



GOVERNMENT OF MALAWI

**NATIONAL ANTI-MONEY LAUNDERING
AND COMBATING FINANCING OF TERRORISM
AND PROLIFERATION POLICY**

FEBRUARY 2023

Foreword

The National Anti-Money Laundering, Combating Financing of Terrorism and Proliferation of Weapons of Mass Destruction (AML/CFT/CFP) Policy (the Policy), among other goals, aims at strengthening the country's AML/CFT/CFP regime in order to protect the credibility and integrity of the financial system and the economy of the Republic of Malawi (Malawi). The Policy also aims to facilitate the alignment of Malawi's AML/CFT regime with international best practices.

The Policy has been formulated to address gaps in achieving a harmonized system for implementation of AML/CFT/CFP measures by all stakeholders. Further, lack of a policy framework was highlighted as one of the major deficiencies in the country's AML/CFT regime by the 2018 National Risk Assessment (NRA) Report for Malawi and the 2019 Mutual Evaluation Report conducted by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). It is therefore imperative that Government develops a guiding framework to provide direction to all stakeholders.

The Policy identifies seven key priority areas. These are Legal and Institutional Framework; Regulation and Supervision; Domestic and International Cooperation and Coordination; Capacity Building and Awareness Raising; Comprehensive Information and Statistics; Investigation, Prosecution and Asset Recovery; and Financial Inclusion.

The Policy will be implemented within the context of the Malawi 2063 and its first 10-year Malawi Implementation Plan (MIP-1). Specifically, the Policy is aligned to the Effective Governance, Systems and Institutions enabler which focuses on embracing the rule of law and a strict adherence to its tenets in order to ensure effectiveness, efficiency, accountability and transparency of Government.

Government remains committed to the fight against all financial crimes. I therefore call upon all stakeholders that include the three arms of Government, the Private Sector, the Civil Society and Development Partners to effectively collaborate and coordinate their efforts in the successful implementation of this Policy.

Honourable Sosten Alfred Gwengwe, M.P.

MINISTER OF FINANCE AND ECONOMIC AFFAIRS

Preface

Prevention and combating of ML/TF/PF in Malawi has been facing challenges which include: inadequate understanding of ML/TF/PF risks and AML/CFT/CFP obligations; weak legal and institutional framework; inadequate resources; weak information management systems; and weak international cooperation. The challenges have been compounded by lack of a national Policy to guide efforts on supervision, investigation, prosecution and asset recovery.

The Policy is a statement of Malawi's commitment to prevent and combat Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF). Since AML/CFT/CFP issues are multi-sectoral, the Policy has been aligned to other strategic frameworks which include the National Anti-Corruption Strategy, National Coordination Strategy on Investigations and Prosecution of Financial Crimes, Financial Sector Development Strategy, and National Strategy for Financial Inclusion. The Policy is also aligned to United Nations Security Council Resolution 1617 which requires every member country to implement the Financial Action Task Force (FATF) standards on AML/CFT.

The Policy aims at promoting effective implementation of legal, institutional, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the financial system. The Policy builds on existing efforts by Government to fight financial crimes demonstrated through the enactment of principal legislation on the prevention and combating of financial crimes, the establishment of relevant institutional and regulatory framework, and promoting coordination and cooperation amongst key stakeholders among others.

The Policy is the outcome of consultations with different stakeholders including Financial Intelligence Authority, Reserve Bank of Malawi, Malawi Revenue of Authority, Anti-Corruption Bureau, Ministry of Justice, private sector and civil society, among others. I am confident that the collective effort which prevailed during its formulation will also continue during its implementation. It is my hope that all stakeholders will align their programmes and activities to this Policy so that together we build a Malawi free of financial crimes.

McDonald Mafuta Mwale, PhD

SECRETARY TO THE TREASURY

List of Acronyms and Abbreviations

| | |
|---------|---|
| AML | Anti-Money Laundering |
| ARINSA | Asset Recovery Inter-agency Network of Southern Africa |
| BNI | Bearer Negotiable Instrument |
| CDD | Customer Due Diligence |
| CFP | Combating Financing of Proliferation |
| CFT | Combatting Financing of Terrorism |
| DNFBP | Designated Non-Financial Business or Profession |
| ESAAMLG | Eastern and Southern Africa Anti-Money Laundering Group |
| FATF | Financial Action Task Force |
| FBO | Faith-Based Organisation |
| FCA | Financial Crimes Act |
| FIA | Financial Intelligence Authority |
| KYC | Know Your Customer |
| LEAs | Law Enforcement Agencies |
| MAGLA | Malawi Gaming and Lotteries Authority |
| MER | Mutual Evaluation Report |
| ML | Money Laundering |
| MoFEA | Ministry of Finance and Economic Affairs |
| NRA | National Risk Assessment |
| PF | Proliferation Financing |
| RBA | Risk-Based Approach |
| RBM | Reserve Bank of Malawi |
| TF | Terrorist Financing |

Glossary

Bearer negotiable instruments (BNIs) includes monetary instruments in bearer form such as: traveler's cheques; negotiable instruments (including cheques, promissory notes and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery; incomplete instruments (including cheques, promissory notes and money orders) signed, but with the payee's name omitted.

Egmont Group of Financial Intelligence Units is an international organization that facilitates cooperation and intelligence sharing between national financial intelligence units to investigate and prevent money laundering and terrorist financing. National FIUs collect information on suspicious or unusual financial activity and are responsible for processing and analyzing the information received. FIUs are normally not law enforcement agencies themselves, findings are shared with appropriate law enforcement or prosecution bodies if sufficient evidence of unlawful activity is found.

Asset Forfeiture Unit is a specialized unit that works to seize anything used or intended to be used to facilitate illegal activities, including: illegal drug trafficking, illegal gambling operations, money laundering, terrorist financing, fraud and financial crimes. This is done through civil and conviction-based asset forfeiture.

Proliferation in this context represents proliferation of weapons of mass destruction (WMD) which is the spread, transfer and export of nuclear, chemical or biological weapons, their means of delivery and related materials.

Supervisory Authorities refer to the designated competent authorities or non-public bodies with responsibilities aimed at ensuring compliance by financial institutions ("*financial supervisors*") and/or Designated Non-Financial Business or Professions (DNFBPs) with requirements to combat money laundering and terrorist financing. These include the Reserve Bank of Malawi, the Financial Intelligence Authority and the Malawi Gaming and Lotteries Authority.

Competent Authorities refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. These include the Malawi Police Service, the Financial Intelligence Authority, the Anti-Corruption Bureau, Malawi Revenue Authority, Directorate of National Parks and Wildlife, Department of Immigration and Citizenship Services, Reserve Bank of Malawi, and National Intelligence Service.

Law Enforcement Agencies are public authorities designated to respond to, detect, and prevent crime. These include the Malawi Police Service, the Anti-Corruption Bureau, Malawi Revenue Authority, Directorate of National Parks and Wildlife and the Directorate of Public Prosecutions.

Reporting Institution is a financial institution or a designated non-financial business or profession that has AML/CFT/CPF obligations under the Financial Crimes Act.

Confiscation Fund is a fund established under section 128 of the Financial Crimes Act to keep:

- (a) funds and property confiscated to the Government whether under civil or criminal process under the Financial Crimes Act;
- (b) funds and property subject to a preservation order; and
- (c) any other funds or property lawfully payable to the Fund under the Financial Crimes Act or otherwise.

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1.0 INTRODUCTION

1.1 Overview of the Policy

The National Anti-Money Laundering and Combating Financing of Terrorism and Proliferation Policy provides strategic direction and coordination for effective implementation of Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation (AML/CFT/CFP) measures as provided for in the Financial Crimes Act, 2017. The Policy incorporates requirements as provided for under the FATF Recommendations, United Nations Convention Against Corruption, United Nations Convention on Suppression of Terrorism, and Treaty on the Non-proliferation of Nuclear Weapons and related United Nations conventions, United Nations Security Council Resolutions (UNSCRs) and other continental and regional treaties to which Malawi is a signatory. The Policy further provides guidance in addressing operational challenges and deficiencies in the country's AML/CFT/CFP regime. In addition, the Policy aligns AML/CFT/CFP priorities and responses in line with the vulnerabilities and threats identified during the 2018 National Risk Assessment of Money Laundering and Terrorist Financing (ML/TF/PF).

The Policy has seven priority areas in order to achieve its goal and objectives. The priority areas are; (i) Legal and Institutional Framework, (ii) Regulation and Supervision, (iii) Domestic and International cooperation and Coordination, (iv) Capacity building and Awareness Raising, (v) Comprehensive Information and Statistics, (vi) Investigation, Prosecution and Asset Recovery, and (vii) Financial Inclusion. The Policy also contains an Implementation Plan, Monitoring and Evaluation Plan presented as Annex I and Annex II respectively.

1.2 Background

Historically, the United Nations (UN) as a global organization with special interest in international peace and security has been coordinating the efforts to deal with ML/TF/PF. The pursuit of ML/TF/PF in Malawi is part of a global fight against financial crimes. Malawi has ratified and domesticated the UN conventions relating to countering ML/TF/PF, specifically UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (The Vienna Convention), The International Convention for the Suppression of the Financing of Terrorism of 1999 which criminalizes financing of terrorism, the UN Convention Against Transnational Organized Crime of 2001 (The Palermo Convention), the UN Convention Against Corruption of 2005 (The Merida Convention) criminalizing various forms of corruption and money laundering and measures for asset recovery and international cooperation including the use of financial intelligence.

To complement and enhance these UN conventions, the G7 Countries established the Financial Action Task Force in 1989 which sets global standards for combating ML, TF and PF. The FATF Recommendations have since been accepted as key global standards for AML/CFT/CFP. Regionally, Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering

Group (ESAAMLG) since 1999, a FATF-Style Regional Body (FSRB). As a member of both the UN and ESAAMLG, Malawi is required to comply with the UN conventions and FATF standards.

In response to these global efforts, Government introduced the AML/CFT/CFP regime through the enactment of the Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act in 2006 (ML Act 2006) which criminalized ML and TF, established the Financial Intelligence Unit (FIU), introduced preventive measures and reporting obligations for the obliged entities and introduced the conviction-based asset forfeiture, among others. The AML/CFT/CFP regime was assessed by ESAAMLG in 2008 from which substantial changes to the regime including revision of key legislation were recommended. In 2012 the FATF revised the international standards with an emphasis placed on risk-based approach (RBA) to implementation of the international standards. Following the revisions, Malawi conducted the National Risk Assessment in 2013 and commenced the review of the existing legal framework.

1.2.1 Current status

In February 2017, Malawi overhauled the ML/TF legislation by repealing the ML Act 2006 and replacing it with the Financial Crimes Act (FCA). The FCA has enhanced the ML/TF offences and has criminalized PF in line with international standards, introduced RBA, enhanced the asset forfeiture regime through the introduction of civil asset forfeiture and the Confiscation Fund, and has transformed the FIU to Financial Intelligence Authority (FIA) with investigative powers, among others. The Financial Crime (Money Laundering) Regulations were issued in May 2020 as part of the process to address strategic AML/CFT deficiencies.

Government administratively established the Asset Forfeiture Unit (AFU) in 2018 in the Ministry of Justice to recover proceeds and instrumentalities of crime. Further, a Law Enforcement Coordination Strategy was developed to improve coordination on investigation and prosecutions of financial crimes in the country.

Despite the efforts highlighted earlier, strategic deficiencies in the country's AML/CFT/CFP regime remain as highlighted in the 2018 NRA Report and 2019 Malawi Mutual Evaluation Report. These include gaps in the legal framework, inadequate criminalization of the ML offence, lack of criminalization of the offence of terrorism, inadequate resources for combating financial crimes and carrying out asset recovery effectively.

1.3 Linkages with Other key Policies and Legislation

The Policy is aligned to both national instruments that the country adopted and international instruments as well as protocols that Malawi is party to as outlined below.

(a) National Instruments

(i) Constitution

The policy is guided by the principles of administrative justice, public trust and good governance as established in the Constitution of the Republic of Malawi. In addition, the administration of this policy is anchored by constitutional principles of rule of law, equality before the law and respect for human rights.

(ii) Financial Crimes Act, 2017

The Financial Crimes Act, 2017 is the principal legislation in the fight against ML/TF/PF in Malawi. The Act establishes an independent and autonomous Financial Intelligence Authority; better prevent, investigate and combat financial crimes; to enable tracing, identification, tracking, freezing, seizure, and confiscation of proceeds of crime. The Act further promotes domestic and international cooperation and maintenance of statistics on financial crimes.

(iii) Corrupt Practices Act, 2004

The Act establishes the Anti-Corruption Bureau which is responsible for the prevention of corruption in public and private bodies; receiving and investigating complaints, reports or information of alleged or suspected corrupt practice; investigating the conduct of public officers who may be connected with corrupt practices; and prosecuting any offences under the Act; among other functions.

(iv) Public Finance Management Act, 2022

The Act provides for the legal and institutional framework for public finance management within an economic and fiscal policy framework; and the strengthening of transparency, accountability and responsible management and control of public resources; the responsibilities of controlling officers, officers and public bodies in public finance management; cash and debt management systems; the efficient, effective and economic recognition and accounting for and reporting of public resources; the management and control of public assets and stores.

(v) Penal Code

The Penal Code criminalizes a wide range of offences which form predicate offences for Money Laundering and these include kidnapping, abduction, terrorism, theft, and fraud, among others.

(vi) Trafficking in Persons Act, 2015

The Trafficking in Persons Act provides for prevention and elimination of trafficking in persons.

(vii) Childcare, Protection and Justice Act, 2010

This Act consolidates the law relating to children by making provision for childcare and protection and for child justice.

(viii) Electronic Transactions and Cybersecurity Act, 2016

This Act makes provision for criminalizing offences related to computer systems and information, communication technologies. It further provides for investigation, collection and use of electronic evidence.

(ix) Malawi 2063 and the First 10-Year Implementation Plan

The National AML/CFT/CFP Policy has been developed in the context of the Malawi 2063, the country's long term vision, which inspires for "*An inclusively wealthy and self-reliant nation*". The Malawi 2063 First 10-Year Implementation Plan (MIP-1) (2021-2030) operationalizes the Malawi 2063 and is aimed at raising the country's income status to lower-middle level and to meet most of the Sustainable Development Goals by 2030. The Vision considers effective and efficient governance systems and institutions as one of the key enablers in realization of the country's long-term aspirations. Among others, this enabler focuses on adherence to the rule of law, openness and transparency and sound financial and economic management.

(x) Financial Sector Development Strategy

The second Financial Sector Development Strategy (FSDS II) is an overarching strategy for the financial sector. The objective of FSDS II is to develop a more resilient, competitive and dynamic financial system that will be able to help strengthen domestic financial institutions making them technologically driven and meet the growing needs of Malawi's businesses, industry and the general population.

(xi) National Strategy for Financial Inclusion

The objective of the second National Strategy for Financial Inclusion (NSFI II) is to increase access to quality and affordable financial services to those that are currently excluded from the financial sector to aid national growth and household welfare. The Strategy promotes digital financial inclusion and the use of formal financial services subject to regulatory oversight, which is key in the fight against ML/TF/PF.

(xii) National Coordination Strategy on Investigations and Prosecution of Financial Crimes

The National Coordination Strategy on Investigations and Prosecution of Financial Crimes seeks to achieve an efficient and coordinated approach towards investigations, prosecution and asset recovery work in the fight against financial crimes in Malawi.

(xiii) National Anti-Corruption Strategy

The National Anti-Corruption Strategy II is aligned to best international practices, protocols and conventions on corruption. It focuses on law enforcement and prevention through a multi-sectoral approach as key to the fight against corruption.

(xiv) Malawi Foreign Policy

The Malawi Foreign Policy is the government blueprint that spells out Malawi's policy on foreign relations. It guides and strengthens the conduct of the country's foreign relations with the international community, while protecting national interests and facilitating the creation of favourable conditions for sustainable economic development of the country and improving the well-being of Malawians.

(b) International Instruments

(i) FATF Recommendations on AML/CFT/CFP

FATF is an independent intergovernmental body which was established in July 1989 in Paris, France, at the Group of Seven (G-7) Summit. It is charged with formulating international best practices for effective development and implementation of on legal, regulatory and institutional measures to fight ML/TF/PF.

(ii) United Nations Convention Against Corruption

The United Nations Convention Against Corruption is one of the most comprehensive international instruments dealing with corruption and other offences committed in support of corruption including money laundering. It requires countries to establish criminal offences to cover a wide range of corruption and related financial crimes and also to put in place mechanisms for prevention, international cooperation and asset recovery.

(iii) United Nations Convention on Suppression of Terrorism

The United Nations Convention on Suppression of Terrorism (UNCAC), in addition to requiring the criminalization of the financing of terrorism, requires each State Party to take appropriate measures, in accordance with its domestic legal principles, for the detection and freezing, seizure or forfeiture of any funds used or allocated for the purposes of committing the offences described.

(iv) Treaty on the Non-proliferation of Nuclear Weapons

This Treaty requires State Parties to put in place mechanisms to ensure that persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds.

(v) United Nations Security Council Resolutions

United Nations Security Council Resolutions made pursuant to Chapter VII of the Charter of the United Nations 1267 (1999) and its successor resolutions and 1373 (2001) and its successor resolutions require countries to put in place mechanism for the prevention and suppression of terrorism and terrorist financing. The resolutions require countries to freeze without delay the funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any designated person or entity.

(vi) Eastern and Southern Africa Anti-Money Laundering Group

Malawi is a member of the Eastern and Southern Africa Anti-Money Laundering Group which is one of the eight FSRBs that were established for the purpose of disseminating the international standards on combating money laundering, financing of terrorism & proliferation (FATF Recommendations) throughout the world.

(vii) African Union Convention on Preventing and Combatting Corruption

This is a regional international mechanism that promotes and strengthens the development in Africa by each State Party, of mechanisms required to prevent, detect, punish and eradicate corruption and related offences in the public and private sectors.

(viii) SADC Protocol Against Corruption

The Southern Africa Development Committee (SADC) Protocol aims to promote and strengthen the development, within Member States, of mechanisms needed to prevent, detect, punish and eradicate corruption in the public and private sector and related financial crimes. It further aims to facilitate international cooperation and the harmonization of policies and domestic legislation related to corruption.

1.4 Problem Statement

The implementation of AML/CFT/CFP measures in the country has been characterized by inadequate legal and institutional frameworks, lack of proper coordination, lack of clarity and inconsistency in application of AML/CFT/CFP requirements, and lack of parity with international best practice as championed by the FATF. There has been slow pace in addressing AML/CFT/CFP deficiencies coupled with continuous revisions of FATF Recommendations. This has led to failure by the country to effectively keep pace with the sophisticated techniques employed by criminals involved in ML/TF/PF. In addition, there has been no policy framework

to guide the interventions in prevention and combating of ML/TF/PF resulting in uncoordinated and disjointed implementation of measures on AML/CFT/CFP.

1.5 Purpose of the Policy

The purpose of the National AML/CFT/CFP is to promote effective implementation of legal, institutional, regulatory and operational measures for combating money laundering, terrorist financing and the financing of proliferation, and other related threats to the integrity of the financial system of the country.

Policy serves as a comprehensive guide to the Government, Ministries and Agencies, LEAs, supervisory authorities, Non-Governmental Organizations (NGOs), other competent authorities, development partners and the private sector in fighting against ML/FT/PF in the country. The Policy also provides the framework and context within which sectoral and other strategic planning and resource allocation should be formulated and implemented.

2.0 BROAD POLICY DIRECTION

2.1 Policy Goal

The overall goal of this Policy is to strengthen the AML/CFT/CFP regime in Malawi in order to protect the integrity of the financial system and the economy.

2.1 Policy Outcomes

- i. Improved legal, regulatory and institutional framework;
- ii. Improved ML/TF/PF investigations, prosecutions and asset recovery;
- iii. Improved culture of compliance with AML/CFT/CFP laws, policies and procedures;
- iv. Enhanced domestic and international cooperation and coordination amongst stakeholders;
- v. Improved AML/CFT/CFP awareness and capacity amongst the competent authorities, LEAs, NGOs and relevant stakeholders in the country.
- vi. Strengthened systems for maintenance of comprehensive, up to date and easily accessible statistics and information; and
- vii. Improved access to formal financial services.

2.2 Policy Objectives

The objectives of the Policy are to:

- i. Improve the AML/CFT/CFP legal, regulatory and institutional framework;
- ii. Enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs;
- iii. Prevent, detect and combat ML, TF, PF and associated predicate offences;
- iv. Foster domestic and international cooperation and coordination amongst stakeholders and foreign counterparts;
- v. Strengthen investigations, prosecution and recovery of proceeds and instrumentalities of financial crimes;
- vi. Build capacity and raise awareness of AML/CFT/CFP among LEA, supervisory authorities, reporting entities, NGOs and other stakeholders;
- vii. Maintain comprehensive and up-to-date statistics and information; and
- viii. Increase access to formal financial services to the unbanked population.

2.4 Guiding Principles and Values

The implementation of the Policy will be guided by the following principle and values:

2.4.1 Principles

1. **Respect for human rights and constitutionalism:** respect for human rights and constitutionalism will be paramount. In the implementation of this policy, the respect of

individual human rights guaranteed by the Constitution of Malawi through its bill of rights and the supremacy of the Constitution shall be guaranteed.

2. **Good governance:** stakeholders will foster the principles of good governance within the existing AML/CFT/PP legal, regulatory and institutional framework.
3. **Sustainable development:** The implementation of this policy will ensure that the ability of future generations to meet their own future needs is not compromised.
4. **Reciprocity:** Stakeholders central to the implementation of this policy will make sure that the exchange of information and services is for the mutual benefit of each other.
5. **Gender sensitivity:** The implementation of this policy will make sure that it takes into account interests and concerns of both men and women.
6. **Protection of whistleblowers:** Individuals who provide information in good faith about criminal activity or location of assets linked to crimes will be protected in the implementation of this Policy.

2.4.2 Values

1. **Integrity and professionalism:** This policy will be implemented having regard to strong moral principles, without corruption and with the competence or skill of professionals.
2. **Transparency and accountability:** Stakeholders will be responsible for their actions taken and be able to explain and justify them.
3. **Privacy and confidentiality:** Stakeholders will ensure that information obtained in the course of work is private and confidential.
4. **Fairness and consistency:** Stakeholders will ensure that their actions are implemented impartially and uniformly.

3.0 POLICY PRIORITY AREAS

This Policy has identified the following seven key priority areas:

- (i) Legal and Institutional Framework;
- (ii) Regulation and Supervision;
- (iii) Domestic and International Cooperation and Coordination;
- (iv) Capacity Building and Awareness Raising;
- (v) Information Management;
- (vi) Investigation, Prosecution and Asset Recovery; and
- (vii) Financial Inclusion.

3.1 Policy Priority Area 1: Legal and Institutional Framework

The Malawi Government enacted the Money Laundering, Proceeds of Serious Crimes and Terrorist Financing Act in 2006 which was eventually repealed and replaced by the FCA in 2017. Despite the strides made in aligning the legal framework with international standards, there are still identified gaps which include inadequate criminalisation of the offence of money laundering, the lack of legislation requiring the Registrar of Companies to obtain and keep Beneficial Ownership (BO) information, and the lack of legislation requiring the relevant authorities to supervise and monitor NGOs for CFT among others.

Since the commencement of the AML/CFT/PF regime, Malawi has built strong institutions poised to implement Government measures and policies aimed at mitigating the occurrence of money laundering countering the terrorism and proliferation financing. However, there is no lead institutions spearheading the asset recovery drive. Further there is no specialized entity leading the investigations of terrorism and proliferation financing.

Policy Statement

The Policy will ensure that laws and practices are harmonized in line with international legal instruments and standards that promote AML/CFT/CFP.

Strategies

- i. Review existing legislation governing AML/CFT/CFP to be consistent with international standards and best practices;
- ii. Establish an independent asset forfeiture and asset management directorate;
- iii. Facilitate establishment of a Financial and Economic Crimes Division of the High Court; and
- iv. Establish a specialized and well capacitated unit within the Malawi Police Service to deal with terrorism, TF and PF offences.

3.2 Policy Priority Area 2: Regulation and Supervision

Effective AML/CFT risk-based regulation and supervision of reporting institutions are a critical component in the fight against money laundering, terrorist financing and proliferation financing. However, the Country's Mutual Evaluation Report of 2019 highlighted gaps relating to regulation and supervision of reporting institutions and NGOs. The Report highlighted challenges regarding market entry controls in the real estate sector, and dealers in precious stones and metals. In addition, applicants for the gaming sector are not screened for Targeted Financial Sanctions relating to TF/PF. Risk-based supervision is inadequate in money remittance, foreign exchange bureau, real estate, precious stones and metals and Non-Profit Organization sectors. Further, there is low application of sanctions and remedial measures for non-compliance of reporting entities. An assessment of AML/CFT vulnerability revealed high-risk sectors including banking, insurance, money remittances, foreign exchange bureau, real estate, NGOs and dealers of precious stones and metals.

Policy Statements

The policy will ensure that:

- (a) Criminals or their close associates are prevented from owning or holding management functions in reporting institutions.

Strategy:

- i. Strengthen market entry requirements.
- (b) Risk-based supervision and monitoring is applied to reporting institutions.

Strategies:

- i. Enhance periodic national, sectoral, institutional and thematic ML/TF/PF risk assessments;
- ii. Improve risk-based supervision and monitoring of financial institutions and DNFBPs; and
- iii. Enhance application of sanctions and remedial measures to ensure compliance by reporting institutions.
- (c) Risk-based monitoring is applied to NGOs including Faith-Based Organisations (FBOs).

Strategies:

- i. Implement risk-based monitoring of NGOs and FBOs; and
- ii. Implement sanctions and remedial measures to ensure compliance.

3.3 Policy Priority Area 3: Domestic and International Cooperation and Coordination

A good AML/CFT/CFP regime requires an effective mechanism for cooperation and coordination both domestically and internationally to combat ML, TF and PF. There are several mechanisms for cooperation and coordination as highlighted in the NRA 2018 and Mutual Evaluation Report (MER) 2019. However, there are still some challenges in effective coordination and cooperation among LEAs at institutional and international levels. These challenges emanate from bureaucratic delays which impede investigations, the resultant prosecutions and asset recovery.

Policy Statement

The Policy will ensure that:

Collaboration and cooperation among LEAs, supervisory authorities, self-regulatory bodies and international counterparts are strengthened.

Strategies

- i. Enhance the exchange of information and intelligence;
- ii. Implement systems for monitoring information exchange;
- iii. Strengthen the feedback mechanism among LEAs and other competent authorities;
- iv. Promote regular consultative mechanism to facilitate communication between supervisors and the reporting institutions;
- v. Strengthen national coordination fora; and
- vi. Strengthen coordination with AML/CFT international bodies.

3.4 Policy Priority Area 4: Capacity Building and Awareness Raising

Effective combating of money laundering and other financial crimes hinges on adequate capacity in terms of material, technical and human resources. Furthermore, understanding of ML/TF/PF risks, AML/CFT/CFP obligations, and general awareness among all stakeholders and members of public is key in the fight against ML/TF/PF and other financial crimes. However, the country's Mutual Evaluation Report of 2019 highlighted challenges such as inadequate understanding of ML/TF risks among DNFBPs, and NGOs. Further, there are insufficient staff levels and other resources at International Cooperation Unit and Asset Forfeiture Unit within the Directorate of Public Prosecutions (DPP); Criminal Investigations Department within Malawi Police Service (MPS), Department of Registrar General and FIA. Inadequate application and understanding of risk-based approach to AML/CFT/CFP controls including Ultimate Beneficial

Ownership (UBO), Targeted Financial Sanctions (TFS) and reporting obligations by National Intelligence Services (NIS) and reporting institutions are some of the key gaps. Further, there is inadequate awareness and outreach programs to DNFBPs. With respect to supervisory authorities, there are gaps relating to the capacity of FIA and Malawi Gaming Board (MGB) to implement risk-based supervision.

Policy Statements

The policy will ensure that:

- (a) Capacity of LEAs, supervisory authorities and reporting institutions is strengthened

Strategies:

- i. Enhance the capacity of investigators and prosecutors in intelligence gathering, investigations, prosecutions and asset forfeiture;
- ii. Strengthen the capacity of supervisory authorities and other relevant authorities in implementation of risk-based supervision;
- iii. Strengthen the capacity of reporting institutions and NGOs / FBOs in implementation of AML/CFT/CFP controls and obligations; and
- iv. Develop infrastructure for LEAs and other competent authorities.

- (b) Awareness of ML/TF/PF risks and AML/CFT/CFP obligations is created.

Strategy:

- i. Create awareness of ML/TF/PF risks and AML/CFT/CFP obligations among LEAs, supervisory authorities, reporting institutions and other stakeholders; and
- ii. Create awareness of AML/CFT/CFP issues among various stakeholders including the general public.

3.5 Policy Priority Area 5: Information Management

The availability of comprehensive, up-to-date and easily accessible information is important in assessing the effectiveness of any AML/CFT/PF system. The Malawi 2018 NRA and 2019 MER highlighted significant deficiencies in availability and maintenance of comprehensive statistics by LEAs and other competent authorities. For example, some LEAs and competent authorities keep records manually and in some instances some statistics are not kept at all. Further, there is

no centralized database from which comprehensive statistics can be easily maintained and accessed by LEAs.

Policy Statement

The policy will ensure that:

LEAs and other competent authorities maintain up-to-date, comprehensive and easily accessible data for tracking effectiveness and efficiency of AML/CFT/CFP systems.

Strategies

- i. Develop a harmonized data management system for all LEAs and other competent authorities; and
- ii. Promote use of harmonized data management system for all LEAs and other competent authorities.

3.6 Policy Priority Area 6: Investigations, Prosecutions and Asset Recovery

Investigations and prosecutions by LEAs mostly focus on predicate offences and dedicate little or no efforts in pursuing money laundering charges. Although there had been a number of money laundering investigations and prosecutions since 2013, the levels of conviction of money laundering are still on the lower side since most of the LEAs concentrated on the predicate offences and are not well capacitated to pursue parallel financial investigations.

In addition, Malawi has no overarching strategy on asset forfeiture which is contributing to the low levels of confiscation. The LEAs lack expertise and other resources to implement measures on seizing, freezing and confiscation of proceeds of crime. Furthermore, the country lacks policy direction relating to addressing identified high risk predicate offences in investigations, prosecution and asset recovery.

Policy Statements

The policy will ensure that:

- (a) LEAs have strategies to conduct investigations and prosecutions in line with the country's ML/TF/PF risk profile.

Strategies

- i. Promote parallel financial investigations in pursuit of money laundering charges;
- ii. Implement measures for the prioritization of ML investigations, prosecution and asset recovery consistent with the country's risk profile;
- iii. Implement prosecutor-guided investigations; and
- iv. Develop and implement measures on cross-border declaration of currency and Bearer Negotiable Instruments.

- (b) Asset recovery is pursued systematically and consistently in all financial crimes in line with the country's risk profile.

Strategies

- i. Implement internal policies on asset recovery; and
- ii. Operationalize the Confiscation Fund.

3.7 Policy Priority Area 7: Financial Inclusion

Access to a range of safe, convenient and affordable financial services in a fair and transparent manner to disadvantaged and vulnerable groups including low income, rural and undocumented persons, who have been underserved or excluded from the formal financial sector, is key to fighting ML/TF/PF. For AML/CFT/CFP purposes, it is important that financial products and services are provided through licensed financial institutions subject to adequate regulations in line with the FATF Recommendations.

However, a huge proportion of Malawi's population is financially excluded and with low levels of financial literacy. The country is largely cash-intensive with a large informal sector. About 74.1% volume of all payments in the country are made in cash and 89% of micro, small medium enterprises are unregistered. Informal, unregulated and undocumented financial services and a pervasive cash economy can generate significant money laundering and terrorist financial risks and negatively affect AML/CFT/CFP preventive, detection and investigation/prosecution efforts. Promoting formal financial systems and services is therefore central to effective and comprehensive AML/CFT/CFP regime. Financial inclusion and effective AML/CFT/CFP regime should thus be viewed as complementary national policy objectives with mutually supportive policy goals. While financial inclusion ensures that majority of financial consumers use formal financial services which are regulated, stringent AML/CFT measures can negatively affect access and use of financial services if those measures are not carefully designed, and thus stifle financial inclusion. A proper balance between these two objectives should therefore be struck, with regulation which maintains the safety and integrity of financial products and services and at the same time not unduly constraining innovation.

The policy will ensure that:

- (a) Pervasive digital financial services are promoted.

Strategies:

- i. Increase digitization of government payments;
- ii. Increase person-to-person, person-to-business, business-to-person and business-to-business digital payments;
- iii. Promote interoperability of payment systems;
- iv. Enhance digital payments infrastructure; and

- v. Introduce measures to limit cash transactions.
- (b) Financial literacy and digital literacy are promoted.

Strategies:

- i. Establish digital financial literacy programmes;
 - ii. Integrate financial literacy in existing learning institutions and platforms;
 - iii. Review standardized financial literacy messages; and
 - iv. Strengthen coordination and implementation of financial literacy interventions.
- (c) AML/CFT requirements and financial inclusion interrelationship is balanced

Strategies

- i. Apply a tiered customer due diligence regime to accommodate low income and unsophisticated financial consumers;
- ii. Implement electronic KYC; and
- iii. Undertake AML/CFT/CFP risk assessments for financial inclusion products and services.

4.0 IMPLEMENTATION ARRANGEMENTS

4.1 Institutional Arrangements

There are several institutions locally that support AML/CFT/CFP in Malawi. Implementation of the Policy will therefore involve a number of key stakeholders that include following:

Office of the President and Cabinet

The Office of the President and Cabinet will provide the overall policy guidance and direction towards implementation, monitoring and review of the policy

Ministry responsible for Finance

The Ministry responsible for Finance will be responsible for providing policy direction, strategic leadership, coordination and resource mobilization.

Ministry responsible for Justice

The Ministry responsible for Justice will be responsible for ensuring that the legal aspects of AML/CFT/CFP are handled according to the Constitution of Malawi and other relevant legislations, and that justice is upheld in the matters of financial crimes.

Ministry responsible for Foreign Affairs

The Ministry responsible for Foreign Affairs will be responsible for ensuring that the country implements AML/CFT/CFP measures according to international standards, in particular the relevant international treaties that promote mutual legal assistance.

The Ministry responsible for Homeland Security

The Ministry responsible for Homeland Security will be responsible for ensuring that the domestic AML/CFT/CFP framework is implemented by local law enforcement agencies and relevant national security agencies.

The Ministry responsible for Defense

The Ministry of Defense will be responsible for ensuring that it implements the AML/CFT/CFP measures and discharge their responsibilities in the context of peace and security and countering acts of terrorism.

The Financial Intelligence Authority

The Financial Intelligence Authority is the principal national agency responsible for preventing and combating financial crimes. In this Policy, FIA will provide technical direction in the implementation of this Policy.

Supervisory Authorities

Supervisory authorities, namely; the Reserve Bank of Malawi, Malawi Gaming Board and FIA, and other authorities as the Minister may designate, shall ensure that reporting institutions under their purview are complying with their AML/CFT/CFP obligations as stipulated in the relevant legislations.

Law Enforcement Agencies

Law enforcement agencies namely; Malawi Police Service, the Anti-Corruption Bureau (ACB), National Intelligence Services, Malawi Revenue Authority (MRA), Department of Immigration and Citizenship Services, and Department of National Parks and Wildlife (DNPW) will be responsible for investigation of money laundering, terrorist financing, proliferation financing and predicate offences.

Directorate of Public Prosecutions

The Directorate of Public Prosecutions shall be responsible for prosecution of ML/TF/PF and predicate offences.

The Judiciary

The Judiciary shall interpret and apply the laws on AML/CFT/CFP, promote accountability and transparency and uphold the rule of law. The Judiciary shall also be responsible for building capacity of all judicial officers on AML/CFT/CFP matters.

NGO Board

The NGO Board will be responsible for monitoring NGOs on prevention of abuse for TF purposes.

The National AML/CFT/CFP Committee

The National AML/CFT/CFP Committee¹ shall be responsible for domestic coordination and information sharing among the stakeholders.

The National Counter-Terrorism Panel

The National Counter-Terrorism Panel² shall be responsible for implementation of United Nations Security Council Resolutions (UNSCRs) on financing of terrorism and proliferation weapons of mass destruction.

¹ The Committee comprises the following institutions: (a) Ministry of Finance, (b) Financial Intelligence Authority, (c) Ministry of Justice and Constitutional Affairs, (d) Ministry of Homeland Security, (e) Ministry of Foreign Affairs and International Cooperation, (f) Ministry of Defence, (g) Directorate of Public Prosecutions, (h) National Intelligence Service, (i) Reserve Bank of Malawi, (j) Malawi Gaming Board, (k) Anti-Corruption Bureau, (l) Malawi Police Service, (m) Malawi Revenue Authority, and (n) Department of Immigration and Citizenship Services.

² The Panel comprises the following: (a) Director General of the National Intelligence Service as the Chairperson; (b) a senior public officer designated by the Secretary to the President and Cabinet; (c) Secretary for Homeland Security; (d) Secretary to the

Other Relevant Authorities

Other AML/CFT/CFP relevant authorities including the Department of Registrar General (DRG), Office of the Director of Public Officers' Declarations (ODPOD), National Audit Office, National Registration Bureau, Public Procurement and Disposal of Assets Authority (PPDA), Department of Road Traffic and Safety Services (DRTSS), and others shall complement the Government in implementation of AML/CFT/CFP measures as required.

Reporting institutions

Financial institutions and DNFBPs shall implement their AML/CFT/CFP obligations in line with the FCA and other legislations.

Development Partners

Development Partners shall be responsible for providing technical and financial support to the country in various AML/CFT/CFP matters.

4.2. Implementation Plan

A coordinated approach shall be adopted for effective implementation of this Policy. Various players consisting of Government, regulators, and private sector shall implement their respective roles as specified in the Implementation Plan contained in Annex 1. Strategies in the Implementation Plan shall inform the activities in the work plans for the stakeholders.

4.3. Monitoring and Evaluation

Ministry of Finance and Economic Affairs (MoFE) will be responsible for the overall coordination, monitoring and evaluation of this Policy. A monitoring and evaluation framework for the Policy has been developed as detailed in Annex 2. The National AML/CFT/CFP Committee shall support the Ministry in monitoring the implementation of the Policy, and submit key findings and recommendations to FIA for dissemination to all other stakeholders. Monitoring will be done on an on-going and regular basis while mid-term evaluation shall be done after 2.5 year of implementing the policy and end-term evaluation shall be done after five years.

Treasury; (e) Secretary for Foreign Affairs and International Cooperation; (f) Attorney General; (g) Commander of Malawi Defense Force; (h) Inspector General of Police; (i) Registrar of Financial Institutions; and (j) Director General of FIA as secretary to the Panel.

ANNEX 1: IMPLEMENTATION PLAN

| Policy Priority Area 1: Legal and Institutional Framework | | | |
|---|--|---|------------------|
| Policy Statement 1: Ensure that laws and practices are reviewed and harmonized in line with international legal instruments and standards that promote AML/CFT/CFP | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To improve the AML/CFT/CFP legal, regulatory and institutional framework | Promote review of existing legislation governing AML/CFT/CFP to be consistent with international standards and best practices | MoJ, FIA, MoFEA, Registrar General, ACB | 2022-2024 |
| | Institute an independent asset forfeiture and asset management directorate | MoJ, FIA, MoFEA | 2022-2023 |
| | Facilitate establishment of a Financial and Economic Crimes Division of the High Court | Judiciary | 2022-2023 |
| | Promote establishment of a specialized and well-capacitated unit within the Malawi Police Service to deal with terrorism, TF and PF offences | MPS, MoHS | 2022-2023 |
| Policy Priority Area 2: Regulation and Supervision | | | |
| Policy Statement 1: Criminals or their close associates are prevented from owning or holding management functions in reporting institutions | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs | Strengthen market entry requirements | Malawi Gaming Board, FIA, RBM | 2022-2023 |
| Policy statement 2: Risk-based supervision and monitoring is applied to reporting institutions | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs | Enhance periodic national, sectoral and thematic ML/TF/PF risk assessments to guide supervision, investigation and prosecutions | FIA | 2022-2026 |
| | Improve risk-based supervision and monitoring of financial institutions and DNFBPs | FIA, RBM, Malawi Gaming Board | 2022-2023 |

| | | | |
|--|--|--|------------------|
| | Improve the application of sanctions and remedial measures to ensure compliance by reporting institutions | FIA, RBM, Malawi Gaming Board | 2022-2026 |
| Policy statement 3: Risk-based monitoring is applied to NGOs | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs | Implement risk-based monitoring of NGOs /FBOs | FIA, NGO Board | 2022-2026 |
| | Implement sanctions and remedial measures to ensure compliance | FIA, NGO Board | 2023-2026 |
| Policy Priority Area 3: Domestic and International Cooperation and Coordination | | | |
| Policy statement 1: Collaboration and cooperation among LEAs, supervisory authorities, self-regulatory bodies and international counterparts are strengthened | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To improve domestic and international cooperation and coordination amongst stakeholders | Promote the exchange of information and intelligence | FIA, NIS, MoJ, ACB, DPP, RBM, MPS, MRA, MGB, Immigration, DNPW | 2022-2026 |
| | Implement systems for monitoring information exchange | FIA, MoJ, ACB, RBM, MPS, MRA, NIS, MGB, Immigration, DNPW | 2022-2026 |
| | Strengthen the feedback mechanism among LEAs and other competent authorities | FIA, MoJ, ACB, RBM, MPS, MRA, NIS, MGB, Immigration, DNPW | 2022-2026 |
| | Promote regular consultative mechanisms to facilitate communication between supervisors and the reporting institutions | FIA, RBM, MGB | 2022-2026 |

| | Strengthen national coordination fora | FIA, MoFEA, MoJ | 2022-2026 |
|---|--|---|------------------|
| | Promote coordination with AML/CFT international bodies | FIA, DPP, ACB | 2022-2026 |
| Policy Priority Area 4: Capacity Building and Awareness Raising | | | |
| Policy statement 1: Capacity of LEAs, supervisory authorities and reporting institutions is strengthened | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To build capacity and raise awareness of AML/CFT/CFP among LEA, supervisory authorities, reporting entities, NGOs/FBOs and other stakeholders | Enhance the capacity of investigators and prosecutors in intelligence gathering, investigations, prosecutions and asset forfeiture | FIA, DPP, ACB, MPS, MRA, NIS, DNPW | 2022-2026 |
| | Strengthen the capacity of supervisory authorities and other relevant authorities in the implementation of risk-based supervision | FIA, RBM, MGB, NGORA, Department of Mines | 2022-2026 |
| | Strengthen the capacity of reporting institutions and NGOs/FBOs in the implementation of AML/CFT/CFP controls and obligations | FIA, RBM, MGB, NGORA, Ministry of Gender, Department of Mines | 2022-2026 |
| | Promote infrastructure development for LEAs and other competent authorities | MoFEA, ACB, DPP, MPS, FIA, MRA, DNPW | 2022-2026 |
| Policy statement 2: Awareness of ML/TF/PF risks and AML/CFT/CFP obligations is created | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To build capacity and raise awareness of AML/CFT/CFP among LEA, supervisory authorities, reporting entities, NGOs and other stakeholders | Promote awareness of ML/TF/PF risks and AML/CFT/CFP obligations among LEAs, supervisory authorities, reporting institutions and other stakeholders | FIA, RBM, MGB, NGORA, Ministry of Gender | 2022-2026 |
| | Promote awareness of AML/CFT/CFP issues by various stakeholders including the general public | FIA, Ministry of Information | 2022-2026 |
| Policy Priority Area 5: Information Management | | | |

| Policy statement 1: LEAs and other competent authorities maintain up-to-date, comprehensive and easily accessible statistics for tracking effectiveness and efficiency of AML/CFT/CFP systems | | | |
|--|---|--|-----------|
| Objective | Strategy | Responsibility | Timeframe |
| To maintain comprehensive and up-to-date statistics and information | Promote development of a harmonized data management system for all LEAs and other competent authorities | FIA, DPP, ACB, MPS, MRA, DNPW, NGO Board, NIS, Attorney General, Immigration, RG, RBM, MGB | 2022 |
| | Promote use of harmonized data management system for all LEAs and other competent authorities | FIA, DPP, ACB, MPS, MRA, DNPW, NGO Board, NIS, Immigration, RG, RBM, MGB | 2022-2023 |
| Policy Priority Area 6: Investigations, Prosecutions and Asset Recovery | | | |
| Policy statement 1: LEAs have strategies to conduct investigations and prosecutions in line with the country's risk profile | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To strengthen investigations, prosecution and recovery of proceeds and instrumentalities of financial crimes | Promote parallel financial investigations in pursuit of money laundering charges | MoJ, FIA, ACB, RBM, MPS, MRA, DNPW | 2022 |
| | Promote measures for the prioritization of ML investigations, prosecution and asset recovery consistent with the country's risk profile | MoJ, FIA, ACB, RBM, MPS, MRA, DNPW | 2022 |
| | Implement prosecutor-guided investigations | MoJ, FIA, ACB, RBM, MPS, MRA, DNPW | 2022 |
| | Promote measures on the cross-border declaration of currency and Bearer Negotiable Instruments (BNI's) | MRA, MPS, FIA, | 2022-2023 |

| | | | |
|--|---|--------------------------|------------------|
| | | Immigration | |
| Policy statement 2: Asset recovery is pursued systematically and consistently in all financial crimes in line with the country's risk profile | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To strengthen investigations, prosecution and recovery of proceeds and instrumentalities of financial crimes | Promote internal policies on asset recovery | DPP, FIA | 2022 |
| | Operationalize the Confiscation Fund | MoFEA, FIA | 2022 |
| Policy Priority Area 7: Financial Inclusion | | | |
| Policy statement 1: Pervasive digital financial services are promoted | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To increase access to formal financial services to the unbanked population | Increase digitization of government payments | MoFEA, RBM, MRA | 2022-2026 |
| | Increase person-to-person, person-to-business, business-to-person and business-to-business digital payments | RBM | 2022-2026 |
| | Promote interoperability of payment systems | RBM | 2022-2026 |
| | Enhance digital payments infrastructure | RBM, MACRA, MoFEA | 2022-2026 |
| | Introduce measures to limit cash transactions | RBM, MoFEA | 2022-2026 |
| Policy priority area 2: Financial literacy and digital literacy are promoted | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To increase access to formal financial services to the unbanked population | Establish digital financial literacy programmes | RBM, MoFEA | 2022 |
| | Integrate financial literacy in existing learning institutions and platforms | RBM, MoE, MoFEA | 2023-2026 |
| Policy priority area 3: AML/CFT requirements and financial inclusion interrelationship is balanced | | | |
| Objective | Strategy | Responsibility | Timeframe |
| To increase access to formal financial services | Apply a tiered customer due diligence regime to accommodate low income and unsophisticated | FIA | 2022-2026 |

| | | | |
|----------------------------|--|----------------------|-----------|
| to the unbanked population | financial consumers | | |
| | Implement electronic KYC | RBM, FIA, MGB | 2022-2024 |
| | Undertake AML/CFT/CFP risk assessments for financial inclusion products and services | FIA, RBM | 2022-2026 |

ANNEX 2: MONITORING AND EVALUTION PLAN

| Policy Priority Area 1: Legal and Institutional Framework | | | | | | |
|--|---|---|----------------|----------|--|---|
| Outcome: Improved legal, regulatory and institutional framework | | | | | | |
| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/ Risks |
| To improve the AML/CFT/CFP legal, regulatory and institutional framework | Existing AML/CFT/CFP legislation amended | Number of existing legislations amended | 7 ³ | 0 | Gazette Notices | Delayed stakeholder feedback Inadequate human capacity Resource constraints |
| | Independent asset forfeiture and asset management directorate established | Number of directorates established | 1 | 0 | Gazette Notice | Resource constraints Political will |
| | Financial and Economic Crimes Division of the High Court established | Number of financial and economic crimes divisions of the High Court established | 1 | 0 | Administrative notice | Availability of resources |
| | Specialized unit on counter-terrorism, TF and PF within MPS established | Number of units established | 1 | 0 | Administrative notice from Inspector General | Resource constraints |

³ These are: Penal Code, Financial Crimes Act, Companies Act, Corrupt Practices Act, NGO Act, Mutual Assistance in Criminal Matters Act and Trustees Incorporation Act.

| | | | | | | Political will |
|--|--|--|-----------------|-----------------|-------------------------------------|--|
| Policy Priority Area 2: Regulation and Supervision | | | | | | |
| Outcome: Enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs | | | | | | |
| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/Risks |
| To enhance AML/CFT/CFP risk-based regulation and supervision of reporting institutions and NGOs | Market entry requirements strengthened | Number of supervisory authorities implementing targeted financial sanctions on shareholders and beneficial owners | 3 | 1 | FIA and MGB supervision reports | Resource constraints Increased budgetary allocation |
| | | Number of measures ⁴ put in place by supervisory authorities to prevent criminals and their associates from holding shares and management functions in reporting institutions | 4 | 0 | Finalized documents on the measures | Commitment by the relevant supervisory authorities |
| | Periodic national and sectoral ML/TF/PF risk assessments to guide supervision, | Number of national and sectoral risk assessments | 16 ⁵ | 4 | Risk assessment reports | Resource constraints |

⁴ These measures are: Fit and Proper Test, Licensing Forms for Casinos, Financial Crimes Act Amendment Provision, Procedures for Licensing in the Mining Sector

⁵ These are: NRA, banking, insurance, securities, microfinance, foreign exchange bureaus, mobile money, financial inclusion, virtual assets, legal persons and arrangements, NGOs, casinos, lawyers, accountants, real estate, and dealers in precious metals and stones

| | | | | | | |
|--|--|--|------|----|--|--|
| | investigation and prosecutions enhanced | conducted | | | | Inadequate capacity in some sectors to conduct the assessments |
| | Risk-based supervision and monitoring of financial institutions and DNFBPs improved | Number of on-site risk-based supervisions undertaken per year | 12 | 4 | On-site supervision reports | Resource constraints Covid-19 pandemic |
| | Application of sanctions and remedial measures to ensure compliance by reporting institutions improved | Percentage of reporting institutions violating AML/CFT/CFP measures sanctioned | 100 | 40 | On-site examination report Sanction letters | Resource constraints |
| | Risk-based monitoring of NGOs implemented | Number of monitoring exercises undertaken per year | 4 | 0 | Monitoring reports | Resource constraints Covid-19 pandemic |
| | Sanctions and remedial measures to ensure NGOs compliance implemented | Percentage of NGOs violating AML/CFT/CFP measures sanctioned | 100% | 0 | Monitoring report Sanction letters | Resource constraints |

Policy Priority Area 3: Domestic and International Cooperation and Coordination

Outcome: Improved domestic and international cooperation and coordination amongst stakeholders

| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/ Risks |
|--|---|--|--------|----------|---|--------------------|
| To improve domestic and international cooperation and coordination amongst | Exchange of information and intelligence promoted | Number of institutions exchanging information and intelligence | 31 | 26 | Minutes of meetings of the National Coordination Strategy | |

| | | | | | | |
|--------------|--|--|------|-----|--------------------------------|--|
| stakeholders | | Number of institutions making spontaneous disclosures | 9 | 3 | Spontaneous disclosure reports | Lack of awareness among LEAs and other competent authorities |
| | | Number of institutions exchanging information and intelligence with foreign counterparts | 9 | 8 | Information requests records | Resource constraints |
| | | Percentage of formal international requests received and responded to | 100% | 50% | International requests record | Cooperation by international counterparts |
| | | Percentage of informal international requests received and responded to | 100% | 50% | Informal request records | Cooperation by international counterparts |
| | | Number of institutions making formal international requests | | 6 | | Poor record-keeping in some institutions |
| | | Number of institutions making informal international | | 6 | Informal request records | Poor record-keeping in some institutions |

| | | | | | | |
|--|--|---|-----------------|----|-------------------------------|---|
| | | requests | | | | |
| | Systems for monitoring information exchange implemented | Number of templates developed for monitoring information exchange | 30 | 22 | Record of templates | |
| | Feedback mechanism among LEAs and other competent authorities strengthened | Number of institutions utilizing the existing feedback tool | 13 ⁶ | 8 | Record of feedback tool used | Delays by some institutions in providing feedback |
| | Regular consultative mechanism to facilitate communication between supervisors and the reporting institutions promoted | Number of consultative meetings held in a year | 4 | 3 | Minutes of quarterly meetings | Resource constraints Covid-19 pandemic |
| | National coordination fora ⁷ strengthened | Number of meetings of each of the structures held in one year | 1 | 4 | Minutes of quarterly meetings | Resource constraints Covid-19 pandemic |
| | Coordination with AML/CFT international bodies ⁸ promoted | Number of AML/CFT international bodies to which the country is a member | 4 | 4 | Membership subscription | Availability of financial resources |

⁶ These are: RBM, FIA, MRA, ACB, DNPW, MPS, NIS, MGB, DPP, RG, Immigration, NRB and ODPOD

⁷ These are the National AML/CFT Committee, National Counter-Terrorism Panel, AML/CFT Task Force and National LEAs Coordination

⁸ The bodies are; ESAAMLG, Egmont Group of FIUs, ARINSA, UNCAC

| Policy Priority Area 4: Capacity Building and Awareness Raising | | | | | | |
|---|---|--|---------------|-----------------|-------------------------------|---|
| Outcome: Improved AML/CFT/CFP awareness and capacity building amongst the competent authorities, LEAs, NGOs and relevant stakeholders in the country | | | | | | |
| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/ Risks |
| To build capacity and raise awareness of AML/CFT/CFP among LEA, supervisory authorities, reporting entities, NGOs and other stakeholders | Capacity of investigators and prosecutors in intelligence gathering, investigations, prosecutions and asset forfeiture enhanced | Number of officers trained in intelligence gathering | 260 | 71 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers trained in investigations | 291 | 118 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers trained in prosecutions | 120 | 50 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers trained in asset forfeiture | 600 | 200 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers trained in | 148 | 38 | Training reports | Resource constraints |

| | | | | | | |
|--|---|--|-----|-----|------------------------|---|
| | | counter- terrorism and proliferation | | | | Covid-19 pandemic |
| | | Number of judicial officers trained in AML/CFT/C FP | 30 | 0 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers recruited in LEAs | 545 | 352 | Recruitment reports | Resource constraints |
| | Capacity of supervisory authorities and other relevant authorities in the implementation of risk-based supervision strengthened | Number of officers trained in risk-based supervision | 39 | 15 | Training reports | Resource constraints Covid-19 pandemic |
| | | Number of officers recruited in supervisory authorities | 25 | 15 | Recruitment reports | Resource constraints |
| | Capacity of reporting institutions and NGOs in implementation of AML/CFT/CFP controls and obligations strengthened | Number of reporting institutions and NGOs trained | 292 | 198 | Training reports | Resource constraints Covid-19 pandemic |
| | Infrastructure for LEAs and other competent authorities developed | Number of ICT software (license) procured for MPS, FIA, ACB | 3 | 0 | Procurement reports | Resource constraints |
| | | Number of ICT hardware | 1 | 0 | Procurement reports | Resource constraints |

| | | | | | | |
|---|---|--|----------------|-----------------|------------------------|--|
| | | procured for MPS | | | | |
| | | Number of office buildings for FIA, ACB, DPP and DNPW | 4 | 0 | Site inspection report | Resource constraints Political will |
| | | Number of central forensic laboratories for all LEAs constructed | 1 | 0 | Site inspection report | Resource constraints |
| | Awareness of ML/TF/PF risks and AML/CFT/CFP obligations among LEAs, supervisory authorities, reporting institutions and other stakeholders promoted | Number stakeholder workshops conducted | 20 | 5 | FIA Annual Report | Resource constraints |
| | | Number of information dissemination platforms for AML/CFT/CFP utilized | 5 ⁹ | 0 | FIA Annual Report | Resource constraints |
| | Awareness of AML/CFT/CFP issues by various stakeholders including the general public promoted | Number of mechanisms for raising AML/CFT awareness ¹⁰ | 4 | 1 | FIA Annual Report | Resource constraints |
| | | | | | | |
| Policy Priority Area 5: Information Management | | | | | | |
| Outcome: Developed systems for maintenance of comprehensive, up to date and easily accessible statistics and information | | | | | | |
| Objective | Output | Performanc | Target | Baseline | Source of | Assumptions/ |

⁹ These are: Website, television, radio, flyers and roadshows

¹⁰ National AML day designation and commemoration, electronic and print media, school curriculum reviews, targeted stakeholder awareness meetings

| | | e Indicator | | | Verification | Risks |
|--|--|--|------------------|----|---|--|
| | Harmonized data management system for all LEAs and other competent authorities developed | Number of standardized templates for LEAs and other competent authorities for collection and maintenance of statistics developed | 30 | 22 | Record of templates | Resource constraints Resistance by institutions |
| | | Number of centralized management information systems developed and gone live | 1 | 0 | FIA Annual Report | Resource constraints |
| | | Number of information security protocols implemented | 6 ¹¹ | 0 | FIA Annual Report | Resource constraints |
| | | Number of institutions with digitized/automated information | 37 ¹² | 17 | Operational digital systems | Resource constraints |
| | | Number of competent authorities interconnecte | 8 | 1 | Annual Reports of Competent Authorities | Resource constraints |

¹¹ These include: firewalls, anti-virus, official emails, systems penetration testing, digital signature, encryption protocols and standards

¹² Institutions with automated information: FIA, MRA, RBM, ACB, MoFEA, NRB, ODPOD, DRTSS, DNPW, MACRA, LWB, BWB, SRWB, CRWB, NRWB, ESCOM, and Immigration Department. Institutions without automated information include, MPS, DPP, PPDA, GCU, NIS, MoFEA, MoLUD, MoJ, NCIC, RA, MHC, MoLGRD, BCC, LCC, MCC, ZCC, NAO, Registrar General, NGORA, Administrator General.

| | | | | | | |
|--|---|--|------|-----|-----------------------------|--|
| | | d with systems of other competent authorities ¹³ | | | | |
| | | Percentage of digital information in competent authorities | 100% | 15% | Operational digital systems | Resource constraints |
| | Harmonized data management system for all LEAs and other competent authorities in use | Percentage of institutions using the harmonized data management system | 100% | 0% | FIA Annual Report | Resource constraints Compliance by responsible institutions |
| | | | | | | |

Policy Priority Area 6: Investigations, Prosecutions and Asset Recovery

Outcome: Improved ML/TF/PF investigations, prosecutions and recovery of proceeds and instrumentalities of financial crime

| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/ Risks |
|--|---|--|--------|----------|---------------------------------|--------------------|
| To strengthen investigations, prosecution and recovery of proceeds and instrumentalities of financial crimes | Parallel financial investigations in pursuit of money laundering charges promoted | Number of LEAs with internal policies that promote parallel financial investigations | 6 | 0 | Record of internal policies | - |
| | Measures for the prioritization of ML investigations, | Number of LEAs and competent authorities with prioritization | 9 | 2 | Record of a prioritization tool | - |

¹³ NRB system, MRA systems, RBM system, Immigration system, Land Registry system, DRTSS system, Registrar General system, ODPOD system, Accountant General. *MRA is connected to RBM, NRB, DRTSS, Registrar General, Immigration, Accountant General, and MPS Interpol*

| | | | | | | |
|--|--|---|-----|-----|---------------------------------------|--|
| | prosecution and asset recovery consistent with the country's risk profile developed | tools for ML investigations, prosecutions and asset recovery | | | | |
| | Prosecutor-guided investigations implemented | Number of LEAs with SOPs ¹⁴ on conducting prosecutor-guided investigations | 6 | 1 | Record of SOPs | Resistance to change by some LEAs |
| | Measures on the cross-border declaration of currency and Bearer Negotiable Instruments (BNI's) developed and implemented | Number of LEAs with SOPs on the cross-border declaration of currency and BNIs | 4 | 1 | Record of SOPs | Resistance to change by some LEAs |
| | | Number of currency and BNI declarations reports | 800 | 160 | Currency and BNI declarations reports | - |
| | Internal policies on asset recovery developed | Number of institutions with internal policies on asset recovery | 6 | 0 | Institutional annual reports | Technical capacity |
| | Confiscation Fund operationalized | Number of Confiscation Fund regulations developed | 1 | 0 | Gazette Notice | Political will Conflict of the Fund with other funds created under other laws |
| | | Number of meetings of the Fund committee | 20 | 0 | Minutes of the Quarterly meetings | - |
| | | | | | | |

¹⁴ SOPs stands for Standard Operating Procedures

| Policy Priority Area 7: Financial Inclusion | | | | | | |
|--|---|--|------------------|-----------------|--|---|
| Outcome: Increased access to formal financial services | | | | | | |
| Objective | Output | Performance Indicator | Target | Baseline | Source of Verification | Assumptions/ Risks |
| To increase access to formal financial services to the unbanked population | Digitization of government payments increased | The percent volume of government payments | 100% | 71% | Ministry of Finance reports | Political will |
| | Interoperability of payment systems promoted | Number of entities integrated with National Switch | 11 ¹⁵ | 10 | RBM National Payments reports | Systems compatibility Resource constraints |
| | | Number of MFIs and SACCOs on-boarded onto the MFI Hubs | 100 | 37 | Registrar of Financial Institutions Report | Resource constraints |
| | Measures to limit cash transactions introduced | Number of Regulations issued to limit cash transactions | 1 | 0 | Gazette Notice | Resistance from some stakeholders |
| | Digital financial literacy programs promoted | Number of digital financial literacy programs implemented | 5 | 0 | Registrar of Financial Institutions Report | Resource constraints |
| | Financial literacy integrated into existing learning institutions and platforms | Number of educational levels with financial literacy integrated into their | 2 | 1 | Registrar of Financial Institutions Report | Resource constraints Willingness by MoE |

¹⁵ The new institution is MFI Hub which will result in automatic integration of MFIs and SACCOs to the NatSwitch

| | | | | | | |
|--|--|---|------------------|---|---|---|
| | | curriculum | | | | |
| | Tiered customer due diligence regime to accommodate low income and unsophisticated financial consumers applied | Number of reviews for simplified CDD measures conducted | 1 | 0 | Gazette Notice FIA Annual Report | - |
| | Electronic KYC implemented | Number of financial institutions conducting e-KYC | 12 ¹⁶ | 0 | RBM Payment Systems reports | Resource constraints Systems compatibility |
| | AML/CFT/CFP risk assessments for financial inclusion products and services conducted | Number risk assessments conducted | 1 | 0 | Risk assessment reports | Resource constraints Inadequate capacity in some sectors to conduct risk assessments |

¹⁶ This includes 8 banks, 4 deposit taking MFIs

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