ASSESSMENT OF MONEY LAUNDERING PREVALENCE IN COMMERCIAL BANKS OF TANZANIA:
A CASE STUDY OF TEN COMMERCIAL BANKS OPERATING IN TANZANIA

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A CASE STUDY OF TEN COMMERCIAL BANKS OPERATING IN TANZANIA

By

Maria Mduda

A Research Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University Dar es Salaam Campus College

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation /thesis entitled; **“Assessment of Money Laundering Prevalence in Commercial Banks of Tanzania: A Case Study of Ten Commercial Banks Operating in Tanzania”,** in partial/fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University.

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DECLARATION AND COPYRIGHT

I, **Maria Mduda,** declare that, this dissertation is my original work and that; it has not been presented and will not be presented to any other university for a similar or any other degree award.

Signature__________________________

Date______________________________

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DEDICATION

I dedicate this dissertation to my lovely husband and my son Simon Simango Magambo Jr. They mean a lot to me and words can’t satisfactory express my sincerely thanks to them.

LIST OF ABBREVIATIONS AND ACRONYMS

AML	-	Anti-Money Laundering
BOT	-	Bank of Tanzania
CFT	-	Combating Financing of Terrorism
ECOWAS	-	Economic Community of western African states
FATF	-	Financial Action Task Force
FIU	-	Financial Intelligence Unit
GDP	-	Gross Domestic Product
IMF	-	International Monetary Fund
KYC	-	Know Your Customer.
ML	-	Money Laundering
MOU	-	Memorandum of Understanding
SWIFT	-	Society for Worldwide Interbank Financial Telecommunication
TCCIA	-	Tanzania Chamber of Commerce, Industry and Agriculture
TF	-	Terrorism Financing
UNODC	-	United Nations office on Drugs and Crime

ABSTRACT

The main objective of this study was to assess the prevalence of money laundering in commercial banks operating in the United Republic of Tanzania. Both purposive and simple sampling methods were used to select 10 out of 45 commercial banks operating in the United Republic of Tanzania specifically Dar es Salaam due to time and financial constraints. Both secondary and primary methods for collecting data were used. Semi-structured in-depth interview questions were employed as the main instrument for collecting primary data and the collected data were analyzed.

The findings indicated that 100% of the respondents from all commercial banks have knowledge and are aware of money laundering. Most commercial banks have taken several measures to mitigate the effects imposed by money laundering such as conducting money laundering awareness training programs, complying and cooperating with BOT and other international anti money laundering policies, and strengthening know your customer controls (KYC). Furthermore efforts made by the government have helped commercial banks fight money laundering by Creating awareness, and reducing the risk of operations.

The researcher recommends that the government has to educate its citizens on money laundering and commercial banks need to conduct ongoing money laundering training programs to their staff and customers. Commercial banks should also ensure that there are internal procedures, policies and audit functions to test the system and ensure adequate compliance.

Also the study found that good governance is an important tool for successful fight against money laundering and terrorists financing. And the government has to support the regulatory agencies for money laundering in implementing the Money laundering Act of 2007 as amended in 2012 by providing it with the advanced information technology systems and equipments, sufficient investigative, competent and committed professionals reduce corruption and bring transparency and regulatory agency shouldn’t be politically interfered by the government.

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CHAPTER ONE

PROBLEM SETTING

1.1 Introduction

Money laundering is called what it is because illegal or dirty money is put through a cycle of transactions or washed, so that it comes out the other end as legal or clean money. In other words the source of illegally obtained funds is obscured through a succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income (Steel, 2005).

Traditionally, money laundering was associated with the crime of hiding the proceeds of the offence of narcotics as captioned in the Vienna convention. In 1990's Kenya and Tanzania USA embassies bombing and 2000's particularly after Sept 11, 2001 the world caught up financing terrorism. Money laundering and terrorist financing remain global problems.

Money laundering internationally recognized as a serious threat to the stability of financial systems, to public safety and even to emerging democracies. The International Monetary Fund (IMF) (2008) estimates the magnitude of money laundering is about 3-5 percent of the world's Gross Domestic Product (GDP). Using 2007 World Bank data, global GDP is approximately $72.3 trillion. In other words, international money laundering can be estimated between approximately $2.17 and $3.61 trillion a year. Ten years ago the generally accepted estimate of international money laundering was in the range of $300-$500 billion. Although international economic growth accounts for a large percentage of the increase in international money laundering, there is also a greater understanding of new threats, methodologies and diverse laundering systems. (www.moneylaundering.ca/public/law/index.php)

Tanzania has a national development visions which guide economic and social development efforts. The national vision 2025 which was established in 1999 lays out long-term national social and economic development goals. It envisages that by the year 2025, Tanzania will have graduated from a least developed country to a middle income country with a competitive economy (URT, 2013).

In recognition of the effects that money laundering can have in achieving national goals and cognizant of international efforts in this important area, Tanzania is determined and committed to combat money laundering. But apart from being committed the study needed to know to what extent has of money laundering prevailed especially in commercial banks here in Tanzania as far as the banking sector is taken as the major tool in money laundering.

1.2 Background of the Study

Prior to the mid 1980's, our country had no orientation with organized crimes. The crime pattern was largely dominated by ordinary traditional offences such as simple theft, sporadic incidents of armed robberies and simple forgeries. Early symptoms of organized crimes were first detected in 1983 when the country experienced serious economic crisis. Many organized crimes were only based within the country but now days there is external connections. In 1984 Tanzania enacted the economic and organized crime control Act number 13 to cater for fewer offences.

In 2006 Tanzania enacted the Anti-Money Laundering Act, Cap 423. The AML Act criminalizes money laundering in a manner that is largely consistent with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the 2000 United Nations Convention against Transactional Organized Crime to cater for the situations of offences (Palermo Convention).

In February 2007 consequential amendments to various laws were made through the Written Laws (Miscellaneous Amendment) Act No. 15 of 2007. These were to give effectiveness to Anti-Money Laundering Act, Cap 423. The Laws which were amended including The Banking and Financial Institutions Act, Cap 342 which provides for comprehensive regulation of banks and financial institutions; regulation and supervision of activities of savings and credit co-operative societies and schemes with a view to maintaining the stability, safety and soundness of the financial system aimed at reduction of risk of loss to depositors; repeals of the Banking and Financial Institutions Act, 1991 and other related matters.

Funds from criminal activity can be easily laundered through a particular institution either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds. The institution can be drawn into active complicity with criminals and become part of the criminal network itself. Furthermore, Money laundering results in increased movement of funds and currency in circulation, which results in increased prudential risks to banks' soundness, contamination effects of legal financial transactions and increased volatility in international capital flows and exchange rates due to cross border assets transfers.

1.3 Problem Statement

(Mniwasa E.E, 2012) according to his study money laundering is performed systematically and clandestinely making it difficult to identify exactly how much money is involved. And secrecy makes it difficult to establish the magnitude of funds used for funding terrorism. Also poor detection mechanism and failure to document transactions relating money laundering by relevant institution make it difficult to establish the extent of the problem in Tanzania. Nevertheless BOT sources could not present statistical data of how much money is thought to be laundered in the country nor could police give an approximate magnitude of the problem. All these have made it difficult to prevent and detect money laundering transactions.

Also according to IMF the amount of money laundered each year is approximated to be $2.71 trillion (US dollars) per year and poses a significant policy concern for governments including the United Republic of Tanzania. Strategies, policies, Anti-Money Laundering Acts and other financial institutions have likewise undertaken efforts to prevent and detect transactions involving dirty money, both as a result of government requirements and to avoid the reputation risk involved in Money Laundering.

The main purpose was to discuss the methods of money laundering and to prove to what extent commercial banks of Tanzania are involved in money laundering. With globalization, technological advancement, and greater mobility of people and resources across national borders, transnational money laundering has become increasingly pervasive, diversified and organized. Thus there is free flow of capital and globalization of financial services which provided opportunities for laundering proceeds of criminal acts investments in various sectors of local and global economy.

There is also greater change in information technology which made it easier for criminal assets to move across borders through financial markets that are out of reach by the law. Money is a major role player in this globalization issue. Money also is a driving force for human beings to survive, and of course could make desperate people do anything they can to either survive or get rich and thus why this study was conducted in order to examine the extent to which money laundering had been prevailing in commercial banks of Tanzania.

1.4 Objectives

1.4.1 General Objectives

To assess the major factors for the prevalence of money laundering in commercial Banks in the United Republic of Tanzania

1.4.2 Specific Objectives

(i) To identify the factors contributing to money laundering in commercial Banks.

(ii) To examine the impacts of money laundering in Commercial Banks in Tanzania.

(iii) To find various risks to commercial banks regarding money-laundering.

(iv) To study the current trend of money-laundering in banking sector especially commercial banks.

(v) To determine the measures taken by the government of United Republic of Tanzania in combating money laundering.

(vi) To identify challenges that regulatory authority’s face when combating money laundering.

1.5 Research Questions:

(i) What are the major factors contributing to money laundering in Tanzania?

(ii) What are the significant impacts of money laundering to your bank?

(iii) What are the risks contributed by prevalence of money laundering in commercial banks.

(iv) What is the current trend of money-laundering in commercial banks?

(v) Are there any measures which have been taken by the government in fighting against money laundering?

(vi) Is there any regulatory authority responsible for combating money laundering in Tanzania? If yes what challenges does it face in fighting against money laundering?

1.6 Significance of the Study

The study was examining the prevalence of money laundering in commercial banks of Tanzania which will certainly increase awareness of money laundering and its economic, social and political effects to Tanzania, if money laundering is not fought effectively it means efforts being undertaken by the Government to alleviate poverty and raise living standards will not succeed.

The National Vision 2025 that Tanzania will have graduated from a least developed country to a middle income country with a competitive economy capable of producing sustainable growth and shared benefits, high quality livelihood, a well educated and learning society, peace, stability and unity as well as good governance will not be attained because criminal organizations will continue to accumulate considerable economic and financial power which will ultimately undermine national peace, security and economic stability.

This study was most importantly essential in fulfilling the Masters of Accounting and Finance requirement provided by Mzumbe University Tanzania.

1.7 Limitations of the Study

The study had a number of limitations. First the size of the sample was small. Secondly this was a very broad and controversial topic and it was restricting money laundering operations and their analysis. Lastly the commercial banks were not disclosing as enough information as they were requested due to their banking operations policies.

1.8 Summary

This chapter discussed on a background of the study, the way the study was conducted, its boundaries and its span. In addition, the chapter discussed the objectives, questions, significance and the limitations of the study

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition of Money Laundering

In order to have precise analysis of money laundering process in commercial banks of Tanzania the researcher used several books, articles and journal written by different financial analysts.

INTERPOL's definition of money laundering is "any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources" (www.interpol.int/crime-areas)

Money laundering hides the origin of the money to make it appear legitimate. Confuse the audit trail by truncating information flow. Divert suspicious and avoid unwanted questions about unexplained wealth.

Also it can be defined as an activity of converting funds generated by illegal means into legal funds

Money laundering seeks to achieve two basics goals, separate the perpetrator and the proceeds from the underlying crime and disguise the proceeds as legitimate funds or assets and hence allow the criminal to enjoy the benefits of criminal activities.

There are possible warning signs of money laundering activities. First unusually large deposits of cash made by an individual or company whose affairs would normally generate deposits by cheque or bankers' draft, substantial increases in cash deposits without apparent cause, customers depositing large numbers of smaller cash amounts which together make up a substantial sum, large cash withdrawals from a hitherto dormant/inactive account as well as reluctance by a customer to provide routine information when opening an account, providing information which is difficult or expensive to verify (Levi Michael and Reuter peter, 2006)

2.2 History of Money Laundering

The term "money laundering" is said to have originated from Mafia ownership of Laundromats in the United States. Gangsters were earning huge sums in cash from extortion, prostitution, gambling and bootleg liquor. They needed to show a legitimate source for this money. One of the ways in which they were able to do this was by purchasing outwardly legitimate businesses and to mix their illicit earnings with the legitimate earnings they received from these businesses. Laundromats were chosen by these gangsters because they were cash businesses and this was an undoubted advantage (Steel, 2005)

Proceeds generated by crimes such as fraud, theft, and drug trafficking are made to look as if they were the fruits of honest activities transformed for instance into legitimate looking bank accounts, real estate or luxury goods. Terrorism financing involves the raising and processing of funds to supply terrorists with resources to carry out their attacks. While the phenomena differ in key ways they often exploit the same vulnerabilities in financial systems that allow for an inappropriate level of anonymity and non transparency in the execution of financial transactions.

Money laundering as a crime only attracted interest in the 1980s essentially within a drug trafficking context. Governments also recognized that criminal organizations, through the huge profits they earned from drugs could contaminate and corrupt the structures of the state at all levels.

Money laundering is a truly global phenomenon, helped by the International financial community which is a 24hrs a day business. When one financial centre closes business for the day, another one is opening or open for business. (http://www.laundryman.u-net.com/page1_hist.html)

Given the global and growing nature of money laundering a number of major international initiatives were commenced beginning in the 1980s, The United Nations global programme against money laundering, programme of the United

Nations Office on Drug and Crimes and The Financial Action Task Force (FATF) – A policy-making body of which Tanzania is a member.

Illegally obtained funds are laundered and moved around the globe using and abusing shell companies, intermediaries and money transmitters. In this way the illegal funds remain hidden and are integrated into legal business and into the legal economy. Money laundering and terrorist financing are linked because the techniques used to launder money are essentially the same as those employed to conceal the sources and uses of terrorist financing (Hopton, 2006)

Money laundering has become a major problem worldwide. Countries in the world have decided to cooperate in the fight against an increasingly sophisticated combination of techniques, use of experts and professionals to disguise the true origin, ownership and control of proceeds of crime. In that respect the United Republic of Tanzania decided to join efforts of the international community by taking a number of measures including criminalizing money laundering and terrorist financing.

(usman and Jason, 2006) in their study, focused on globalization and crime. Their study explains the criminogenic effects of globalization and outlining the crimes where people are forced to migrate into illegally obtained funds due to economic reasons. The study further discussed the links between crimes and globalization based on the new discourses about the axis of transnational organized crime and the crime epidemic in the states. They also demonstrate how in the present day the advantage of fast moving technological advances such as travel or migration, the internet, and the freedom of circulation and establishment of global markets make the globe a small place of activity and begetting crime.

The techniques for hiding proceeds of crime include transporting cash out of the country, purchasing businesses through which funds can be channeled, buying easily transportable valuables, transfer pricing and using underground banks. According to the researcher money-laundering regime does facilitate investigation and prosecution of some criminal participants who would otherwise evade justice. Though their regime also targeted terrorist finances, modern terrorists need little money for their operations. They discussed that AML controls are unlikely to cut off their funds but may yield useful intelligence and money laundering controls impose costly obligations on businesses and society

(Martin, 2006) in his areas of expertise included “Know Your Customer” Procedures and risk based approaches to money laundering prevention told that KYC is making every reasonable effort to determine the identity and beneficial Ownership of accounts, knowing the source of funds and determining that the Information is correct.

(Chong Alberto and Lopez Florencio, 2005) They also investigated the determinants of money laundering and its regulation in over 80 countries. They put together a cross-country data set on proxies for money laundering and the prevalence of feeding activities through several methodologies. They also constructed specific money laundering regulation indices based on available information on laws and their mechanisms of enforcement and measure their impact on money laundering proxies. They found together money laundering regulation particularly those that criminalize feeding activities and improve disclosure, are linked to lower levels of the money laundering across countries.

(Agarwal and Aman, 2004) discussed about money laundering, its size, dimensions, effects and various steps taken internationally to control it. They discussed in their study that how the banks could protect their interests for being excessively used in money laundering, which is threatening their survival. It also discussed how criminals, politicians, bureaucrats, Industrialists, real estate builders, bankers, lawyers, accountants, auditors and others are involved in money laundering.

(Michael, 2002) in his study examined definition of money laundering, the Conceptual and actual role its regulation plays in dealing with drug markets. The Researcher found that if money laundering is prevented incentives to become major criminals are diminished. It has identified and critiques three expects of harm arising from Laundering, facilitating crime group's expansion, corroding financial institution, and extent. After discussion of money laundering techniques used with drug money including the symbiotic relationship with some otherwise legitimate ordinary business, in this he was also examined the history of public and private sector anti money laundering policies and their implementation at global level.

(Nigel,2001) discussed that, how Money laundering scandals sap economies and destabilize the governments. Policy makers blame crime cartels, tax havens and new techniques like cyber laundering. However, dirty money (illegal money) long predates such influences. He discussed that without unified rules governing global finance there is no Protecting legitimate or illegitimate wealth from the unwanted attentions of government, outlaws will always exploit disparate legal systems to stash the proceeds of their crimes. He discussed that, money laundering is to involve hiding, moving and investing the proceeds of criminal conduct. Banks are the primary agents of money laundering .The Internet Makes Money Laundering Easier, The U.S. Dollar Is the money launderer's currency of choice, only global regulations can stop money laundering. He discussed that dirty money generally is most visible when it is first introduced into the financial system.

As a result, counter money laundering laws often require bankers to identify money that may be tainted so called know your customer (KYC) rules. KYC goes further than simply knowing the names and addresses of customers.

(Buchanan, 2004), deliberated that Money laundering was a global phenomenon and an international challenge. As globalization has evolved money launderers have been able to conduct their trade with greater case, sophistication and profitability. Now new financial instruments along with trading opportunities have been created and liquidity of financial markets has improved. He also discussed that increased competition between borders has also beaten the associated transaction expenses of money laundering. Money laundering trends to allocate dirty money around the world based on avoiding national controls. He expressed that Globalization has also improved the ability of money launderers to communicate using internet and travel allowing them to spread transactions across a greater number of jurisdictions thereby increasing the number of legal obstacles that may be put up to hinder investigations.

2.3 IMF and the Fight against Money Laundering

In 2000, the IMF responded to calls from the international community to expand its work in the area of anti-money laundering (AML). After the tragic events of September 11, 2001, the IMF intensified its AML activities and extended them to include combating the financing of terrorism (CFT). In 2009, the IMF launched a donor-supported trust fund to finance technical assistance in AML/CFT. In 2011, the IMF's executive board reviewed the effectiveness of the Fund's AML/CFT program and gave strategic guidance for the work ahead. (http://www.imf.org)

The IMF is especially concerned about the possible consequences money laundering, terrorist financing and related governance issues have on the integrity and stability of the financial sector and the broader economy. They may have negative consequences for a country's financial stability and macroeconomic performance, resulting in welfare losses, draining resources from more productive economic activities, and even have destabilizing spillover effects on the economies of other countries. (The IMF Factsheet.-IMF and the fight against Money Laundering and Terrorism Financing, 2013)

Effective anti-money laundering and combating the financing of terrorism regimes are essential to protect the integrity of markets and of the global financial framework as they help mitigate the factors that facilitate financial abuse. Action to prevent and combat money laundering and the financing of terrorism thus responds not only to a moral imperative, but also to an economic need.

The international community has made the fight against money laundering and terrorist financing a priority. The IMF is especially concerned about the possible consequences money laundering, terrorist financing, and related governance issues have on the integrity and stability of the financial sector and the broader economy.

These activities can undermine the integrity and stability of financial institutions and systems, discourage foreign investment, and distort international capital flows.

They may have negative consequences for a country's financial stability and macroeconomic performance, resulting in welfare losses, draining resources from more productive economic activities, and even have destabilizing spillover effects on the economies of other countries. In an increasingly interconnected world, the negative effects of these activities are global, and their impact on the financial integrity and stability of countries is widely recognized.

Money launderers exploit both the complexity inherent in the global financial system as well as differences between national anti-money laundering laws and systems, and they are especially attracted to jurisdictions with weak or ineffective controls where they can move their funds more easily without detection. Moreover, problems in one country can quickly spread to other countries in the region or in other parts of the world.

2.4 UN and the Fight against Money Laundering

International efforts to curb money-laundering and the financing of terrorism are the reflection of a strategy aimed at, on the one hand, attacking the economic power of criminal or terrorist organizations and individuals in order to weaken them by preventing their benefiting from, or making use of, illicit proceeds and, on the other hand, at forestalling the nefarious effects of the criminal economy and of terrorism on the legal economy.

The Law Enforcement, Organized Crime and Anti-Money-Laundering Unit of UNODC is responsible for carrying out the Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism, which was established in 1997 in response to the mandate given to UNODC through the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988, the first international legal instrument to embody the money-laundering aspect of this new strategy and is also the first international convention which criminalizes money-laundering.(http://www.unodc.org/unodc/en/money-laundering/Instruments-Standards.html)

In April 1990, the Financial Action Task Force on Money-Laundering (FATF) issued a set of 40 Recommendations for improving national legal systems, enhancing the role of the financial sector and intensifying cooperation in the fight against money-laundering. These Recommendations were revised and updated in 1996 and in 2003 in order to reflect changes in money-laundering techniques and trends.

The threats associated with money laundering and terrorist financing are constantly evolving and so the legal framework must adapt and change to combat these activities. On the 16th February 2012, the financial Action Task Force (FATF) adopted a revised version of the international anti-money laundering (AML) standards. The Third Anti-Money Laundering Directive sets out a framework which is designed to protect the financial system against the risks of money laundering and terrorist financing and is based largely on the FATF recommendations. (http://libraryeuroparl.wordpress.com/2012/05/08/money-laundering-in-the-european-union/)

2.5 Money Laundering in Africa

The level of interest by African banks in anti-money laundering (AML) has risen drastically, according to the 2012 KPMG Africa Anti-Money Laundering Survey. The survey revealed that 66 percent of the main board of directors has prioritized AML issues, as banks work to comply with stricter global regulations

It's estimated that between two and five percent of global GDP or $2.17 to $3.61 trillion in current US dollars is laundered in one year. More than 10 years after 9/11, regulators have become stricter on the banking industry specifically, as the expectations apply to combating money laundering and terrorist financing. (KPMG Africa,2012)

Worldwide AML has developed significantly over the past 20 years and recent regulatory scrutiny has seen unprecedented fines being handed down, Ensuring banking systems cannot be used for money laundering and terrorist financing is a key imperative for policymakers and lawmakers across the globe. This can only be achieved with the active assistance of the banking industry and the board of directors who have an important role to play in ensuring accountability throughout the bank. Interestingly though, more emphasis has also been placed on the role of senior management who are setting an example, by integrating AML compliance within the bank's business strategy.

KPMG's survey also found that the cost of compliance has increased over the past number of years. Due to challenges of managing the regulatory requirements of a number of jurisdictions, 95 percent of respondents indicated they had benchmarked their AML policies and procedures based on local regulations and global best practices. Banks within the African region indicated that their biggest spend over the past two years was in Know Your Customer (KYC) policy and process, enhanced transaction monitoring/reporting (sixty-three percent) and training (forty-nine percent) where Southern, East and West Africa all mirrored this finding.

Encouragingly, the survey shows that the vast majority of respondents believe that the current AML burden is acceptable and they want to work with regulators and law enforcement to make the system work more effectively. Going forward, AML compliance will continue to enjoy prominence within the banking environment, where ninety percent of respondents indicated that their investment in AML will increase over the next three years. Respondents further confirmed that operational areas such as sanction list screening, reviews and upgrading of the existing transaction monitoring systems and updating of the KYC for existing customers is where the most crucial spend will occur in the next three years.

This was already consistent with what we see happening within the industry today. The regulatory environment continues to develop and compliance becomes a moving target, that will require banks to constantly re-visit, review and re-invest in their business processes and technology to improve efficiencies and curtail some of the increasing cost of compliance," adds West.

Drug Trafficking: Drug trafficking, according to Philip de Andrés (2008) include; cocaine, heroin and hashish and is nothing but the most visible and affecting the West and Central Africa.

Organized Crime: Philip de Andrés (2008) identified organized crime as a factor affecting money laundering and these organized crime consist of

(i) Illegal ivory trade by Nigeria, Senegal and Cote d' Ivoire
(ii) Trade in rough diamond by al Qaeda in Kenya, Tanzania, Sierra Leone and Liberia for raising funds for al Qaeda cells; hide money targeted by financial sanctions; launder profits of criminal activities and to convert cash into commodity that holds its value and easily transportable
(iii) Trafficking of illicit arms and light weapons manufactured locally or imported
(iv) Human trafficking, which is made possible commonly by ethnic affiliation
(v) Recruitment of mercenaries and Child soldiers to fight civil war particular in Cote d' Ivoire and countries by the Mano River basin

According to Philip de Andrés (2008) the lack of effective cross-border control and regulations is a major factor for these activities to take place. The movement of persons and goods are inevitable in undertaking these cross-border activities as it is estimated that between 4 and 5 million ECOWAS citizens play the highways and frontiers of the community's territory every month (http://dspace.cigilibrary.org/jspui/bitstream)

2.6 Money Laundering in Tanzania.

According to the Constitution, Tanzania is one state and is a sovereign United Republic. The Territory of the United Republic consists of the whole area of Mainland Tanzania and the whole area of Tanzania Zanzibar and includes the territorial waters.

Tanzania has National Development Visions which guide economic and social development efforts. The National Vision 2025 which was established in 1999 lays out long-term national social and economic development goals. The objective of the Development Visions is to awaken, co-ordinate and direct people's efforts, minds and national resources towards those core sectors that will facilitate the attainment of development goals and cope with the expected intensive economic competition ahead. (URT, 2013)

Tanzania acknowledges that money laundering, terrorist financing, corruption and other serious crimes remain serious impediments to the attainment of national development objectives.

In recognition of the effects that money laundering can have in achieving national goals and cognizant of international efforts in this important area, Tanzania is determined and committed to combat money laundering and understands that to be focused in combating these vices there is a need for a comprehensive National AML/CFT Strategy.

The strategy recognizes that combating money laundering and terrorist financing needs full involvement of the Government, Parliament, civil societies, media, academia and research institutions, private sector, regulators, cooperating partners and the general public.

The efforts to fight against money laundering started as early as 1991 by the enactment of the Proceeds of Crime Act, Cap 256 and Mutual Assistance in Criminal Matters Act, Cap 254, which criminalized some of the predicate offences of money laundering and provided a room for cooperation with other countries in criminal matters. (http://www.fiu.go.tz, 2012)

In 1995, Tanzania enacted the Drugs and Prevention of Illicit Traffic in Drugs Act, Cap 95 in line with the Vienna Convention (1988). In 1997, the Banking and Financial Institutions Regulations, were promulgated with a view to ensuring that proper due diligence was undertaken in assessing owners of banks. (http://www.fiu.go.tz, 2012)

In 2000 the Bank of Tanzania issued the Bank of Tanzania Circular No. 8 on Money Laundering Control. This circular prescribed money laundering control requirements for banks.

In 2007 the Anti-Money Laundering Regulations were promulgated for implementation of the Anti-Money Laundering Act, Cap 423. The regulations prescribe information to be gathered for customers and verification procedures, provides for procedures for recognizing and reporting of suspicious transactions, type of statistics to be maintained by the FIU and maintenance of customers' records.

Following the enactment of the Anti-Money Laundering Act, Cap 423 the Government established the FIU in July 2007 and promulgated and issued the Anti-Money Laundering Regulations, 2007

On 27 September, 2011 the Tanzania Financial Intelligence Unit (TZ FIU) and the UK Serious Organized Crime Agency, Financial Intelligence Unit (UK FIU) signed a Memorandum of Understanding (MOU) to cooperate and exchange information and intelligence. The MOU was signed at the Ministry of Finance in Dar es Salaam

Banking supervision

The bank of Tanzania enacted banking supervision verifying compliance laws and regulations and assesses effectiveness of the financial institution financial control system through; Supervisory-methodologies whereby BOT is doing on site inspection by examining an individual banks or financial institution. The risk management framework of the individual banks of the financial institution especially credit liquidity interest rates foreign exchange and operational.

Also review five key components such as capital adequacy, asset quality, management quality, earnings capability and liquidity. This is normally done at least once a year for every commercial bank and other financial institutions.

Not only that but also BOT is doing an off site inspections by assessing financial soundness through analysis of the statistical and other returns covering key areas of the institution. From the analysis an early warning report is produced. Statistical returns are submitted periodically daily weekly monthly quarterly semi annually or annually.

Proposed Anti-Money Laundering Ordinance 2002

This law is in draft form and it is still under consideration by the government. The draft bill proposes various measures for combating the threat of money laundering, including the offence of money laundering predicate offences, punishment, establishment of a National Advisory Committee for combating money laundering, and the establishment of a Financial Intelligence Bureau

After the events of September 11, 2001, the government of Tanzania too has given extraordinary importance to the task of countering money laundering. The state banks of Tanzania, Securities and Exchange Commission of Tanzania, and other financial institutions are paying more and more attention to the issuance and implementation of rules and regulations to stop the laundering of money.

The state provides the separate regulation to the commercial banks for proper identification of the customer when they open the new account to the customer. Proper account documentation and Know Your Customer (KYC) procedures provide satisfaction and protection to the banks staff unforeseen events and assist in establishing relationship in accordance with the commercial banks policies. Getting maximum reliable information about the customer is the basic principle of good banking, which enables the banks to mark correct decisions to meet with customers genuine banking requirements promptly.

The banks have a statutory obligation to know its customers and to understand the nature of the business that is being conducted with. This applies to every type of customer regardless of who they are their personal status, or the type of account or services that they require. According to the role of State Bank of Tanzania prudential regulation, every bank must have a clearly define and properly documents policy on entertaining customers business. No banks should establish a relationship with the customer until it knows the customer's identity. If a potential customer is unwilling to provide the necessary information, establish of the relationship should be seriously reconsidered. In respect of all established relationships, the bank should remain alter to any unusual business in customer accounts, fully integrated into the business process and control, which allows for enhanced all purpose use of customer data in a cost efficient manner, while seeking achieving enterprise wide compliance with regulatory and legal requirements.

Three measures banks use for protection against money laundering:

(i) Know Your Customer

(ii) Respondents banking

(iii) Suspicions transaction

Know your Customer

A sound Know Your Customer (KYC) policy is crucial for commercial banks, not only to meet the legal requirements under the Money Laundering legislation, but also in terms of identifying business risk. To be effective a KYC policy must include proactive monitoring of customers accounts. It is not sufficient to know your customer when commences business with commercial bank; bank have to maintain active monitoring of the relationship.

Know your customer (KYC) policies are a commercial bank's most effective weapon against being used for money laundering. Knowing the customer including depositors and other users of Commercial bank's services, requiring appropriate identification, and being alters to transactions that seem out of character for the customer, or those that appear suspicious, can help prevent and often detect money laundering. A policy tailored to the Commercial banks customer's base, business niche and operation offers the following advantages:

The salient future on KYC

Commercial Banks ensure the identity of the account holders, through this commercial banks get more appropriate information about the nature of the customer businesses. Commercial Banks are more aware the money laundering crimes, and should develop the policies and procedure to minimize the risk.

(i) Help detect suspicious activity in the timely manner.

(ii) Promotes compliance with all commercial banking laws.

(iii) Commercial Banks should also undertake customer due diligence measures, include identifying and verifying of walk in customer conducting transaction above an appropriate limit to be prescribe by the State Bank of Tanzania.

(iv) Commercial Banks shall maintain record of both domestic and international transaction in a systematic manner and these record keep in hand up to 5 year.

(v) Each Commercial Bank need KYC compliance unit full in hand, need to have effective monitoring and MIS and proper record of customer identification.

(vi) Minimizes the risk that the commercial bank will be used for illicit activates.

(vii) Reduces the risk of seizure and forfeiture of customer's loan collateral.

(viii) Protects the commercial banks reputation.

(ix) KYC for the existing accounts

While the KYC guidelines apply to all new customers account, same KYC policy would apply to the existing customer's account, for monitoring the risk. However, transactions in existing customers account would be continuously monitored for any unusual pattern in the operation of the customer's account. Based on materiality and risk the existing accounts of companies, firms, trusts, charities, religious organizations and other institutions are subjected to minimum KYC standards, which would establish the identity of the natural/legal person and those of the beneficial owners. Similarly, the commercial Banks will also ensure that term/recurring deposit accounts are subject to revised KYC procedures at the time of renewal of the deposits based on materiality and risk.

Correspondent banking

Commercial Banks need to collect sufficient information about their correspondent banks, and understand fully its nature of business for protection of money laundering. Commercial Banks must consider the role when they enter any relationship with other correspondent banks that as follow:

When Commercial Banks enter to any relationship with other correspondent bank they should follow "know your customer" (KYC) policy for the prevention of money laundering. Information about the correspondent banks management and its ownership, correspondent bank location, its nature of business and its policies and procedures that they used for prevention and detection of money laundering is also important. Commercial Banks need to know, why correspondent bank open account, its purpose of account and how the third party use its services, and its country supervision and regulation must be know. Commercial Banks established only relationship those correspondent foreign banks they use effective customer acceptance policy and know your customer policy and effect supervision authority. Commercial Banks should refuse continuous relation those commercial banks they have no physical being present and should no affiliate with financial regulatory body. When any correspondent banks used financial statement for shell banks for the purpose of establish relationship and commercial banks refuse for this relationship. Commercial Banks should focus their attention to such correspondent banks located in jurisdiction having poor KYC standards or have identified by financial action task force as being non cooperative in countering money laundering. Commercial Banks should be specifically alter the risk that they received when correspondent account might be used directly third parties by paying their obligation on the own behalf. In such situation commercial banks must be satisfy themselves that the correspondent bank has verified the identify of and performed on going diligence on the customer having direct access to accounts of the correspondent bank and that it is able to provide relevant customer identification data upon request to the correspondent bank

Suspicious Transaction

Any transaction or group of transactions, especially that relate to money transfers, which doubts arise, with the registered person concerning their link to money laundering through their unusual size, repetition, nature, conditions and circumstances surrounding them, their unusual pattern that does not involve a clear economic objective or an obvious legal purpose, if the activities of the persons involved in the transactions do not conform with their normal activities, or if the domicile of such persons is situated in countries that do not adequately apply measures for prohibition and combating of money laundering.

Suspicious transactions create a risk for commercial banks; Commercial banks pay special attention to the complex, unusually large transactions and remarkable patterns of transaction, which have no apparent economic or visible illicit purpose. Some case commercial banks have suspect that funds are the proceeds of criminal activity. It should report to the high management within 3 days and conduct a proper investigation to the suspicious transactions through the compliance officers of the commercial banks according to the policies and procedure that State Bank of Tanzania Banking policy department has provide. Employees of the commercial banks are strictly prohibited to disclose the fact to the customer or any irrelevant quarter that a suspicious transaction or related information is being reported for investigation. In case of foreign branch of commercial banks and subsidiaries of the commercial banks in foreign countries, undertaking commercial banking business the commercial banks should ensure compliance with the regulations of State Bank of Tanzania, or relevant regulation of the host country.

2.6.1 Process of Money Laundering

Money laundering is not a single act but in fact a process that is accomplished in three basic steps. These steps can be taken at the same time in the course of a single transaction, but they can also appear in well separable forms one by one as well. These transactions typically fall into three stages:

(i) Placement

(ii) Layering

(iii) Integration

Placement, the stage at which criminally derived funds or dirty cash and proceeds of crime is introduced in the financial system. The physical disposal of cash proceeds derived from illegal activity. The initial point of entry for funds derived from criminal activities. And it's the easiest form of soaking being use of the banking system via a myriad of financial services. The main purpose is to relieve the criminal of holding and guarding large amounts of bulky cash and places the money into the legitimate financial system. The activities involved are loan repayments where by repayment of loans is done through illegal proceeds, purchase of gambling chips or placing bets on sporting evarts, physical movement of illegal currency or monetary instruments over the border and purchasing foreign money with illegal funds through foreign currency exchanges.

Layering, the substantive stage of the process in which the property is 'washed' and its ownership and source is disguised. The separation of illicit proceeds from their source by creating complex layers of financial transactions. These disguise the audit trail and provide anonymity. The creation of complex networks of transactions which attempt to obscure the link between the initial entry point, and the end of the laundering circle.

Integration, the final stage at which the 'laundered' property is re-introduced into the legitimate economy. Re-injecting laundered proceeds into the main stream economy so that they re-enter the financial system as normal business funds. Provides an apparently legitimate explanation to criminally derived wealth. The return of funds to legitimate economy for later extraction

These three staged definition of money laundering is highly simplistic. The reality is that the so called stages often overlap and in some cases, for example in cases of financial crimes, there is no requirement for the proceeds of crime to be 'placed'.

2.7 Current trend on Money Laundering

First there was significant new methods of money laundering identified, several traditional techniques of money laundering were not clear for obvious methods. Also new methods were present to continue the practice of money laundering and the trend was that money launderers moved to non financial sector from the banking sector.

Today, most financial institutions globally, and many non-financial institutions, are required to identify and report transactions of a suspicious nature to the financial intelligence unit in the respective country. For example, a bank must verify a customer's identity and, if necessary, monitor transactions for suspicious activity. This is often termed as KYC: know your customer. This means, to begin with, knowing the identity of the customers, and further, understanding the kinds of transactions in which the customer is likely to engage.

By knowing one's customers, financial institutions can often identify unusual or suspicious behavior, termed anomalies, which may be an indication of money laundering.

Bank employees, such as tellers and customer account representatives, are trained in anti-money laundering and are instructed to report activities that they deem suspicious. Additionally, anti-money laundering software filters customer data, classifies it according to level of suspicion, and inspects it for anomalies. Such anomalies would include any sudden and substantial increase in funds, a large withdrawal, or moving money to a bank secrecy jurisdiction. Smaller transactions that meet certain criteria may also be flagged as suspicious. For example, structuring can lead to flagged transactions.

The software also flags names on government "blacklists" and transactions that involve countries hostile to the host nation. Once the software has mined data and flagged suspect transactions, it alerts bank management, who must then determine whether to file a report with the government.

2.7.1 The Banking Sector

To dispose the criminal earnings the banking sector has remain an important source. But money launderers have some arguments like depositing large sums of cash into bank accounts for transfer should be informed to law enforcement agencies extra measures are taken for such arguments.

2.7.1.1 Smurfing/Structuring

Smurfing" or structuring is the techniques usually used to deposit numerous transactions in small amounts. It is due to the assigned threshold. Then the money is transferred to foreign accounts. This technique was in practice almost all over the world. Even in the countries which don’t require basic cash transaction reports, practiced this in abundance. Transferred countries often found that cash was being removed from the recipient accounts.

2.7.1.2 Shell corporation

In both banking and non-banking sectors, tool of shell corporations is widely accepted and used. It is taken usually from off the secretarial offices, accountants and lawyers. Through this, identification of the beneficial owner remains hidden and records of the company are tough to access due to offshore professionals’ claim of secrecy.

The professional workers of the company manage such whole phenomenon of these transactions. These professionals manage secrecy along with the professional run of transactions. These companies help in the placement stage of cash to be received. Then the next stage is managed in the other country or integration stage of real estate purchase.

2.7.1.3 Payable through Accounts

These demand deposit accounts are maintained and managed by foreign banks at different financial institutions. The foreign banks handles and channels these deposits and cheques of customers in individuals or business located customer outside the country in an account which is held by foreign banks in the local bank. Foreign customers have participant authority as sub holders and can manage normal international banking activities. The payables in accounts have a challenge to identify the customer policies and their suspicious activities guidelines. It is evident that the banks offering such accounts are unable to verify and approve any information on various customers using these accounts, which have significant threats of money laundering.

2.7.1.4 Loan Back Arrangement

Loan back arrangement was also a technique used for avoiding the tracing of money laundering cases, usually in combination with cash smuggling. Through this method or technique, launderers transfer illegitimate proceeds to other country, and then redeposit the proceeds as a guarantee or security for bank loan, which is sent bank to the original country. Through this method, launderer gives the appearance of illicit money as a genuine loan, but also gets tax advantages of this amount.

2.7.1.5 Telegraphic Transfers

Telegraphic transfers are still a main tool for all stages of money laundering because of the quick transaction, hence making it tough for law enforcement agencies to track quickly. Other common laundering techniques are bank drafts, cashier’s cheques and money orders. Often a telegraphic transfer quickly followed the cash deposit to another jurisdiction, thus lowering the risk of seizure.

2.7.2 Non-Bank Financial Institutions

Banks/financial institution offers wide range of financial services and also hold a large financial market share. Their offered services are widely used to manage money laundering. However, non-businesses and non-financial sectors are becoming popular because of introducing ill gains in the regular financial channels. This is because laundering regulations are increasing and effective in the banking sector.

2.7.2.1 Money Exchanger/Exchanger offices

The money exchanger, exchanger offices an ever more significant money laundering threat, a major increase in the suspected and actual money laundering transactions involves these institutions. A wide range of currencies are offered, along with small consolidating denomination bank notes to larger ones, replacing techniques liketraveler’s cheques, money orders, Euro cheques, personal cheques, etc. The criminal element continues to be attracted to launderer, because these are not heavily managed and regulated as other traditional financial institutions. In fact, in some cases, they are not regulated at all.

2.7.2.2 Remittance Services

This has also proven as a widely used way of money laundering. This is because that they are subjected to less regulatory requirements than of institutions and banks, which provide a corresponding service. Another reason of their wide acceptance in ethnic groups is less commission rate than of banks for international money transfer. It has a pretty long history of usage among countries. They are operated in different ways, but the most accepted or common way is business receives cash. In this method, one banking system transfer accounts to another but associated foreign jurisdiction where the money is provided to the final and ultimate recipient.

Another method widely accepted and in use is by remitters and currency exchangers; it was for launderers to make funds accessible to criminal institutions at the destination country in their local currency. These way launderers sell these dollars to foreign executives and hence making purchases of legitimate goods and exports. This operation of respondents is similar to certain features of underground services of remittances

2.7.2.3 Hundi

A considerable use of hundi the so called underground banking. This system of laundering is mostly associated with ethnic groups of Asia, and usuallyinvolves transfer of valuables goods and services among countries. It is outside the legal banking system the launderers has their connections with the other doing same business in other countries. It can be a setup for a financial institution like a remittance company or an ordinary shop of goods selling. It has management and arrangement with respondent’s business in the foreign country. Both the two businesses have people commission fees, brokers will match the amounts that the customers want and they will balance their accounts by transfer of account for a particular period of time; for instance one month. The details of the transactions, received funds and customers are usually minimal. They are faxed by the brokers and customers get their fund at each end of transactions. According to experts this method is hard to evaluate as to what extend it is being used for money laundering because this service is widely used in legal transactions. Also the record keeping is very minimal in this method. So, in a nutshell, it is very hard to identify businesses which are indulged in this service or customers that want funds in the foreign country.

2.7.3 Non Financial Businesses/Professions

Due to increase in anti-laundering laws and regulations, various countries are highly relying on money laundering facilitators.

A high number of cases involving accountants, financial advisors, lawyers, secretarial companies, notaries and others who services used to help-out in disposal of criminal profits. This way the launderer hopes to obtain the advantage of secrecy, through the solicitor client privilege. The making available of commercial banks accounts and the provision of professional advice and services as to how and where to launder criminal money is likely to increase as counter measures become more effective.

Beside the use of shell companies, there was also widespread use of real businesses, either to hide the illegal laundering of money or as part of the predicate offence, and the use of real businesses was more common in relation to fraud and other financial crime than for drug offences. The techniques used in these businesses included false invoicing, commingling of legal and illegal money, and the use of loan back arrangements and layers of transactions through offshore shell companies. Often the laundered money may then be invested in the company's real estate or other businesses, though one country reported that there was a trend away from investing illegal proceeds in real estate, and into less visible investments such as financial businesses. Other techniques of money laundering remain quite prominent in the non-banking sector. Considerable illegal proceeds are still invested in the real estate. Other cited techniques are buying and cross border delivery of valuable metals like silver and gold; and the use of monetary methods like of warrants in metal market to transfer valuable between nations."

2.8 Weaknesses of the commercial banks that help to money laundering

There are lots of weaknesses in the banking system that aid for money laundering, these are as follow:

2.8.1 Misconception about banker's liability under trade transactions

Besides remittances, the route through commercial banks which large amount of money laundering takes place is trade, both domestic and international. For decades, bankers have felt safe under the illusion that they deal only in documents underlying trade transactions and, as such, are not liable for the goods that are actually traded there under, so long as the goods declared in documents submitted to them are not contraband. The underlying assumption, quite rightly, is that verifying the goods being shipped are the same as declared in the shipping documents, is the responsibility of the customs authorities. This logic holds as far an individual transaction is concerned. However, bankers are expected to merely handle the trade transactions of their customers. More importantly, they are expected to know whether their customers have legitimate means to engage in the trade them clime to be engaging in, and whether based on the scale of their business operations, they can sell or by the volume of goods, they are selling or buying.

2.8.2 Emerging economic and insufficient legal check and balance

During the past decade, the world at large has recognized the true measure of the menace that money laundering has spread for and wide, forcing most government to Initiate a process of containing the activity. However, emerging, and therefore poorly markets remain vulnerable to being targeted by money launderers. This is largely due to strict action being taken by developed countries to check this activity forcing money launderers to shift their activities to emerging markets.

Money laundering is a problem not only for the world's major financial markets and off shore financial centers. Any country integrated into the international banks system is at risk since trading activities between nations, and the banking transactions relating to them, have integrated all financial markets. As emerging markets open their economies, they become increasingly lucrative targets for money laundering.

2.8.3 Weak regulatory arrangements for banks, moneychangers, and other

Weak regulatory arrangement for the regulatory body provides the incentive to the commercial banks and the moneychanger to get benefit through the criminals' activities and expand their businesses. It is important that government bring together law enforcement agencies and regulatory body to monitor the commercial banks and private sector, restrict to play their role effectively in dealing with money laundering. Regulatory body enforce the commercial banks and the private sector the demand minimum requirements for the customer identification, transaction reporting and mandatory requirements for transaction recording keeping the national system must be much flexible, provide for responding to new money laundering compliance and detection technique in commercial banks.

The system should flexible in quickly adjusting, modifying, refusing counter measure to plug the Loopholes that may develop in the monitoring system over time as money launderers change their money laundering technology to defeat the counter measure.

2.8.4 Loopholes in commercial banks policies, procedures, and system

There are different loopholes existing in the commercial banks police, procedures, it is possible for money launder to move their illegal funds anywhere in the world. These loopholes exist in opening of accounts for instance,

(i) When commercial banks open an account for the customer, they do not get proper introduction to their customer through credible and verifier able sources.

(ii) Commercial Banks accept enough documents or unverifiable identification paper to the customer.

(iii) Commercial Banks not able to establish a proper system to check the suspicious transaction immediately by their customer.

(iv) Commercial Bank not gives the importance to monitoring the transactions of their customer accounts.

(v) Commercial Banks absence of predict review of the customer account activity to check its compatibility with the profits or the customer business.

(vi) Commercial Banks not follow the compliance that helps us the commercial banks for deduction and prevention of money laundering.

2.9 Effects of money Laundering

Money laundering has significant effects in attainment of a country's national goals since money laundering activities pose the following problems, among others:-

(i) **Erodes the integrity of the financial system and harms a country's reputation.**

Money laundering results in increased movement of funds and currency in circulation, which results in increased prudential risks to banks' soundness, contamination effects of legal financial transactions and increased volatility in international capital flows and exchange rates due to cross border assets. Funds from criminal activity can be easily laundered through a particular institution either because its employees or directors have been bribed or because the institution turns a blind eye to the criminal nature of such funds. The institution can be drawn into active complicity with criminals and become part of the criminal network itself. Furthermore, Money laundering results in increased movement of funds and currency in circulation, which results in increased prudential risks to banks' soundness, contamination effects of legal financial transactions and increased volatility in international capital flows and exchange rates due to cross border assets transfers. Hence these all can lead to reputational risk, legal risk and operational risk.

(ii) **Threaten Economic, Political and Social Stability.**

Through Money laundering, organized crime can infiltrate institutions, seize control of large sectors of the economy through significant investment or through bribes to public officials and this, in turn, may lead to control of the Government by criminals. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards and ultimately the democratic institutions of the society. Money laundering can create economic instability and distort Government's ability to make appropriate economic and fiscal decisions. Failure to prevent money laundering allows criminal organizations to accumulate considerable economic and financial power, which can ultimately undermine national peace, security and stability.

(iii) **Financial sector fraud:**

ML may be associated with broader problems of financial sector fraud. The potentially adverse effects on financial stability that may arise from large scale "Ponzi schemes" in the financial sector have been well-publicized. Financial fraud may undermine a country's financial system in many different ways—through large-scale bank insolvencies that ensue when banks' balance sheets are not properly valued, by large outflows of capital from the banking system as the scale of the fraud becomes known, or by the loss of access of a financial sector to international financial markets arising from the deterioration in the jurisdiction's reputation.

(iv) **Compromised financial sector supervision: ML and TF may be the symptoms of deeper problems**

Concerning the integrity of a country's framework for financial sector supervision. Where important financial institutions within a country are owned or controlled by criminal elements, the authorities may encounter difficulties in supervising these institutions or in identifying and addressing problems before domestic financial stability is undermined.

(v) **Corruption**

Corruption generates a significant amount of proceeds which need to be laundered. Bribery, corruption, and associated governance issues can have direct and indirect impacts on financial stability. The proceeds of corruption are a key component of illicit financial flows that can create reputational risk for recipient financial institutions, wherever they are located, pose particular threats for offshore financial centers with smaller financial sectors, and result in potentially destabilizing outflows for the source country.

(vi) **Tax crimes**

ML may be associated with tax fraud that can undermine financial or macroeconomic activity in important ways. Significant levels of tax crimes may affect the government's revenue stream to a point where its fiscal balance is severely undermined. ML reduce tax revenue as money launderers operate underground

(vii) Affects attainment of national goals

(viii) Ruins competitiveness in the economy

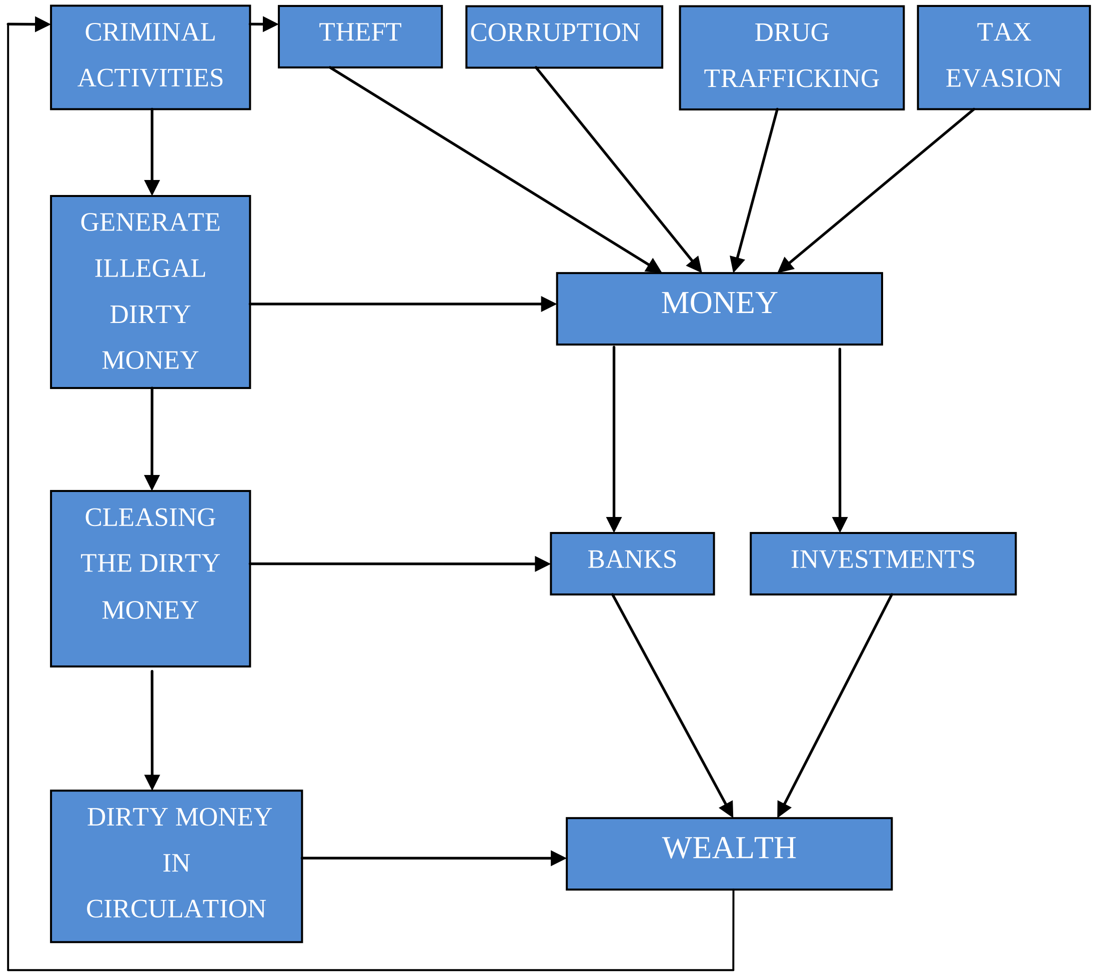
(ix) Give criminal organizations considerable leverage over economies.

(x) It may create inflation as due to increase of money in circulation because of illegal activities.

2.10 Conceptual Framework

The whole process or activity of money laundering starts when criminal activities such as theft, corruption, drug trafficking, tax evasion, arm trafficking, robbery and fraud, piracy and hijacking, poaching, illegal fishing, illegal mining, smuggling, counterfeiting , white collar crimes which includes insider trading and securities offences etc are committed, all these processes generate dirty or illegal money and as far as Tanzania is cash based economic country the money generated will be cleaned by either being invested into a business or saved into the bank, once invested or saved into the bank the dirty money is already into a financial circulation (See Figure 2.1 below)

Figure 2.1: Money Laundering Conceptual Frame Work



Through use of electronic banking the depositor are able to deposits, withdraw, and transfer remittance throughout the world without visited to the bank within small period. Through these owning a bank, is a classic means to launder huge sums of money. Commercial Banks can be readily purchased for very little money though few of them have electronic banking access to SWIFT. Besides banks, SWIFT provides services to

(i) Securities brokers and dealers.

(ii) Clearing institutions and recognized securities exchanges.

Cyber payments is just one of many used to describe systems which facilitate the transfer of funds (i.e digital currency, e-money). In fact, these developments may alter the means by which all types of financial transactions are conducted and financial payment systems are operated. Such transactions may occur via the Internet or using smart cards, which unlike debit or credit cards actually contain a microchip, which stores value on the card. Some Cyber payments systems use both.

The common element is that these systems are designed to provide the transacting of funds, immediately without any trouble, secure and potentially with unknown authorization. This system will, once implemented, have the potential to facilitate the international movement of illicit funds. The speed, which makes the systems efficient and the anonymity that makes them secure are positive characteristics from the money launderer's perspective

There are several systems of e-money. There are stored value cards such as Mondex which is a rechargeable card and is both an access device and a self contained store of value. Further to this is Internet based payment systems that use the Internet's telecommunications capability to facilitate financial transactions with other users. The personal computer which serves as the user's interface with the Internet payment system can also store value and is therefore, also an access device and self contained store of value. "Internet as being one of the greatest opportunities for laundering because of the total lack of traceable transactions, the use of encryption software will further make transactions totally secure. With the Internet, being connected to anywhere in the world is no problem and this will allow cross border movements of capital to take place. It remains to be seen whether money-laundering managers take advantage of these new technologies to circumvent any legislation on other traditional laundering techniques (Smurfing, wire transfers, bank drafts for example). It is however, a worry to the authorities."

With Mondex the way it works is that each card have a pre set limit. The limits on the cards be set by issuing banks. Commercial Banks will be franchised on a trickle down basis with the big banks sublicensing little banks. With banks so easy to buy, few cards with unlimited spending power. It transfers money from one card to another by telephone. It leaves a note on the card that a private transfer has been made, but no record of who private is. Momdex can also make card-to-card transactions. This system is a tailor made for money laundering unless some safeguards are put in place.

2.11 Research Gap

There have been a number of valuable studies on money laundering (Lupogo H 2001; Peter C.M,June 2001; Mniwasa E.E October 2004; Moshi H.P.B October 2007;) all of which present evidence on the existence of money laundering, its effects and measures taken by both the government, BOT, banks and other shareholders in fighting money laundering. However, none of these studies examines the major factors to the prevalence of money laundering specifically in commercial banks operating in the United Republic of Tanzania.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study was conducted to examine the major factors for prevalence of money laundering in the Commercial Banks in Tanzania. Consequently, the research was designed to achieve its objectives as stated earlier

3.2 Research Design and strategy

3.2.1 Research Design

To successfully carry out the research, a descriptive research design was used. A descriptive research design is a type of research design that portrays an accurate profile of persons, events or situations. This method is convenient and quick when comes to economy. Descriptive method is beneficial because of its flexibility; this method can use either qualitative or quantitative data, or both, which gave the researcher more opportunities in the choice of instrument for data collection. (Adam, J & Kamuzora, F , 2008)

3.2.2 Research Strategy

Research strategy usually refers to the way by which business research are conducted There are generally two major approaches to research, qualitative and the quantitative approach. A quantitative method of data collection focuses on the quantitative relationships between variables. The quantitative approach is a more detailed description of the phenomenon. In contrast to quantitative methods, qualitative approach creates verbal information instead of numerical. Due to the sensitive nature of the study both quantitative and qualitative approach were used. (Adam, J & Kamuzora, F , 2008)

3.3 Population

The targeted population for this study included all 45 commercial Banks operating in the united Republic of Tanzania. Since it was not possible to reach all the commercial banks with time being a limit factor only Dar es Salaam based operating commercial banks were taken as an accessible population. (Adam, J & Kamuzora, F , 2008)

3.4 Sampling and Sampling Technique

According to TCCIA latest Tanzania banking survey of 2012 the classification of largest, medium and smallest banks basing on their market share provided a major reason for the researcher to use a simple random sampling method in selecting 10 out of 45 commercial banks operating in the United Republic of Tanzania as all commercial banks have an equal chance of being selected without biasness and because most commercial banks’ headquarters are located in Dar es salaam therefore all the information were to be provided from the Headquarters . The sample included CRDB Bank, Exim Bank, I and M Bank, AZANIA Bank LTD, ACB Bank, DCB Commercial Bank, KCB Commercial Bank, United Bank For Africa, Acess Bank, MKOMBOZI commercial Bank.

3.5 Data Collection.

Both secondary and primary methods were used to collect data. The primary data was collected by self interviewing thus gave more reliable and up to date data. Also various sources were used to obtain secondary data which involved magazine, Books, Journals, internet sources and different articles. Both Published and unpublished reports formed a basis for secondary data. (Kothari C.R, 2004)

3.6 Data Collection Instrument

Semi-structured in-depth interview questions were employed as the main instrument for collecting primary data for this study, the interview was conducted to 10 commercial banks which were selected. (Adam, J & Kamuzora, F , 2008)

3.7 Interview

This study applied Semi-structured in-depth interview as the major tool for data collection, whereby different commercial banks were given an opportunity to contribute their views and their opinions about money laundering. The interview guides were prepared with the set of questions which were equivalent to the problem under study. The researcher believed that this was a useful method for data collection because it assisted the respondents to be more elaborative hence better findings.

This method was used to interview different banks' representatives who were chosen on behalf of their Banks.

3.8 Summary

The chapter summarized how the study was carried out. It discussed the research methodology which was carried out and how data was collected and analyzed

CHAPTER FOUR

PRESENTATION OF FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

(Kothari C.R, 2004) defines data analysis as the careful examination of facts or information. This chapter deals with the analysis and the interpretation of the data collected. The analysis was based on sample of 10 commercial banks including CRDB Bank, Exim Bank, I and M Bank, AZANIA Bank LTD, ACB Bank, DCB Commercial Bank, KCB Commercial Bank, United Bank For Africa, Acess Bank and MKOMBOZI commercial Bank. Each bank provided a single respondent who was either from Risk or customer care department to answer the interview questions and helped the researcher understanding money laundering system in Tanzania's commercial banks.

Thereafter data were organized and presented using figures and then interpreted. This was for the aim of coming up with a concrete report of the findings. In the process of data collection interview questions were asked.

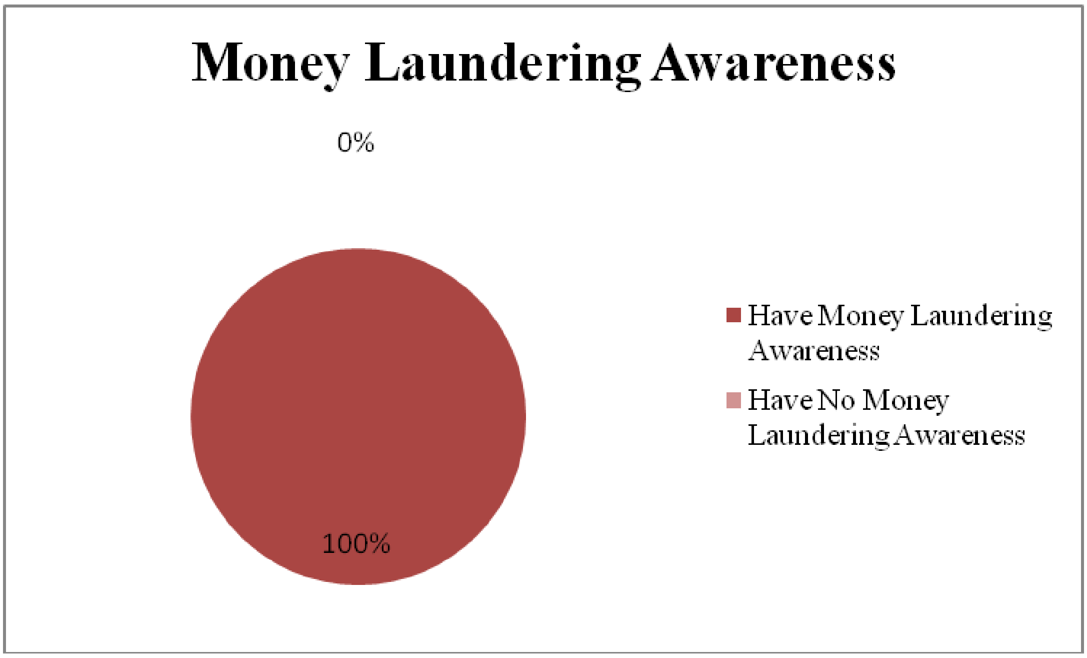
Both quantitative and qualitative data analysis techniques were used to analyze the data collected. A user-friendly Microsoft's Excel program was used to enter and analyze the data collected. The analyzed data were presented in graphical forms for easy interpretation and understanding.

4.2 Analysis of Research Questions and Discussion of the Results

4.2.1 Awareness of money laundering

The main concept behind the study was to find out the degree of the knowledge and awareness of the commercial banks on money laundering and the precautions which they have been taking per BOT policy and guidelines. This question was asked to 10 commercial banks as mentioned earlier.

Figure 4.1: Money Laundering Knowledge.

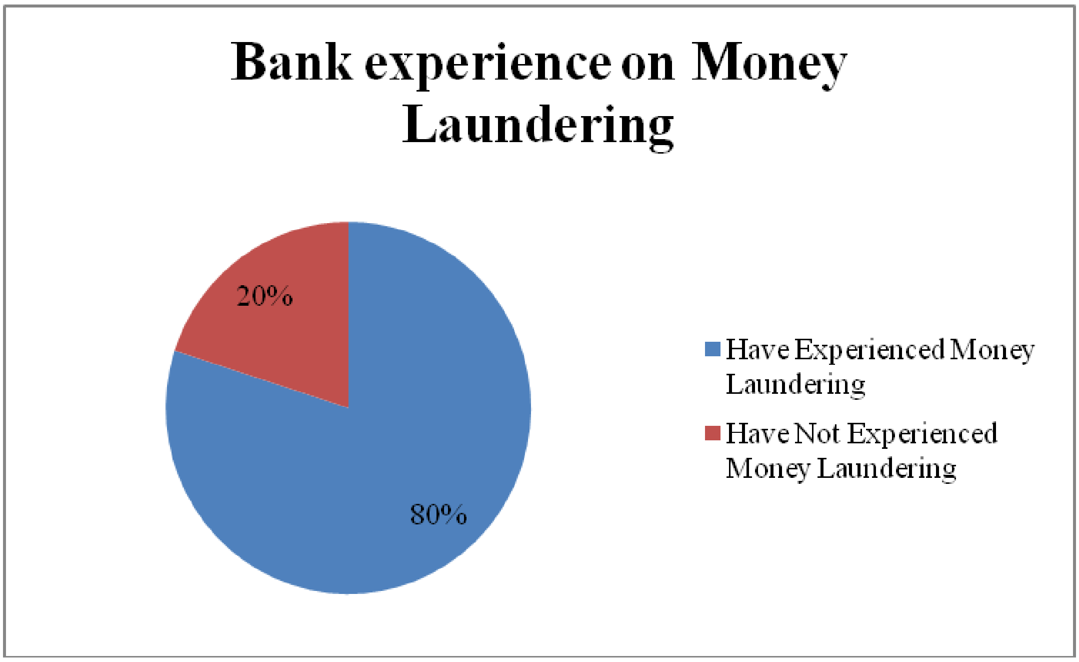


For that case the study shows that most of commercial banks have knowledge and are aware about money laundering as all 100% respondents are having knowledge and are aware of money laundering. Commercial banks conduct money laundering awareness trainings programs periodically. They also complying and cooperating with BOT and other international anti money laundering policies. All staff of commercial banks needs to have knowledge of money laundering as required by BOT. The money laundering and procedural manuals are used by commercial banks for daily operations. This ensures they take precautions by complying with BOT guidelines and procedural manuals.

4.2.2 Experience of money laundering to commercial banks

In this study the researcher was examining if 10 commercial banks used as a sample had already faced any money laundering activities. Also due to many commercial banks having branches in different locations the study wanted to know when they experienced money laundering.

Figure 4.2: Bank's Experience on Money Laundering



In this study CRDB Bank, Exim Bank, AZANIA Bank LTD, I and M Bank, ACB Bank, DCB Commercial Bank, KCB Commercial Bank and United Bank for Africa admitted they had experienced money laundering while MKOMBOZI commercial Bank and Acess Bank had not experienced money laundering.

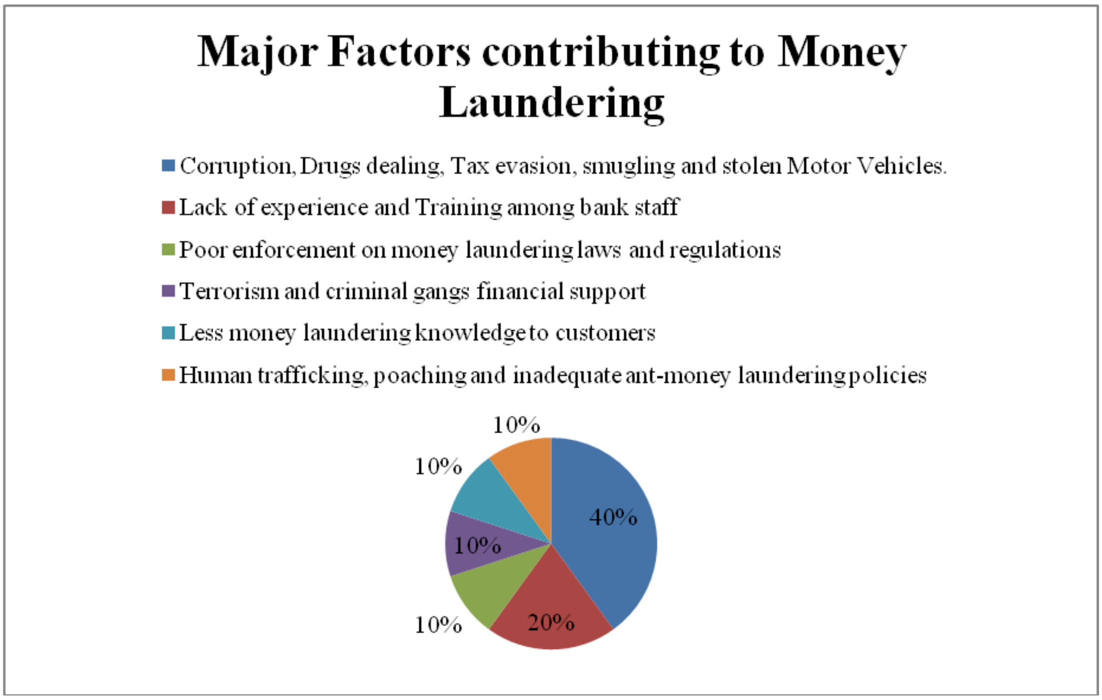
For this case it is clearly shown that 80% of the commercial banks had experienced money laundering activities between year 2003 and 2013 due to the fact that money laundering is a process which is accomplished through either physical disposal of cash, smurfing, and movement of funds from institution to institution. Hence it is easy for commercial banks to experience money laundering as there are poor detection mechanisms for laundering activities.

Corporate customers are not bound to deposit a specific amount, there is no limit pertaining to their deposit how much they want they can deposit and withdraw because many commercial banks strives to have enough deposits for lending activities. Hence commercial banks accept deposits without knowing the sources and rely on the information given the customer such that they rarely verify such information. Also exporters and importers need to transfer large amount to abroad, commercial banks facilitates the cross border transactions. They normally fail to verify whether the goods being shipped are the same as declared under shipping documents. Under these transactions the banks fail to determine the illegal source of money and goods transferred by their clients. It is important for government bring together the law enforcement agencies and regulatory bodies to monitor commercial banks.

4.2.3 Major Factors contributing to money laundering prevalence in commercial banks

The basic assumption was to identify factors contributing to money laundering prevalence in commercial banks.

Figure 4.3: Factors Contributing to Money Laundering



The analysis shows that 40% of the respondents identified Corruption, Drugs dealing, Tax evasion, smuggling and stolen Motor Vehicles as a major factor for money laundering.

20% of the total respondents mentioned Lack of experience and Training among bank staffs that are dealing with detection and control of money laundering as the other factor for the money laundering.

10% of the total respondents mentioned Poor enforcement on money laundering laws and regulations. They have urged that the government through BOT is very slow in enforcing policies and reviewing them periodically and cannot provide statistical data and other indications that money laundering is real a growing problem.

Terrorism and criminal gangs' financial support contributed to 10% of the total respondents as another factor for money laundering, 10% of the respondents said less money laundering knowledge to customers was among the major factors contributing to money laundering and 10% of the respondents mentioned Human trafficking, poaching and inadequate ant-money laundering policies .

(Mniwasa E.E, 2012) the study evidenced that the incidence of crimes such as corruption, embezzlement, misappropriation and theft of public funds, fraud trade in illicit drugs generates huge profit that are then laundered in the financial system and most recently terrorism has been increased also from 1980's the incidence of organized crimes has increased creating substantial profit that are subsequent laundered. Some of high ranked public officials of the government have been involved in illicit drug business which goes with high levels of corruption. The funds from drugs are invested in hotels, transport and manufacturing businesses then millions of dollars are transferred overseas through commercial banks.

(Ally A, 2011) the study was on M-Banking technology. That can be a platform for money laundering and terrorism related activities in Tanzania. There are clear loopholes for evasion of Tax due to absence of registration that can determine and control Tax for online transactions. The anonymous nature of payment made using software based systems makes the tax collection impossible for national authorities.

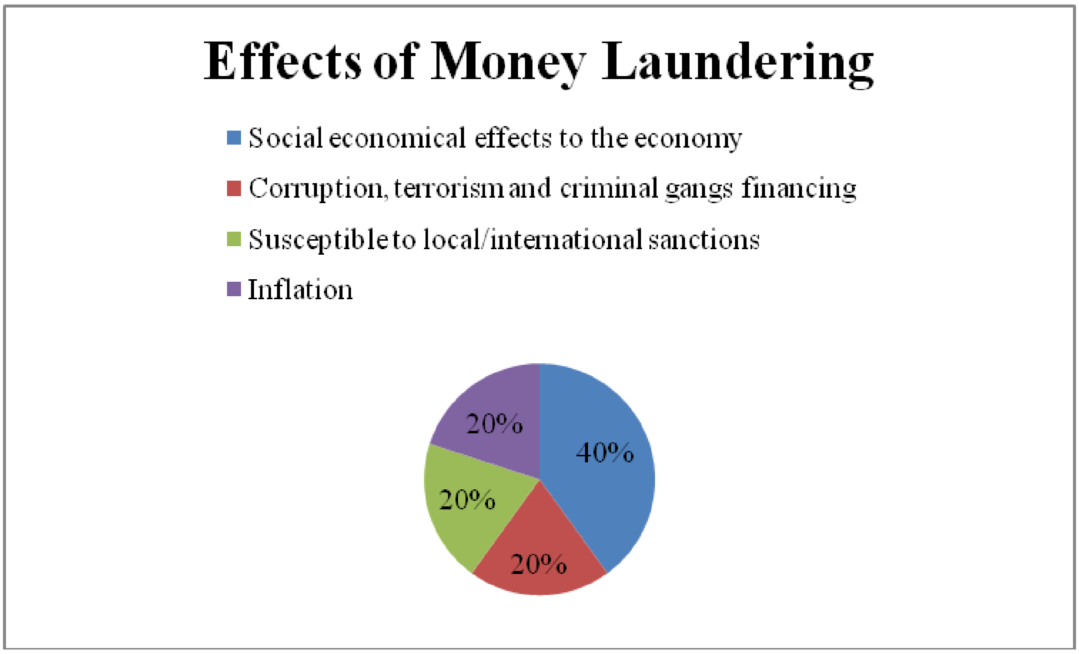
All the above mentioned factors contribute much to prevalence of money laundering in commercial banks. There must be good compliance, monitoring of the daily transactions, updating information and maintain proper records of customer's identification so as to reduce risk to the bank. All staff should observe the money laundering policies and procedural manuals.

There should be senior management oversight, well organizational structure and staffing as well as independent monitoring with audit and risk review and other control functions to control money laundering risk in banks.

Bank need to identify all customers that are doing business with the bank, worthy customer's, high risk customers, non resident's and resident customers all of them may create risk to the bank. Both KYC and Ant Money laundering may be used to access customers.

4.2.4 Effects of money laundering and how commercial banks has been affected

Figure 4.4: Effects of Money Laundering



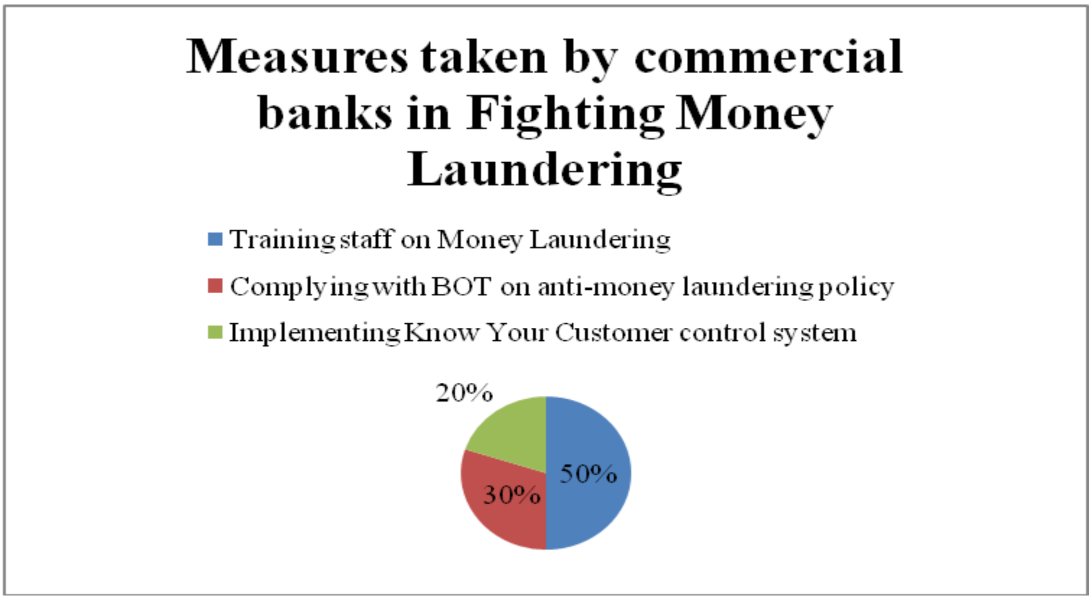
This study has shown that 40% of the respondents said money laundering causes social economical effects to the economy of our country while 20% of the respondents said money laundering leads to corruption, terrorism and criminal gangs financing as more money will be readily available in the financial system when already cleaned even though it originated from illegal source.

The other 20% said that money laundering led the bank, the government board (BOT) and the United Republic of Tanzania being susceptible to local/international sanctions while 10% of the total respondents said money laundering can be a major inflation source to the economy of our nation.

Also money laundering can lead to uncertainty for the bank's future financial planning, reduced bank earnings, capital and reputation, Penalties and sanctions to the bank. The effects of money laundering may also cause unbalanced growth of deposit, increase liquidity as the deposited amount increase in commercial banks. The banks face all types of risks such as reputational risks, bank loss public trust and hence lose deposit automatically bank performance decreases.

4.2.5 Measures Taken to Mitigate the Effects of Money Laundering

Figure 4.5 Measures Taken to Mitigate the Effects of Money Laundering



From figure 4.5 above is clear that most of commercial banks operating in Tanzania comply and cooperate with BOT and other international anti money laundering policies as a major measure taken to mitigate the effects of money laundering in their bank's daily operations as each and every bank must adhere to the rules and regulation which are centrally undertaken by the Bank of Tanzania.

50% of the all respondents mentioned money laundering awareness training programs as their tool in mitigating the money laundering, 30% of the respondents mentioned compliance to BOT anti-money laundering policy as a measure towards combating money laundering while 20% of all respondents said to have been using the know your customer control (KYC) in identifying and reporting each and every suspicious activities.

Commercial banks should update their mode of operation through several training and morning sessions to staff for all 6 days of operation so that all staff are aware of what was happening. After reading all operational and money laundering manuals each staff has to sign that he/she has understood and will comply.

On 2011 the government through BOT imposed the process of validating customers' accounts. Where by all customers were supposed to update their information to the bank because customers information do change. And there is deadline for completion of the program.

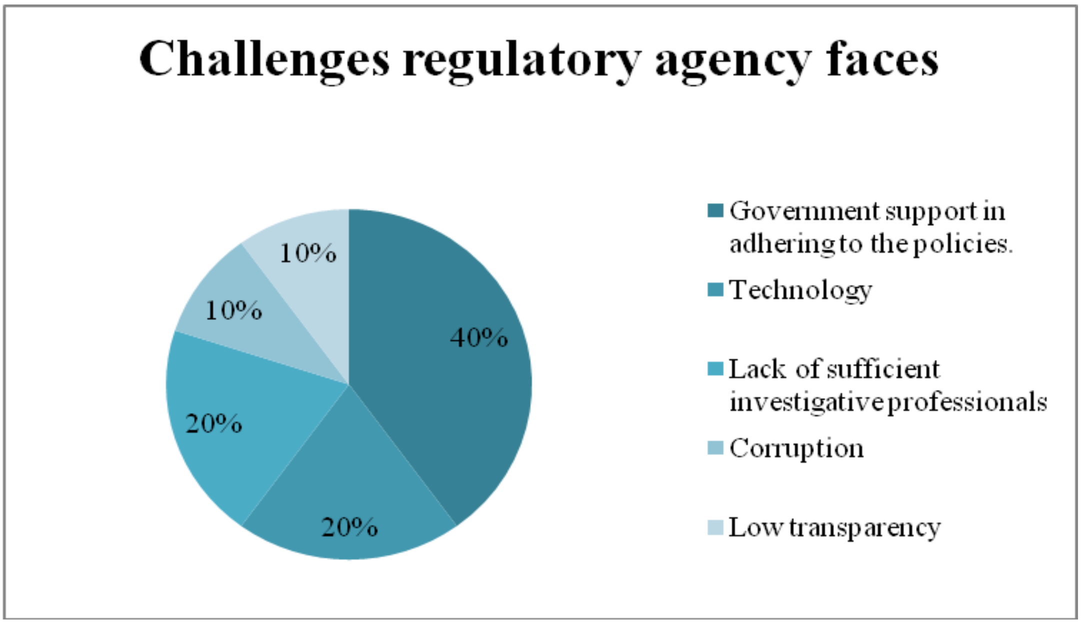
Example a person may open student account but after a time he/she will finish the school and may be employed or self employed. Also there are young saver accounts where by the parent or guardian open an account on behalf of a minor (below 18 years) after reaching 18 that child can operate the account.

But clients are very slow in updating that information which makes the process to take long time to complete. The banks should take several measures that may initiate customers to comply with BOT regulations.

All commercial banks should ensure having special departments that risks are identified, measured, and controlled and being closely monitored as well as detecting suspicious of transactions daily in order that they can be reported soon before causing loss. Bank staff should play their role effectively to support commercial banks in money laundering activities.

4.2.6 Challenges Which Regulatory Agency Faces in Fighting Money Laundering

Figure 4.6: Challenges Regulatory Agency Faces

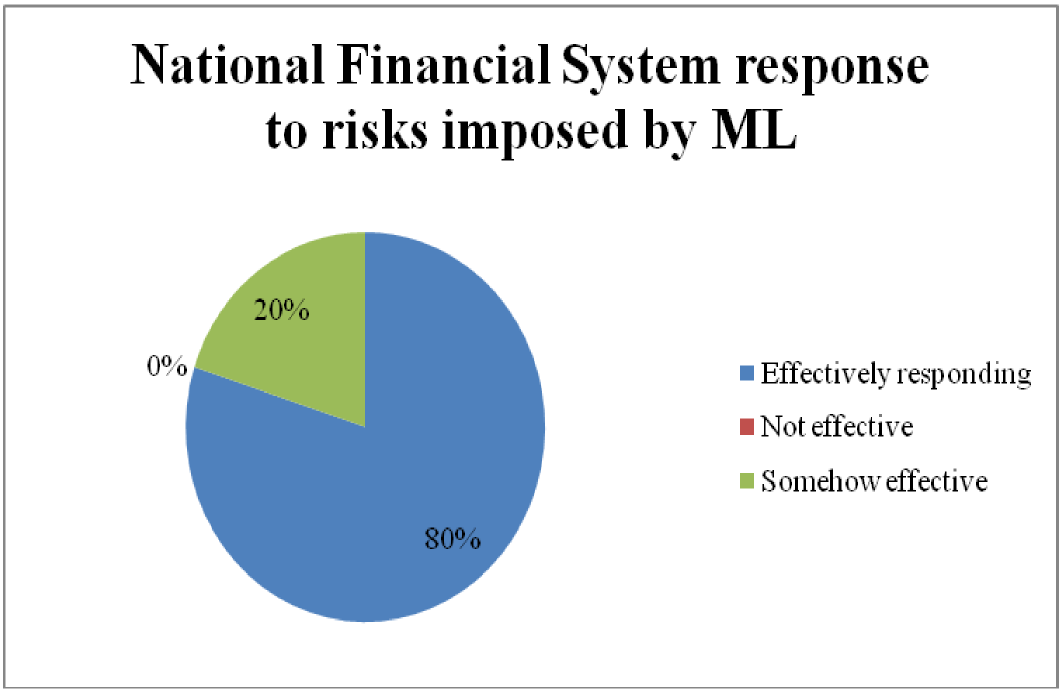


This study has shown that 40% of all the respondents said one of the main challenges the regulatory agency faces is less government support in adhering to the money laundering policies, 20% mentioned the development of information technology as a greatest challenge as each and every day new softwares, hardwares and innovations are announced, lack of sufficient investigative professionals contributed 20% while corruption and low transparency had 10% of all respondents.

Due to lack of adequate skills it has been difficult to identify non genuine investors to genuine ones. The government should ensure there is introduction of investigation and legislation in the fight against money laundering. Also there should be specific legal frameworks to deal with money laundering as a separate offence as absence of legal provisions that criminalizes money laundering creates loop-holes in legal systems which assists organized criminal gangs to thrive and flourish.

4.2.7 Response of Financial System to the Risks Imposed by Money Laundering

Figure 4.7: National Financial System Response to Risk Imposed by Money Laundering.



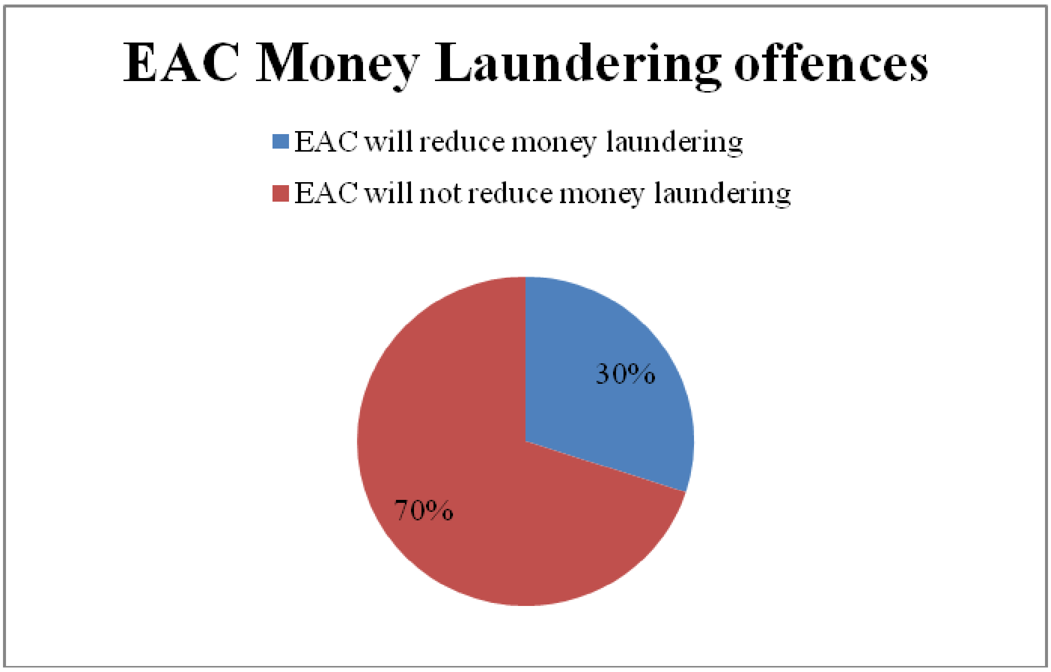
This study has shown that 80% of all respondents said our national financial system responds effectively to risks imposed by money laundering and has been successful over the years reasons being the raising awareness of money laundering, establishment of the Financial Intelligence Unit, Money laundering activities are being identified and investigated each and every day and 20% said somehow the national financial system was responding to the risks imposed by the money laundering due to lack of enough proof, less customer knowledge of money laundering and the existence of money laundering apart from the effort made by the financial institutions, individuals and the government at large.

Although in recent years government has strengthened its response to money laundering activities Tanzania has a serious deficiency in its legislation and AML/CFT regime. Additionally key issues include weaknesses in supervision of financial sector and lack of competent authorities responsible for ensuring compliance by financial institutions. Currently there are five AML prosecutions but no convictions and law enforcement authorities charged with investigating financial crimes is critical.

Also the national financial system lack enforceable requirements to ensure customer due diligence and they normally focus in formal banking sector rather than full coverage of designated non-financial businesses and professionals.
The compulsion of establishment of national Identity cards will ensure enough database storage of information.

4.2.8 The role of East African Community in reducing Money Laundering offences

Figure 4.8: EAC Contribution to the Reduction of Money Laundering



From the analysis above 70% of all respondents have shown their negativity towards the East African Community in reducing money laundering once its operations effectively commence and only 30% of all respondents said the EAC will reduce

Money laundering because each and every country member has its own policies and procedures of combating money laundering hence it may not be easy to control money laundering activities if there are many countries involved and each country have its own policies and procedures

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This last chapter provides details related to the summary and conclusion of the study as well as the recommendations basing on the researchers point of view.

5.2 Summary of Findings

(i) Commercial banks of Tanzania have knowledge and are aware of prevalence of money laundering in Tanzanian economy. Most commercial banks have taken several measure to mitigate the effects imposed by money laundering such as conducting money laundering awareness training programs, Complying and cooperating with BOT and other international anti money laundering policies, and strengthening know your customer controls (KYC). Furthermore efforts made by the government have helped commercial banks fight money laundering by Creating awareness, and reducing the risk of operations and the banks play their role by training staffs on Money laundering, complying with BOT on Anti-Money laundering policy, implementing know your customer control system,

(ii) There is a regulatory agency responsible for money laundering which has greatly helped the fight through the implementation of money laundering Act of 2007 as amended in 2012, but the agency faces so many challenges such as lack of government's support in adhering to the policies, The advancement of information technology, Lack of sufficient investigative professionals, Corruption and Low transparency.

(iii) Most commercial banks face some challenges when dealing with regulatory agency while bureaucracy, transparency, corruption, lack of effective Administration, Inflexibility to adopt changes being mainly the reasons.

(iv) The effectiveness of the regulator agency will be reached if there will be an absence of political and government interference, Sufficient budget, transparency, Learning from other countries, Investment in a highly advancing Technology and training even though the study shows that our national financial system responds effectively to the risks imposed by money laundering.

(v) And our national strategy for anti- money laundering has been successfully over the years and for that reason most commercial banks believe the East African Community will not reduce the money laundering offences when its operations commence effectively.

5.3 Conclusion

The objective of this study was to assess the prevalence of money laundering in commercial banks of Tanzania and it was found that

Through this study, the following are the major conclusions drawn from the findings of the study

The study shows that all commercial banks of united republic of Tanzania have knowledge and are aware of existence of money laundering. And that clearly suggest that banks are internationally and locally involved in money laundering and they are directly and indirectly involved in money laundering due to different styles and methods of money laundering. Money laundering may occur over the counter through foreign exchange, cash transactions and dormant accounts or through stolen motor vehicles, tax evasions and exemptions, smuggling, corruption, trade of illicit drugs and poaching which then invested or deposited in commercial banks.

In Nov 2009 the government organized the training on money laundering where by the participants were to learn on money laundering theory, element, techniques, documenting on money laundering transactions, all these were done to bring awareness and understanding on money laundering to financial institutions. And much ongoing training is conducted through BOT, and each bank provides representatives to participate and disseminate the knowledge to all other staff through morning sessions on banking halls.

However commercial banks have experienced uncertainty for their future financial planning, reduced earnings, capital and reputation due to the effects of money laundering and there have been measures taken by the commercial banks to mitigate the effects of money laundering such as money laundering awareness training programs, compliance and cooperation of commercial banks with BOT and other international anti money laundering policies and the strengthening of know your customer controls (KYC) by various commercial banks.

There have been some challenges in fighting money laundering and this study has discovered that there is lack of sufficient government support in adhering to the policies, poor technology in combating money laundering, lack of sufficient investigative professionals, corruption and low transparency.

Also the study found that there are poor detection mechanism and failure to document transactions relating to money laundering by relevant institution which make it difficult to establish extent of the problem in Tanzania. Also BOT sources could not present statistical data of how much money is thought to be laundered in the country and nor could police give an approximate magnitude of the problem.

Also there is lack of experience and training among majority of officials in the institutions that deal with detection and control of money laundering and despite of statistical data and other indications money laundering is still a growing problem.

Although in recent years the government has strengthened its response to money laundering activities Tanzania has a serious deficiency in its legislation and AML/CFT regime. There is weakness in supervision of financial sector and lack of competent authorities for ensuring compliance in commercial banks.

This study also suggests that in order for the regulatory agency to effectively fight money laundering in Tanzania there has to be an absence of political and government interference, sufficient budget, transparency, learning from other countries, invest in technology and training on money laundering.

The study has also found that EAC when officially commence will not reduce money laundering as each country has its own policies and procedures. The government should improve its cross border cash transactions regime.

There are different rules and regulations formulated by regulatory bodies to control the growth of money laundering. If money laundering continues commercial banks may face liquidity risk, reputational risk and compliance risk. The money laundering could not be ended but could be minimized by following rules and regulations strictly introduced by state bank of Tanzania as an umbrella for all commercial banks and other international regulatory bodies.

5.4 Recommendations

Basing on the findings of this study, the researcher recommends the following:

(i) Commercial banks should make reasonable efforts to determine customer's identity and have effective procedures for verifying the confide of new customer. Also they should ensure they put proper systems and procedure in place, developing national anti money laundering database and keeping safely information.

(ii) Commercial banks need to conduct money laundering awareness training programs, comply and co-operate with BOT and other international anti money laundering policies, and strengthening know your customer controls

(KYC) in order to create awareness, and reducing their risk of operation. As well as there should be compliance culture among commercial banks.

(iii) Commercial banks must work closely with law enforcement agencies relating to constrains imposed by rules relating to customer confidentiality and cooperate fully with national law enforcement agencies and where there are reasonable grounds for suspecting money laundering they should take appropriate measures which are consistence with the law.

(iv) Commercial banks need to increase diligence when dealing with suspicious and unusual transactions. They should make sure investigated information is brought to attention of competent authorities, supervisors, auditors and law enforcement authorities.

(v) Commercial banks should have proper mechanisms in detecting and handling suspicious reports. Facilitating detection and monitoring of cash transactions in terms of verification, monitoring and record keeping requirements.

(vi) Good governance is an important tool for successful fight against money laundering and terrorists financing. Regulators and reporting persons need to uphold the Principles of Good Governance by ensuring full compliance.

(vii) The government has to support the regulatory agency for money laundering in implementing the Money laundering Act of 2007 as amended in 2012 by providing it with the advanced information technology systems and equipments, sufficient investigative, competent and committed professionals reduce corruption and bring transparency.

(viii) The regulator agency shouldn't be politically interfered by the government, sufficient budget has to be provided, transparency and the agency has to learn from other countries on how do they perfectly fight money laundering, and investing in a highly advanced Technology has to be considered as a necessary approach in fighting money laundering .

(ix) Tanzania should work hard to increase the level of awareness to the public and understanding of ML in financial, law enforcement and judicial and allocate human, technical and financial resources to implement its AML/CFT regime.

(x) Authorities should ensure prevention of terrorism act comports with international standards and government implements all provisions in the law.

(xi) The government authorities should exchange with overseas anti money laundering agencies related information and data in line with provision of related laws and administrative regulations

(xii) And lastly, our national strategy for anti- money laundering has to be strengthened and we shouldn’t be sure that the East African Community will also reduce the money laundering offences when its operations commence effectively as each of the country member joined the community with their own interests, visions and missions. Fighting money laundering and combating terrorist financing needs concerted efforts since money launderers and terrorists use sophisticated methods which most of the time are spread across countries. In order to be able to deal with them effectively, there is need for regional and international cooperation and partnerships

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APPENDICES

Appendix 1: Interview Questions

NAME OF THE BANK____

NAME OF INTERVIEWEE____________________________________

MOBILE No:____

DESIGNATION____

DATE ____

1. How much is the bank aware of money laundering prevalence and what precautions have it been taking?

2. Has your bank experienced any money laundering?
   (i) When?

3. What do you think are the major factors?

4. What were the effects?

5. What measures did you take to prevent future occurrence as individual and banking industry as a whole?

6. What are the main challenges faced by regulatory agency in combating money laundering ?

7. Do you think our national financial system responds effectively to the risks imposed by money laundering?

8. Do you think the EAC will reduce the money laundering offences when its operation commence effectively?