were rated as High and Medium High respectively.

The following recommendations were made:

- The regulatory authority to improve the AML/ CFT supervision;
- FIC needs to enhance its activities through improving capacity of reporting all suspicious transactions that may occur in money transfer services based on STR system;
- Regular trainings and program on prevention of money laundering are required and
- MTOs to enhance the IT tools to monitor transactions.

E-MONEY SERVICE SECTOR

OVERVIEW OF E-MONEY SERVICES

According to the regulation N° 08/2016 of 01/12/2016 governing the electronic money issuers, “Electronic money” or “e-money” means monetary value as represented by a claim on its issuer, which is: electronically stored, issued against receipt of currency of Rwanda or any other currency authorized by the Central Bank of an amount not lesser in value than the monetary value issued; and accepted as a means of payment by persons other than the issuer and redeemable for into fiat or scriptural money.

At the time of the assessment, there were three companies of e-money services in Rwanda, which are MTN MOBILE MONEY; MOBICASH and TIGO CASH combined with AIRTEL MONEY.

E-Money accounts are categorized in the Tiers as part of a risk-based approach to KYC requirements. Tier I: Individual Customer, Tier II: Individual Customer with higher limits, Tier III: Legal entities, Tier IV: Basic Agents, Tier V: Super Agents and Tier VI: Merchants. Registration of customers and opening the various types of accounts for e-money holders is obliged to satisfy the KYC/CDD requirements.

The table below details the different tiers and related requirements

Table 19: E-Money KYC/CDD

This table is provided in the regulation and e- money issuers have to comply with it.

CUSTOMER TIER	LIMITS	AMOUNTS IN RWF	CUSTOMER VERIFICATION REQUIREMENTS (KYC/ CDD)
TIER I.	Maximum single transaction	50,000	<ol style="list-style-type: none"> For e-money transfers transactions: <ol style="list-style-type: none"> Registered phone number Registered e-money account customer which match is integrated with Customer ID For cash-in/out transactions: <ol style="list-style-type: none"> Registered phone number and registered e-money account customer Accepted Photo ID
	Maximum daily transfer	100,000	
	Maximum weekly balance	1,000,000	
TIER II.	Maximum single transaction	1,000,000	<ol style="list-style-type: none"> For mobile money (e-money) transfers transactions: <ol style="list-style-type: none"> Registered phone number Registered mobile money account customer For stored value card transactions: <ol style="list-style-type: none"> Registered card number; Registered e-money account number For cash-in transactions: - <ol style="list-style-type: none"> Registered phone number and registered e- money account; Name Acceptable photo ID For cash-out transaction at agent: - <ol style="list-style-type: none"> Acceptable photo ID cash-out transaction at an electronic device <ol style="list-style-type: none"> E-money account Name
	Maximum daily transfer	1,000,000	
	Maximum weekly balance	1,000,000	
TIER III.	Maximum single transaction	1,000,000	<ol style="list-style-type: none"> Full KYC/CDD Terms and conditions for operating the Micro-Enterprise mobile money account Tax Identification Number Business Registration Number in Rwanda and if it is different from VAT registration if applicable Other verification documents
	Maximum daily transfer	2,000,000	
	Maximum weekly balance	3,500,000	
TIER IV.	Maximum single transaction	0	<ol style="list-style-type: none"> Full KYC/CDD Agent Identification Number
	Maximum daily transfer	0	
	Maximum weekly balance	10,000,000	
TIER V.	<p>- There are no limits on transactions</p> <p>The e-money account balances shall be withdrawn on weekly basis</p>		<ul style="list-style-type: none"> Full KYC/CDD Super-Agent Identification Number

THREAT OF E-MONEY SERVICES

Rwanda is promoting cashless initiative. A high number of people have opening e-money accounts. During the assessment, the fifty case analysis and statistics from LEAs did not indicate any predicate offence case to money laundering associated with e-money services. In addition, the perception survey results show also that e-money service is not the risky product. However, some fraudulent cases were generally observed where clients' money was withdrawn by fraudsters. From the assessment conclusion, the level of e-money services threat was rated Very Low.

VULNERABILITY OF E-MONEY SERVICES

The level of vulnerability of e-money services was obtained after the assessment of AML variable controls and inherent vulnerability of the sector.

a) General AML controls

In assessing the general AML controls, the following inputs variables were assessed and were rated in the table below.

Table 20: General AML controls in E-money issuers

E MONEY SERVICES

A. GENERAL INPUT VARIABLES/AM L CONTROLS	Assesment Rating
Comprehensiveness of AML Legal Framework	(0.7) High 0.7
Effectiveness of Supervision/O versight Activities	(0.3) Low 0.3
Availability and Enforcement of Administrative Sanctions	(0.2) Very Low 0.2
Availability and Enforcement of Criminal Sanctions	(0.7) High 0.7
Availability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Integrity of Staff in E-money services	(0.4) Medium Low 0.4
AML Knowledge of Staff in E-money services	(0.4) Medium Low 0.4
Effectiveness of Compliance Function	(0.6) Medium High 0.6
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.7) High 0.7
Availability and Access to BeneficialOwnership information	(0.5) Medium 0.5
Availability of Reliable Identification Infrastructure	(0.9) Close to Excellent 0.9
Availability of Independent Information Sources	(0.8) Very High 0.8

The assessment illustrated that the legal framework requiring e-money issuers to comply AML/CFT obligations is in place.

In addition, e-money issuers adhere to licensing requirements established under the regulation of National Bank of Rwanda governing payments services providers. Customer due diligence measures undertaken by e-money companies are based on identification of their customers using reliable information like the ID. E- Money issuers are linked to the National Identification System and this facility has eased the identification of customers.

Also, e-money companies are supervised by NBR, but the assessment revealed that there was no supervision undertaken specifically for AML/CFT.

It was revealed that there is low AML knowledge of staffs in the companies providing e-money services.

The assessment also noted that there was no suspicious transaction reported to FIC from E-Money issuers. This is due to that compliance staff and agents of E- Money Issuers were not aware of their reporting obligations. Therefore, assessment concluded that the ML vulnerability derived from AML controls of e-money services is Medium.

b) Inherent vulnerability

The assessment of the inherent vulnerability was based on the main products or services provided by e-money companies. The table below highlights the main products of e- money issuers.

Table 21:E-money products

PRODUCTS PROVIDED BY E-MONEY COMPANIES		
MTN MOBILE MONEY	MOBICASH	TIGO CASH – AIRTEL MONEY
Deposit Money, Send Money, Withdraw Money, Buy Airtime, Buy Cash Power Pay Water Pay Fuel, Pay School Fees, Mokash	MobiTax: (Tax collection system) MobiAir: (Recharge your mobile phone instantly using MCASH) MobiWatt: (to buy Prepaid Electricity Tokens) MobiRisk: (offer an insurance voluntary plan aiming at covering our account holders) MobiPay: (powering the mobile revolution in payments and business) MobiPayroll: (bulk payment salaries, grants, benefits) MobiGrant: (enable recipients of social transfers to access formal financial services such as basic bank accounts, savings, micro-credit or even remittance services.) MobiSend: (Send Money to friends and family)	Deposit Money, Send Money, Withdraw Money, Buy Airtime, Buy Cash Power

The above table shows that products of the e- money issuers are mainly related to expenditures and are retail in nature and services are consumed by individuals for household consumption. Based on the features of combating ability through AML controls and inherent vulnerability, the assessment of overall money laundering vulnerability was rated Medium.

CONCLUSION AND RECOMMENDATIONS

With the new movement of promoting the cashless economy, the volume of e-money users and amount transacted will continuously increase. For this reason, anti-money laundering and counter financing terrorism policy have to be enhanced in order to mitigate ML/TF risk in this sector. Therefore, based on important contribution that e-money issuers have been playing in financial transactions, the risk assessment revealed that money laundering risk of e-money sector is rated Medium Low. This is derived from the combination of the level of threats, which was Very Low and the level of vulnerability, which was Medium.

The following recommendations were made:

- Supervisory authorities have to enhance their money laundering supervision activities;
- The agents of electronic money are required to always verify client's identification card or passport;
- FIC shall provide regular training on STRs system toe- money issuers for them to enhance detecting and reporting suspicious transactions.

FOREX BUREAUS SECTOR

OVERVIEW OF FOREX BUREAUS

The National Bank of Rwanda is mandated to manage foreign currency. In this regards, the National Bank of Rwanda regulates and supervise Forex Bureaus to ensure that they comply with laws and regulatory requirements. The primary activity of Forex Bureaus business is the buying and selling foreign currencies. Regulation N° 01/2017 of 22/02/2017 governing foreign exchange bureaus are in place and requires Forex Bureaus to comply with AML/CFT obligations.

At the time of assessment, the licensed forex bureaus were 85 and 66% of Forex Bureaus were

located in the City of Kigali while 34% were located upcountry; mainly near borders of Uganda, Burundi and Republic Democratic of Congo.

In collaboration with the Rwanda Forex Bureau Association (RFBA), the NBR started a process of establishing a software to be used by all Forex Bureaus to improve day today monitoring of bureaus activities as well as their reporting requirements.

In pursuit to ensure development and stability of forex bureaus, the Central Bank intensified its supervisory and surveillance activities on foreign exchange bureaus. As a result, the sector remains sound and profitable. As of June 2018, the total capital and reserves held by the sector stood at FRW 5.5 billion from 3.4 FRW billion that registered in June 2017 despite the reduction of the total number of FX to 87 from 92 after closure of 5 FX due to non-compliance with regulatory requirements⁶⁵

THREAT OF FOREX BUREAUS SECTOR

From the analysis of fifty case and LEAs statistics the assessment found that there was no case of frauds, forgery document or embezzlement occurred in Forex bureaus. Different authorities have put in place mechanism for fighting these illegal transactions such as the MoU which was signed between the National Bank of Rwanda, National Public Prosecution Authority, Rwanda

Investigation Bureau and the Ministry of Local Governance. However, some cases of illegal exchange transactions occurred. From the above analysis, the level of threat was rated Very Low.

THE VULNERABILITY OF FOREX BUREAUS SECTOR

The vulnerability of the forex bureau sector was assessed based on control variables and inherent vulnerability. The table below provides the rating of control variable in the forex bureau sector.

Table 22: AML control variables ranking and scores in Forex Bureaus sector

FOREX BUREAU SECTOR

A. GENERAL INPUT VARIABLES/AM L CONTROLS	Assesment Rating
Comprehensiveness of AML Legal Framework	(0.8) Very High 0.8
Effectiveness of Supervision/O versight Activities	(0.2) Very Low 0.2
A vailability and Enforcement of A dministrative Sanctions	((0..7)) High 0.7
A vailability and Enforcement of Criminal Sanctions	(0.7) High 0.7
A vailability and Effectiveness of Entry Controls	(0.8) Very High 0.8
Integrity of Forex bureaus Staff	(0.5) Medium 0.5
AML Knowledge of Forex bureaus Staff	(0.5) Medium 0.5
Effectiveness of Compliance Function (Organization)	(0.3) Low 0.3
Effectiveness of Suspicious Activity Monitoring and Reporting	(0.4) Medium Low 0.4
Availability and Access to BeneficialOwnership information	(0.8) Very High 0.8
A vailability of Reliable Identification Infrastructure	(0.9) Close to Excellent 0.9
Availability of Independent Information Sources	(0.8) Very High 0.7

The above rating shows that more efforts need to be done in AML/CFT supervision by the Central Bank. The assessment also revealed that the integrity of forex bureau staff is doubtful mainly with regard to the noncompliance with the regulatory requirements. In addition, it was also observed that forex bureau staff does not have sufficient knowledge on AML/CFT obligations that resulted in not reporting the STRs.

In fact, the preconditions of entry control are in place. According to regulation No. 01/2017 of 22/02/2017, the applicant must submit the documented procedures for preventing, detecting and reporting incidences of money laundering and combating the financing of terrorism in compliance with relevant laws and regulations. In addition, a forex bureau has to maintain an adequate Management Information System (MIS) that facilitates the detection of suspicious transactions for money laundering and terrorism financing and any other illegal practices. From the above, the assessment revealed that the overall vulnerability of forex bureaus sector is Medium.

CONCLUSION AND RECOMMENDATION

Forex bureaus in Rwanda have been predominantly playing important role in buying and selling foreign currencies. However, based on the fact that there is positive trend in terms of volume/ size and value of transactions; the sector can be affected by money laundering risk. The assessment of money laundering risk revealed that the level of its risk in forex bureaus is Low. This derived from the level of threat which is Very Low combined with the level of vulnerability which was assessed Medium.

The following key recommendations were made:

- The supervisory authority is required to improve AML supervision in Forex Bureaus;
- The supervisory authority to develop a guidance to Forex Bureaus on the implementation of the AML/CFT obligations;
- The STR system and AML knowledge to the staffs need to be enforced in Forex Bureaus;
- FIC to provide trainings to forex bureaus on their AML/ CFT obligations.

AML control variables ranking and scores in Forex Bureaus sector

0.9

Availability of Reliable
Identification Infrastructure

0.8

Comprehensiveness of AML
Legal Framework

Availability and Effectiveness
of Entry Controls

Availability and Access
to Beneficial Ownership
information

0.7

Availability and Enforcement
of Administrative Sanctions

Availability and Enforcement
of Criminal Sanctions

Availability of Independent
Information Source

0.5

Integrity of Forex bureaus Staff

AML Knowledge of Forex
bureaus Staff

0.4

Effectiveness of Suspicious
Activity Monitoring and
Reporting

0.3

Effectiveness of Compliance
Function (Organization)

0.2

Effectiveness of Supervision /
Oversight Activities



6

DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS (DNFBPs) SECTOR



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OVERVIEW OF DNFBPs

The Designated Non-Financial Businesses and Professions (DNFBPs), as per FATF standards, include Real Estate agents, Casino, Precious metal dealers, Accountants & Auditors, NPOs, Lawyers & Notaries, and dealers in high values goods such as works of art such as paintings, masks, statues...

This assessment was only focused on predominant DNFBPs that operate in Rwanda such as Real Estate agents, Casinos, Precious metal dealers, Accountants & Auditors, Lawyers & Notaries, and Non-profit Organizations. NPOs was discussed in the part of TF.

The table below illustrates the overview of the DNFBPs in Rwanda.

Table 23: Structure of DNFBPs in Rwanda

SUB-SECTORS	NUMBER OF COMPANIES OR MEMBERS			IS THERE ANY ASSOCIATION?		REGULATOR
	2015	2016	2017	YES: 1	NO: 0	
Real Estate	-	-	119	1		MINENFRA
Casinos and gaming companies	9	16	21		0	MINICOM
Accountants& Auditors	-	-	256	1		ICPAR
Lawyers	685	859	1087	1		RBA
Precious Metal Dealers			176	1		MINICOM,RMB ⁵ ,RDB

Real Estate Agent/brokers: There is no specific law that governs the real estate agents' activities. However, dealers are self-regulated through Rwanda Association of Real Estate Brokers (RWAREB). This association was formed to bring real estate brokers, agents, managers and others interested in the sector into one body to work collectively towards developing a professional real estate sector in Rwanda and create awareness of its benefits as an engine for economic growth.

Casinos: Law N°58/2011 of 31/12/2011 governing the gaming activities governs gaming activities and establishes the licensing procedure, monitoring and regulation of gaming activities. Casinos are regulated and monitored by the Ministry of Trade and Industry.

Accountants: The Institute of Certified Public Accountants of Rwanda (ICPAR) is the only Professional accountancy Organization (PAO) mandated by law No. 11/2008 to regulate the Accounting profession in the Republic of Rwanda. The Institute exists to serve public interest and has wide-ranging responsibilities including promotion and adherence to financial reporting, auditing and ethical standards. ICAPR registrars and monitors professional accountants and audit firms.

Lawyers: Lawyers are governed by the Law No 83/2013 of 11/09/2013 establishing the Bar Association in Rwanda, determining its Organization and Functioning. The law among others determines modalities to be qualified as a professional lawyer. A limited corporate Law firms are involved in business transactions like helping clients to establish companies, merger and acquisition transactions.

Precious metal dealers: The mining sector is governed by the law N° 58/2018 of 13/08/2018 on mining and quarry. The Rwanda Mines, Petroleum and Gas Board (RMB) is mandated to supervise and monitor private or public entities conducting mining, trade and value addition of mineral operations. The RMB is in charge of granting license related to purchasing and selling mineral substances in Rwanda.

In addition, the Ministerial Order N°003/MINICOM/2010 of 14/09/2010 on requirements for granting the license for purchasing and selling mineral substances in Rwanda, determines the procedures for requesting licenses, the conditions and classification of mineral substances, and the procedures for license limits on mining and quarry extraction. In order to prevent predicate offenses in mining sector, the following measures were put in place:

- The Government passed a mineral anti-smuggling regulation in March 2011;
- Since April 2011, 100% of Rwandan minerals are traceable from their mine sites up to their export point;
- Mineral traceability in Rwanda uses the ITRI/ iTSCI 'tag and bag' scheme which was initiated in late 2010.

The following are other legal instruments which were put in place to monitor and supervise the mining sector:

- Ministerial regulations No002/2012/MINIRENA of 28/03/2012 on the regional certification mechanism for minerals;
- Ministerial order N°003/MINIFOM/2010 of 14/09/2010 on requirements for granting the license for purchasing and selling mineral substances in Rwanda;
- Ministerial instructions No 010/MINIRENA/2016 of 11/01/2016 determining types, size limits and modalities for exporting mineral samples;
- Ministerial instructions No 009/MINIRENA/2016 of 11/01/2016 on state quarries;
- Ministerial order N°002/MINIRENA/2015 of 24/04/2015 on criteria used in categorization of mines and determining types of mines.

THREAT OF DNFBPs

The assessment revealed that corporate lawyers may be involved in Money Laundering because of their role in company's establishment where they help local and foreign investors to registrar companies. In real estate, even if the land registry capture all information related to the owner of the property, this sector may be abused due to the fact that money launders may conceal the proceed of crimes by buying real estate using third persons. In mining sector, some cases of illegal mining and trade were registered. Therefore, the level of threat in real estate is High, while for other DNFBPs is Very Low.

VULNERABILITY OF DNFBPs

The assessment revealed that the final vulnerability of real estate was rated Medium High while the vulnerability of all other remaining DNFBPs were rated Medium.

Real estate was rated Medium high due to the fact its contributions to the Rwandan GDP is higher compared to other in DNFBPs. In addition, transactions with regard to buying and selling properties (houses and land) are high. Furthermore, the perception survey indicated that the ultimate sector where it was being easy to invest the proceeds of crime is in real estate sector.

The rationale behind this result is that the speculation is high in the real estate sector while also the control of the beneficial owner of the property is not effective. The tables below indicate the vulnerability assessment rating for each sector and their specific variable controls.

Table 24: Final vulnerability assessment

Sector	Score*	Vulnerability Assessment rating
Real estate	0.63	Medium High
Precious Metal Dealers	0.56	Medium
Casino	0.51	Medium
Accountants	0.41	Medium
Lawyers	0.41	Medium

*The lower, the better

A. GENERAL INPUT VARIABLES/AML CONTROLS	ASSESSMENT RATINGS				
	Real Estate	Casinos	Accountants & Auditors	P.Metal Dealers	Lawyers
Comprehensiveness of AML Legal Framework	0.7	0.7	0.6	0.7	0.6
Effectiveness of Supervision/Oversight Activities	0.1	0.1	0.2	0.1	0.2
Availability and Enforcement of Administrative Sanctions	0.2	0.2	0.2	0.2	0.2
Availability and Enforcement of Criminal Sanctions	0.6	0.6	0.6	0.6	0.6
Availability and Effectiveness of Entry Controls	0.7	0.7	0.8	0.7	0.8
Integrity of Accountants Profession's Staff	0.5	0.7	0.7	0.4	0.7
AML Knowledge of Accountants Profession's Staff	0.3	0.6	0.7	0.3	0.7
Effectiveness of Compliance Function (Organization)	0.5	0.5	0.5	0.4	0.5
Effectiveness of Suspicious Activity Monitoring and Reporting	0.1	0.1	0.4	0.1	0.4
Availability and Access to Beneficial Ownership information	0.4	0.4	0.7	0.4	0.7
Availability of Reliable Identification Infrastructure	0.4	0.4	0.9	0.4	0.9
Availability of Independent Information Sources	0.4	0.4	0.7	0	0.7

1: Excellent, 0.9: Close to Excellent, 0.8: Very High, 0.7: High, 0.6: Medium High, 0.5: Medium, 0.4: Medium Low, 0.3: Low, 0.2: Very Low, 0.1: Close to Nothing, 0: Does not exist

COMPREHENSIVENESS OF AML LEGAL FRAMEWORK

The assessment revealed that the comprehensiveness of AML Legal Framework is Very High. This is evidenced by the fact that all DNFBPs are reporting persons under the AML/CFT law and are required to comply with the AML/CFT obligations. In addition, all DNFBPs except Real Estate agents have regulatory authorities that monitor their activities.

EFFECTIVENESS OF SUPERVISION/ OVERSIGHT ACTIVITIES

The assessment revealed that the effectiveness of supervision/ oversight activities is Low. Even though the maximum of DNFBPs have regulatory authorities, it was revealed that these authorities do not undertake supervision or oversight with regard to AML/CFT. These regulatory authorities focus on other business undertaken by DNFBPs.

AVAILABILITY AND ENFORCEMENT OF ADMINISTRATIVE SANCTIONS

The assessment revealed that the availability and enforcement of administrative sanctions of DNFBPs is Low. This was evidenced by the fact that there are no administrative sanctions issued to DNFBPs by regulatory authorities with regard to non-compliance with AML/CFT obligations.

AVAILABILITY AND ENFORCEMENT OF CRIMINAL SANCTIONS

The assessment revealed that the availability and enforcement of criminal sanctions is Medium High. This was based on the fact that offences mainly the predicate offences are criminalized by different laws such as the penal code, the anti-corruption law, the mining law, etc. In addition, institutional framework was put in place to prevent and to combat offences such as the Office of Ombudsman and the new created institution with the mission of investigating offences- Rwanda Investigation Bureau, the Prosecution Office and specialized court chambers for economic crimes.

AVAILABILITY AND EFFECTIVENESS OF ENTRY CONTROLS

The assessment ascertained that the availability and effectiveness of entry controls is High, except Real Estate agent which was rated Low. Other DNFBPs are registered or licensed by relevant authorities and the entry requirements are provided in the laws or regulations.

INTEGRITY OF BUSINESS/ PROFESSION'S STAFF

The assessment revealed that integrity of business/ profession's staff is Medium. It was observed that many of these non-financial businesses and professions like real estate and mining do not use professional staff and there are no criteria to assess the fitness and propriety of staff in the real estate.

AML KNOWLEDGE OF BUSINESS/ PROFESSION'S STAFF

The assessment discovered that the AML knowledge of business/ profession staff is Medium Low. This rating was based on the fact that some non-financial businesses and professions like real estate, casinos do not have professionals in the business.

EFFECTIVENESS OF COMPLIANCE FUNCTION

The assessment revealed that the effectiveness of compliance function (organization) is Very Low. This rate was evidenced that there was no Compliance Officers in DNFBPs. 6.3.9. Effectiveness of Suspicious Activity Monitoring and Reporting The assessment revealed that the effectiveness of suspicious activity monitoring and reporting is Very Low due to the fact that most of all sectors in DNFBPs did not submit the unusual and suspicious transactions to FIC owing to the insufficiency awareness of AML/CFT obligations.

AVAILABILITY AND ACCESS TO BENEFICIAL OWNERSHIP INFORMATION

The assessment revealed that of availability and access to beneficial ownership information for real estate, casinos and precious metal dealers is Medium Low while for accountants and lawyers, Availability and Access to Beneficial Ownership Information is High. This was based on the fact that in real estate there is high size of unprofessional agents/ brokers. They are not able to access beneficial ownership information and a very small number of real estate agent companies don't care about the ownership information of their clients. This is the same for casinos and gambling, and precious metal dealers. In addition, there was no system that enables DNFBPs to access identification of the owner and beneficial shareholders through registration certificate.

AVAILABILITY OF RELIABLE IDENTIFICATION INFRASTRUCTURE

The assessment of revealed that the availability of reliable identification infrastructure for real estate, casinos and precious metal dealers is Medium Low while for Accountants & Auditors and Lawyers is close to excellent. These rates are confirmed by the fact that there are no reliable identification infrastructures in real estate, casinos and gambling, and precious metal dealers. But, it was observed that accountants and lawyers are required to verify the identities of individuals and legal entities through KYC/CDD before business relationships are established.

AVAILABILITY OF INDEPENDENT INFORMATION SOURCES

The assessment revealed that the availability of independent information sources of for real estate and casinos is Medium Low and precious metal dealers does not exist while for the accountants and lawyers was rated High. There is no available way used to know the independent information of customer/client in real estate and casinos. Furthermore, it is very difficult to know those of precious metal dealers because most clients or customers are foreigners where it is impossible to

know his/her independent information. On other hand, there are available systems to be used by accountants and lawyers for the purpose of identifying independent information of shareholders and partners. These systems are land and company's registries. In addition, the clients or shareholders have to be well known.

CONCLUSION AND RECOMMENDATIONS

The development of Rwanda is not only based on financial institutions but also to DNFBPs. However, regarding to the high size of participants and volume of transactions in terms of money and services, there is no doubt that the sector may be vulnerable to money laundering. It is in this regard that the assessment revealed that the sector of DNFBPs is vulnerable at the rate of Medium. The assessment demonstrated that supervisors have to put in place measures to supervise or oversee DNFBPs with regard to the implementation of AML/CFT obligations. Also the AML knowledge of staff in each sub-sector needs to be strengthened. DNFBPs should also effectively focusing on monitoring and reporting suspicious activities to FIC while compliance function requires to be improved, while enforcement of administrative sanctions need to be put in place.

The following key recommendations were made:

- Put in place a law governing Real Estate agents/ brokers which will also determine the supervisory authority;
- Authorities to effectively supervise and oversee DNFBPs activities with regard to compliance with AML/CFT obligations;
- Supervisory authorities to provide to DNFBPs a clear guidance on how they shall comply with AML/ CFT obligations;
- The supervisors to educate their staff on AML/CFT supervision.
- FIC and supervisory authorities to undertake the awareness campaign to DNFBPs on AML/CFT obligations.



The development of Rwanda is not only based on financial institutions but also to DNFBPs.

However, regarding to the high size of participants and volume of transactions in terms of money and services, there is no doubt that the sector may be vulnerable to money laundering.



7 **TERRORISM FINANCING**



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“The National Terrorist Financing (TF) Risk Assessment seeks to identify and understand the TF threats and vulnerabilities in Rwanda.

The motivation for money laundering is financial gain while terrorist financing is non-financial gain such as seeking political influence, publicity and disseminating an ideology. Terrorists rely on both legitimate and criminal activities to raise funds for their terror activities.”

Terrorist financing is the process of financing terrorist activities. There is an overlap between money laundering and terrorist financing. Though the motives are different, criminals and terrorists use similar methods to raise, store and move funds. The motivation for money laundering is financial gain while terrorist financing is non-financial gain such as seeking political influence, publicity and disseminating an ideology. Terrorists rely on both legitimate and criminal activities to raise funds for their terror activities.

The National Terrorist Financing (TF) Risk Assessment seeks to identify and understand the TF threats and vulnerabilities in Rwanda. Broadly, the goals and objectives of the TF Risk assessment are:

- To identify the weaknesses and gaps in the country's ability to combat terrorist financing;
- To identify the overall vulnerability of the country to terrorist financing; and
- To prioritize actions that will improve the country's ability to combat terrorist financing.

TERRORISM CONTEXT IN RWANDA

Offences against state security are one of the five listed categories of offences against the state within the penal code. Other offences against state are: offences against the government, offences against the public credibility, offences against the public security and press offences. With regard to offences against state security, the penal code distinguishes the following categories: offences against external security; offences against internal security; offences against foreign Heads of States, other foreign senior officers or representatives of diplomatic and consular corps and international organizations in Rwanda; offences committed aboard aircraft or at the airport without terrorism intent and Terrorism.

According to Global Terrorism Index 2017, it resulted that Rwanda was ranked 81th (from the countries with highest to lowest risk), 21st in Africa and lowest risk in EAC countries. Terrorism acts are not alarming are not widespread and serious in nature within the country even if few cases on radicalization have been prosecuted and convictions secured in courts. This implies that Rwanda must always be vigilant because the country is not an island.

The Government of Rwanda has put in place measures to prevent terrorism and terrorism financing. Rwanda National Police has established a specialized Counter Terrorism Unit with specialized forces and has sensitized the public on counter terrorism. The Rwanda Investigation Bureau has also a General Directorate on intelligence and counter terrorism. On the legal side, the new Law N° 46/2018 of 13/08/2018 on counter terrorism as well as the AML/CFT Law were enacted. The counter terrorism law provides the preventive measures, investigative mechanisms and set offences and penalties of terrorism. Additionally, there are no known cases of funds generated in Rwanda being used to finance terrorism domestically or abroad and no known cases of Rwandan foreign terrorist fighters. The AML/CFT law provides the preventive measures on financing terrorism as well as the penalties of financing terrorism.

REGIONAL AND INTERNATIONAL CONTEXT

Terrorism consists in the unlawful use or threat of violence especially against the state or the public as a politically motivated means of attack or coercion. The EAC region is a target of AL SHABAB, especially some members Uganda, Kenya and Burundi which have military peace keepers in Somalia. In Uganda for instance, during the World cup of 2010, AL SHABAB conducted a terrorist act, which killed many people and injured others. There have been a number of attacks in Kenya in recent years, particularly in Garissa, Lamu and Mandera cities and other areas close to the Somali borders, most of which were attributed to Al Shabaab.

It was indicated that terrorism is caused by economic constraints, unemployment, sabotage of the current government, and peer groups influence among youth, ideology of those who are against the current government like FDLR and RNC (Against Rwanda), personal motives, and desire of acquisition of power or overthrowing the current regime. Nowadays, terrorism has become a problem of the whole world. No country can say that it is not concerned. This demands an international partnership, which must be accorded stronger attention than ever before.

TERRORISM FINANCING THREAT

The TF threat aims at determining the direction of funds, and the sources and channels that are used for TF. The UN Security Council⁶⁴ takes the lead in determining the existence of a threat to the peace or act of aggression. It calls upon the parties to a dispute to settle it by peaceful means and recommends methods of adjustment or terms of settlement. In some cases, the Security Council can resort to imposing sanctions or even authorize the use of force to maintain or restore international peace and security. It is in this regard that the International Convention for the Suppression of the Financing of Terrorism is in place and calls on States to prevent and suppress the financing of terrorism by criminalizing the collection and provision of

⁶⁴ The UN Security Council has primary responsibility for the maintenance of international peace and security. It has 15 members, and each member has one vote. Under the Charter of the United Nations, all Member States are obligated to comply with Council decisions.

funds for terrorist purposes, and urges them to set up effective mechanisms to freeze funds and other financial assets of persons involved in or associated with terrorism, as well as to prevent those funds from being made available to terrorists.

In addition, UN set up a list of sanctioned countries more affected by FT threat. Rwanda does not appear on that list.

The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States.

As part of its enforcement efforts to counter terrorism threats, OFAC publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. However, no individual or group operating their activities in Rwanda, but FDLR appears on that list. Thus, the assessment revealed that the financing terrorism's threat is Low.

TERRORISM FINANCING VULNERABILITY

The TF vulnerability aims at determining the strength of TF controls within the country. This assessment focused on the implementation of the UNSCRs related to terrorism and terrorism financing, legal gaps and private sector screenings as well as NPOs assessment.

UN TARGETED FINANCING SANCTIONS

As it was previously stated, there is no individual or group operating in Rwanda appearing on the list provided by the UN regarding terrorists and terrorist organizations. However, the assessment revealed that Rwanda does not have appropriate measures

to implement the UN security resolutions⁶⁵ with regard to Terrorism Financing and terrorism organizations. It is important to note that this deficiency was also highlighted in the 2014 Mutual Evaluation Report.

LEGAL GAPS

The assessment revealed that Rwanda does not have Internal Terrorist List as required by the anti-terrorism law. Article 41 of Law N° 46/2018 of 13/08/2018 on counter terrorism in Rwanda states that: "Rwanda Investigation Bureau draws up the list of terrorists and terrorism financiers. Upon receiving a list of terrorists and terrorism financiers, the Minister in charge of justice immediately publishes, the list. The list published is regularly updated on basis of new information received." However, the, this list was not available at the assessment time.

With regard to adjudication, the Rwandan judiciary has recently established special chambers for economic crimes at all intermediate court levels.⁶⁶ These special chambers have jurisdiction to try only economic crimes including money laundering. The assessment found that terrorism financing was not included within the jurisdiction of the chambers.

PRIVATE SECTOR SCREENINGS

The Government of Rwanda encourages foreign investors to invest in Rwanda. As a result, Foreign Direct Investment in Rwanda increased by 254.50 USD Million in 2016.⁶⁷ The country attracts higher numbers of visitors and hosts more conferences due to the removal of travel restrictions. Total travel and tourism contributed 12.7 percent to Rwanda's GDP in 2017 and is the forecast is to rise by 6.8 percent in 2018, according to the World Travel and Tourism Council Economic Impact 2018 report. The assessment revealed that the Government has to put in place measures to screen foreign investors and visitors to ensure that they are not linked to terrorists and terrorist's organizations. However, the authorities need to put more efforts in building capacity of staff in charge of screening foreign investors and visitors.

⁶⁵ There resolutions are UNSCR 1267 of 1999 and successor resolutions, UNSCR 1373 of 2001 and Resolution S/RES/1267(1999).

⁶⁶ Art. 38 of the Law N°30/2018 of 02/06/2018 determining the jurisdiction of courts published in the Official Gazette n° Special of 02/06/2018.

⁶⁷ <https://tradingeconomics.com/rwanda/foreign-direct-investment>

NPOS ASSESSMENT

FATFs 8th Recommendation addresses NPOs and the possibility of being misused by terrorist groups. The assessment on terrorism financing also analyzed the Non-Profit Organizations sector; as it may be an outstretched channel for financing terrorism acts in Rwanda.

Rwanda has enacted the Law No 04/2012 of 17/02/2012 governing the organization and functioning of national non-government organization and the Law n° 05/2012 of 17/02/2012 governing the organization and functioning of international non-governmental organizations. The Rwanda Governance Board (RGB) is the competent authority in charge of registering, granting legal personality, and monitoring of the functioning of national and religious non-governmental organizations and ensures that they comply with the requirements of the Law.

At the time of assessment, there were 173 registered NPOs and the domestic NPOs⁶⁸ were dominating the sector. Information from RGB indicates that funders of NPOs come from countries with low TF threats. In addition, RGB monitor the sources of funds that NPOs used to ensure they are not intending to fund illegal activities. However, at the time of assessment, there were no clear policies to prevent the FT in NPOs.

CONCLUSION AND RECOMMENDATIONS

Rwanda does not face any immediate terrorism or financing terrorist threats but considers the volatile geo-political situation in DRC and East Africa as possible avenues for the spread of terrorism and terrorism financing into the country. The assessment concluded that the TF risk is Medium Low. This rate derived from the combined assessment of financing of terrorism threats and vulnerabilities rated Low and Medium respectively.

The following key recommendations have been made:

- Need for specialized training of personnel in charge of countering terrorist financing;
- Put in place a clear reporting channels on matters related to terrorism financing and terrorism among LEAs;

- Enhance the awareness on countering terrorism and terrorism financing among general public;
- Supervisory authorities to enhance the supervision on countering financing terrorism in reporting persons (banks, NPOs, Money Transfers.);
- RGB to put in place guidance to NPOs on how they shall prevent the TF;
- Require reporting persons to put in place policies and measures for countering terrorism financing;
- Publish the terrorist and terrorist financiers as required by law;
- Put in place regulations and measures for the implementation of the UNSCRs;
- Enhance the international cooperation with regard to sharing information, joint investigation and extradition.

GENERAL CONCLUSION

The NRA has revealed that ML risk is Medium while TF risks in Rwanda is Medium Low. The country has a comprehensive AML/CFT legal framework but the assessment noted some deficiencies including ineffective monitoring of suspicious transactions activities, ineffective compliance functions in reporting entities, inadequate AML/CFT knowledge for supervisory authorities, reporting entities especially for DNFBPs as well as LEAs.

The inefficiency of FIC in its operations was a key gap that was identified. With regard to risk based supervision, more efforts need to be put in sectors identified as Medium High (the real estate sector, banking sector and money transfer services). On the TF, efforts shall be put on the implementation of the UNSCR resolutions and publication of the national terrorist list as well as monitor NPOs for not being abused by TF.

In conducting the NRA, the key challenge was the lack of AML/CFT knowledge by different stakeholders and lack of reliable data and information. The findings of the assessment pushed to develop a strategic action plan to assist both the Government and private sectors to prioritize their allocations of resources to mitigate ML/TF risks. (See Appendix I- ML/TF Action Plan).

⁶⁸ http://rgb.rw/fileadmin/ingos/ingo_list_with_domain.pdf (registered international non-governmental organization)

ANNEX



Appendix 1: AML/CFT STRATEGIC ACTION PLAN

I. NATIONAL THREAT AND NATIONAL VULNERABILITY ACTION PLAN						
No	Weaknesses/ Deficiencies	Recommended Action	Responsible Institution/ Leading Institution	2019/ 2020	2020/ 2021	2021/ 2022
1.	No clear National strategy to combat Money Laundering and Financing of Terrorism	Put in place an national strategy for combating ML/FT	FIC(Lead) MINECOFIN LEAs	V		
2.	The FIC established by the new Anti-Money Laundering Law is not effective	Enhancing the effectiveness of FIC by staffing, capacity building and reporting mechanisms	MINECOFIN (Lead) BNR FIC	V	V	V
3.	National Coordination Committee is not effective	Revising the FIC legislation and extend the mandate of the Board of FIC to coordinate AML/ CFT	MINECOFIN (Lead) BNR RLRC	V		
4.	Inadequate capacity of financial crime and ML investigations, prosecutions and adjudications	Strengthen the capacity of investigators, prosecutors and judges by providing specialized training in financial crime investigations, forensics, prosecutions and other related AML matters. - Organize training of trainers (ToTs) programs for investigators, prosecutors and judges and study visits in countries that are less corrupted and advanced in other related AML matters.	Ministry of Justice (Lead) Judiciary NPPA			
5.	Insufficient focus on proceeds of crime during investigations and prosecutions into predicate offences		RIB OMBS FIC BNR ILPD	V	V	V
6.	Inadequate Enforcement of seizure, freezing and confiscation measures					

7.	The civil forfeiture is restricted. It is only possible in case of statutes limitation or death of the suspects.	Introducing unrestricted non conviction forfeiture (unrestricted civil forfeiture) in Rwanda legal system to ensure the effectiveness of criminal proceeds forfeiture.	Ministry of Justice (Lead) RLRC NPPA	V	V	V
8.	Lack of proper coordination and communication amongst LEAs on AML/CFT matters. Inadequate domestic cooperation and coordination in information sharing, evidence collection, asset seizure/freezing, confiscation and recovery.	Establishment of the National Task Force on combating economic and financial crimes and asset recovery.	NPPA (Lead) RIB OMBS Ministry of Justice BNR	V	V	
9.	Unsatisfactory awareness on AML in both private and public sector	Development of typologies to raise awareness and create a better environment for detection and enforcement by both private and public sector.	FIC(Lead) BNR LEA(s)	V	V	V

10.	<p>Inadequate data storage and management:</p> <ul style="list-style-type: none"> Sometimes, LEAs process dockets manually and attach the files in the system. This can have an impact on the accuracy of data stored in the system. IECMS not integrated with some national systems (NIDA, Revenue authority, Company, NGOs and NPOs registration, Migration, Land, etc.) 	<ul style="list-style-type: none"> Law Enforcement Agencies and Judiciary to process dockets electronically and accurately through the IECMS. Accelerate the integration of IECMS with other national systems to facilitate the detection and data collection on money laundering activities. 	<p>Ministry of Justice (Lead)</p> <p>RIB</p> <p>NPPA</p> <p>OMBS</p> <p>Judiciary</p>	V	V	V
11.	Inadequate cross boarder declarations.	Implementing the FIU/ FIC Directives on cross boarder declarations.	<p>FIC (Lead)</p> <p>LEAs</p> <p>RRA(Customs authorities)</p> <p>Rwanda Aviation Agency</p>	V	V	V
12.	Ineffective international cooperation in AML/CTF.	Admission to Egmont Group of FIUs.	<p>BNR (Lead)</p> <p>FIC</p>	V	V	V
13.		Enhance relationships with other foreign competent authorities were MoUs or bilateral agreements have to be signed.	<p>FIC (Lead)</p> <p>LEA (s)</p> <p>Supervisory Authorities</p>	V	V	V

II. BANKING/MFIS SECTOR ACTION PLAN

No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Ineffective supervision practices	Put in place an exhausted AML/CFT guidelines to banks/MFIs	BNR(Lead) FIC	V		
		Disseminate the guidelines to Inspectors and banks/MFIs staff	BNR(Lead) FIC		V	
		Extend the supervision manual to MFIs	BNR(Lead) FIC		V	
		Develop the risk based supervision AML compliance framework	BNR		V	
		Ongoing monitoring and supervision	BNR	V	V	V
2.	Ineffective suspicious transaction monitoring and Reporting	Monitor and ensure banks/MFIs have appropriate system to screening customers	BNR(Lead) FIC	V	V	
		Monitors banks/MFIs are reporting STRs and CTRs	BNR(Lead) FIC		V	
		Prepare Technical Discussions series on STRs indicators to Banks/MFIs staff	FIC(Lead) BNR	V	V	V
3.	Integrity of Banks/MFIs staff	Ensure banks/MFIs have in place effective internal control system to monitor staff	BNR(Lead) FIC	V	V	V
		Ensure bank/MFIs put in place a mechanism of informing staff the code of ethics	BNR(Lead) FIC		V	

4.	Ineffective Compliance system	Monitor and ensure banks/MFIs have an independent compliance function with skilled staff	BNR		V	
		Conduct supervision to ensure banks/MFIs develop and implement the AML/CFT obligations with regard to compliance programs	BNR		V	
		Review the effectiveness of the AML/CFT compliance function	BNR			V
5.	AML knowledge of bank's staff	Ensure Banks/MFIs put in place a training programs on AML to their staff	BNR(Lead) FIC		V	
		Monitor the implementation of the training programs	BNR	V	V	V
6.	Availability and Enforcement of administrative functions	Ensure administrative sanctions for non-compliance of AML/CFT obligations are put in place	BNR		V	V
		Enforce the administrative sanctions	BNR			V

7.	Availability of reliable identification infrastructure	Facilitate Banks/MFIs to access the National ID system and the company registry	BNR(Lead) NIDA RDB RRA		V	
		Monitor if Banks and MFIs use the identification infrastructure.	BNR	V	V	V
8..	Availability and access to beneficial owners	Review the company law and other relevant legislation to make it mandatory to disclose beneficial ownership information at the time of company registration	MINICOM RDB(Lead) RCA RRA	V		
		To make available the beneficial ownership information for ease access	RDB		V	

III. SECURITIES SECTOR (CAPITAL MARKET) ACTION PLAN

No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Ineffective supervision procedures practices	Put in place an exhausted AML/CFT guidelines to securities	CMA(Lead) FIC	V		
		Disseminate the guidelines to CMA Inspectors and securities staff	CMA(Lead) FIC		V	
		Develop the risk based supervision AML compliance framework	CMA(Lead) FIC			V
		Conduct supervision or monitoring	CMA(Lead) FIC		V	V

2.	Ineffective Suspicious transaction monitoring and Reporting	Ensure Securities companies reports STRs and CTRs	CMA(Lead) FIC	V	V	V
		Monitor the compliance of securities companies with regard to the reporting of STRs and CTRs	CMA		V	V
		Prepare Technical Discussions series on STRs indicators to securities companies staff	FIC(Lead) CMA	V		
3.	Ineffective Compliance system	Ensure securities companies have an effective compliance function with skilled staff	CMA		V	
		Conduct supervision to ensure banks develop and implement the AML/CFT obligations with regard to compliance programs	CMA		V	V
		Review the effectiveness of the AML/CFT compliance function	CMA		V	V
4.	AML knowledge of securities companies' staff	Securities companies to develop a AML training program for their staff	CMA(Lead) FIC Securities companies	V		
		Securities companies to implement the training programs	Securities companies		V	
		Monitor the implementation of AML training program	CMA(Lead) FIC			V
5.	Availability and Enforcement of administrative functions	To issues a regulation on administrative sanction for securities companies	CMA	V		
		Implement the sanction regime	CMA			

IV. INSURANCE AND PENSION SECTION ACTION PLAN

No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Low level of knowledge on AML among staff in the industry	Develop a AML training program to insurance staff and pension staff	Lead: Insurance companies and Pension schemes BNR FIC	V		
		Conduct AML training	Insurance companies and Pension schemes(Lead) BNR FIC		V	V
		Monitor the implementation of the training activities	FIC BNR(Lead)			V
2.	Lack of Comprehensive AML Supervision and Monitoring framework	Develop a comprehensive risk supervision framework on AML compliance	BNR	V		
		Capacity building in AML Compliance by Inspectors	BNR		V	
		Ongoing AML supervision and monitoring	BNR		V	V
3.	Ineffective compliance function and STR reporting	Conduct training to Compliance Officers in Insurance and Pension	BNR FIC(Lead) Insurers			
		Ensure Insurance and Pension schemes are reporting STR	FIC(Lead) BNR	V	V	V
		Monitor the compliance of reporting requirements	BNR(Lead) FIC	V	V	Ongoing
4.	Non availability of administrative sanctions	Put in place the administrative sanction regulation for insurance and pension	BNR		V	
		Implementation of the sanction regime	BNR		V	V

V. OTHER FINANCIAL INSTITUTIONS (MONEY REMITTANCES, FOREX BUREAUS AND E- MONEY ISSUERS)						
No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Insufficient AML knowledge	Prepare the training Manual to other FIs	BNR FIC(Lead)	V		
		Training to other FIs staff	BNR FIC(Lead) Other FIs		V	V
		Continuous training of other FIs Staff	FIC Other FIs(Lead)		V	V
2.	No STRs reporting	Other FIs to put in place CCD tools and STR reporting tools	Other FIs	V		
		Monitor if other FIs report STRs	FIC BNR(Lead)		V	V
		Issue administrative sanctions for non-reporting of STRs	BNR			V
4.	Ineffective compliance function	Ensure other FIs have an effective compliance function	Other FIs BNR(Lead)	V		
		Ensure compliance staff have sufficient skills	Other FIs BNR(Lead)		V	
		Monitor the effectiveness of the compliance function	FIC BNR(Lead)		V	V
5.	Ineffective Supervision/ Oversight activities	Develop the AML risk based supervision framework	BNR	V		
		Training of BNR staff on the AML RBS framework	BNR		V	
		Operationalization of the RBS in supervision/ oversight activities	BNR		V	V

6.	Integrity of other FIs staff	Put in place tools to monitor integrity of other FIs staff	Other FIs BNR(Lead)	V		
		Take appropriate measures for unfit staff	Other FIs BNR(Lead)	V	V	V
VI. DNFBPS ACTION PLAN (REAL ESTATE, PRECIOUS STONES AND METALS, CASINOS, LAWYERS AND ACCOUNTANT- AUDITORS)AND NPOS						
No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Insufficient AML knowledge of AML/CFT	Develop appropriate AML training materials for DNFBPs	Responsible supervisory authorities FIC(Lead)	V		
		Conduct extensive AML awareness and sensitization for DNFBPs	Responsible supervisory authorities(Lead) FIC		V	V
		Assess the level of AML knowledge of DNFBPs	Responsible supervisory authorities(Lead) FIC			V
2.	No AML guidance for DNFBPs	Develop the AML guidance for DNFBPs	Responsible supervisory authorities(Lead) FIC		V	
		Ensure DNFBPs are implementing the AML guidance	Responsible supervisory authorities(Lead) FIC			V
3.	Ineffective supervision/ oversight activities	Supervisory authorities to develop the supervisory manual to DNFBPs	All supervisory authorities(Lead) FIC	V		
		Specific Monitoring of Real Estate brokers and agents	MINENFRA(Lead) FIC			
		Monitor if DNFBPs are complying with AML/ CFT obligations using the Manuel	All supervisory authorities(Lead) FIC		V	V

4.	Ineffective compliance function	Monitor and ensure DNFBPs establish independent well-resourced compliance function	All supervisory authorities(Lead) FIC	V		
		Organize specific training to Compliance Officers	All supervisory authorities(Lead) FIC		V	
		Monitor the effectiveness of the compliance function	All supervisory authorities(Lead) FIC			V
5.	Ineffective Suspicious Activity reporting and Monitoring	Specific training to DNFBPs on indicators of ST transactions	All supervisory authorities FIC(Lead)	V		
		Ensure NDFBPs report STRs and have tools to identify Suspicious Transactions	FIC		V	
		Monitor the effectiveness of ST reporting.	FIC			V
6.	Availability and effectiveness of entry control	Need of a legal framework that regulating , supervision and licensing real estate brokers and agents	MINENFRA(Lead) FIC		V	
		Establish a supervisory authority of Real estate brokers and agents	MINENFRA(Lead) FIC		V	
		Monitor the effectiveness of entry controls(licensing or registrations) of casinos, dealers in precious stones and metals	MINICOM(Lead) FIC	V	V	V

7.		Operationalize the Consultative Gaming Committee responsible for advising the Government on gaming policy is hereby established	MINICOM	V		
8.	Availability and effectiveness of administrative sanctions	Supervisory authorities to establish the Administrative sanctions for noncompliance with the AML/CFT obligations	Responsible Supervisory authorities(Lead) FIC	V		
9.		Implementation of the sanction regime by Supervisory authorities of DNFBPs	Responsible Supervisory authorities(Lead) FIC			V
VII. TERRORISM FINANCING ACTION PLAN						
No	Weaknesses/ Deficiencies	Recommended Action	Responsible	2019/ 2020	2020/ 2021	2021/ 2022
1.	Limited awareness to the public on financing terrorism and its negative consequences	Awareness to fight Terrorism financing to the General Public	RIB(Lead) FIC National Police NISS MINADEF	V	V	V
2.	Low skills to LEAs, FIC, FIs as well as NPOs staff on countering , detection and prosecution of TF	Capacity building to LEAs, FIC, FIs as well NPO's staff on mechanism to prevent, detect, report and prosecute Terrorism Financing	RIB(Lead) FIC NPPA RGB Judiciary		V	
3.	Ineffectiveness of cross boarder cash declaration system	Operationalize the cross boarder cash declaration	NISS(Lead) NISS Rwanda Aviation Authority National Police	V		

4.	Lack of NPOs assessment with regard to Terrorism Financing	Assess the NPOs to identify the risk of being abused by Terrorism Financing	FIC(Lead) RGB RIB		V	
5.	Non implementation of UNSCRs with regard to terrorism financing	Put in place regulatory framework implementing the UNSCRs 1267 and 1373(and their successor resolutions) and follow the implementation	MINIJUST MINAFETT(Lead) FIC RIB		V	V
6.	Lack of terrorist and terrorist financier national list	Publish the list of terrorist and terrorist financier	RIB(Lead) MINIJUST FIC	V		
7.	Lack of typology on alternative money value transfer operators	Conduct the typology on alternative money value transfer operator	FIC(Lead) BNR		V	V
8.	Ratification of remaining related terrorism financing conventions related to terrorism and terrorism financing	Ratification of the (Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (1988) ii. Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (1988))	MINIJUST(Lead) MINAFETT FIC RIB		V	V

Appendix 2: List of Institutions that participated in NRA process

1. Prime Minister Office	2. Rwanda National Police,
3. Ministry of Foreign Affairs and International Cooperation	4. Rwanda Public Procurement Authority
5. Ministry of Finance and Economic Planning	6. Rwanda Gas and Petroleum Board
7. Ministry of Trade and Industry	8. Rwanda Revenue Authority
9. Ministry of Justice	10. University Representatives
11. Judiciary	12. Cyber Security Agency
13. National Bank of Rwanda	14. Financial Intelligence Centre
15. National Intelligence and Security Service	16. Institute of Legal Practices and Development
17. National Public Prosecution Authority	18. Rwanda Public Procurement Authority
19. The Office of Ombudsman	20. Rwanda Forex Bureaus Association,
21. Rwanda Development Board	22. Rwanda Bar Association
23. Rwanda Forex Bureaus Association,	24. Rwanda Civil Society Platform,
25. Rwanda Governance Board	26. Money Transfers Representatives
27. Rwanda Gas and Petroleum Board	28. Real Estate Brokers and Agency Representatives
29. Rwanda Investigation Bureau	

LIST OF ABBREVIATIONS

AACB: Association of African Central Banks	MINICOM: Ministry of Trade and Industry
AML: Anti-Money Laundering	MINIFRA: Ministry of Infrastructure
AML/CFT: Anti-Money Laundering/ Combating Financing of Terrorism	ML/FT: Money Laundering/ Financing Terrorism
NBR: National Bank of Rwanda	MLA: Mutual Legal Assistance
BRD: Development Bank of Rwanda	MMT: Mobile Money Transfer
CBA: Commercial Bank of Africa	MoU: Memorandum of Understanding
CBT: Cross Border Trade	MTOs: Mobile Money Transfer Operators
CDD: Customer Due Diligence	NBFIs: Non-Banks Financial Institutions
CFT: Countering Financing Terrorism	NISR: National Institute of Statistics of Rwanda
CMA: Capital Market Authority	NPOs: Non Profit Organizations
CMOs: Capital Market Operations	NRA: National Risk Assessment
COMESA: Common Market for Eastern and Southern African	OSBP: One Stop Border Post
DNFBPs: Designated of Non-Financial Businesses and Professions	PAC: Public Accountant Committee
DRC: Democratic Republic of Congo	PAO: Professional Accountants Organization
EAC: East African Community	PSOs: Payment System Operator
EAPS: East Africa Payment System	PSPs: Payment Service Providers
EBM: Electronic Billing Machine	RBA: Risk Based Approach
ECCAS: Economic Community of Central African States	RBA: Rwanda Bar Association
EDPRS: Economic Development and Poverty Reduction strategy	RDB: Rwanda Development Board
ESAAMLG: Eastern and Southern Africa Anti-Money Laundering Group	RHA: Rwanda Housing Authority
FATF: Financial Action Task Force	RLMUA: Rwanda Land Management and Use Authority
FDI: Foreign Direct Investment	RPF: Rwanda Patriotic Front
FIC: Financial Interagency Centre	RRA: Rwanda Revenue Authority
FOREX: Foreign Exchange	RSSB: Rwanda Social Security Board
GDP: Gross Domestic Product	RTGS: Real Time Gross Settlement
GNP: Gross National Product	RWF: Rwandan Franc
H1: First Half	SACCOs: Saving Credit Cooperatives
ICPAR: Institute of Certified Public Accountants of Rwanda	SCD: Centre Security Depository
IDs: Identifications	SMEs: Small Medium Enterprises
IMF: International Monetary Fund	SSS: Security Settlement System
KBA: Kigali Bar Association	STRs: Suspicious Transaction Reports
KYC: Know Your Customers	TI-Rw: Transparency International Rwanda
MER: Mutual Evaluation Report	USA: United State of America
MINECOFIN: Ministry of Finance and Economic Planning	U-SACCOs: Umurenge Savings and Credits Cooperatives
	USD: United State Dollars
	WB: World Bank

