



**Republic of Botswana**

**STATEMENT**

**BY**

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**AT THE**

**FINANCIAL ACTION TASK FORCE (FATF) PLENARY MEETING**

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## **BACKGROUND**

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 and its objectives are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, financing of terrorism, financing of proliferation of arms of war and NBC weapons and other related threats to the integrity of the international financial system. Botswana is a founding member of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG), a FATF style regional body (FSRB) established in 1999. The objectives of ESAAMLG are, among others, to apply the Financial Action Task Force (FATF) recommendations/standards ; to apply anti-money laundering measures for the prevention and control of the laundering of the proceeds of all serious crime and counter the financing of terrorist activities.

## **MUTUAL EVALUATION OF BOTSWANA**

FATF has developed a series of Recommendations that are recognized as the international standards for combating of money laundering and the financing of terrorism and financing of weapons of mass destruction. The standards form the basis for a coordinated response to these threats and FATF monitors the progress of the members in implementing the standards through a peer review process called a Mutual Evaluation. The Mutual Evaluation Report (MER) analyses a country's level of technical compliance with FATF 40 Recommendations and the country's effective implementation of the Anti-Money Laundering, Counter Financing of Terrorism and Counter Financing of Proliferation laws, and provide recommendations on how the financial system of such a country can be strengthened. The MER further details deficiencies as identified during the mutual evaluation exercise.

The analyses of Botswana's level of compliance with FATF recommendations in the MER of 2017, was in the main that, generally

Botswana' AML/CTF regime is not yet developed, with competent authorities still in the process of understanding their responsibilities and building capacity to deal with ML/TF. In so far as the legal framework is concerned, the reviewers concluded that 'TF legal framework has major deficiencies arising mainly from non-criminalization of individual terrorist, non-criminalization of financing of proliferation, the penalties are not proportionate and do not cover legal persons, and that competent authorities responsible for investigating TF have different levels of understanding of the TF offence and risks'. The assessors also concluded that Botswana does not have a legal framework to implement United Nations Security Council Resolutions (UNSCRs) relating to targeted financial sanctions.

## **GREYLISTING OF BOTSWANA AND THE ACTION PLAN TO EXIT THE GREYLIST**

Countries on the FATF grey list officially referred to as 'Jurisdictions Under Increased Monitoring' are countries with strategic deficiencies that pose a much higher risk of money laundering and terrorism financing. When the FATF places a jurisdiction under increased monitoring, the country has to commit to resolve swiftly the identified strategic deficiencies within agreed timeframes. This list is referred to as the grey list.

Botswana was placed under increased monitoring in 2018. In October 2018, Botswana made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT/P regime. An Action Plan was developed and Botswana has been reporting progress quarterly.

Botswana was given up to October 2020 to have completed its action plan was unable to meet the deadline. On 1st October 2020, the European Union (EU) placed Botswana in the EU List of high risk countries with strategic deficiencies in their national anti-money laundering, counter financing of terrorism and counter financing of

proliferation regulatory systems which pose significant threat to the financial system.

There adverse effects to the grey listing of a country by FATF and blacklisting by the EU include-

- a. financial transactions by banks and other financial institutions between the EU the listed country are subjected to enhanced due diligence;
- b. firms operating in the listed country are not eligible to receive funding from the EU;
- c. reduces investment flows;
- d. negatively affects business confidence in the financial system;
- e. affects efforts to attract foreign direct investment.

## **FATF ONSITE VISIT TO BOTSWANA TO VERIFY PROGRESS OF IMPLEMENTATION OF THE ACTION PLAN**

At its June 2021 plenary, FATF made the determination that Botswana has substantially completed its Action Plan and warrants an on-site assessment to verify that the implementation of Botswana's AML/CFT/CFP reforms has begun and is being sustained. In addition, the necessary political commitment remains in place to sustain implementation in the future. The onsite was from the 18<sup>th</sup> to 20<sup>th</sup> August, 2021.

The findings of the onsite were that Botswana's commitment to advance and to continue the implementation of its anti-money laundering, combating of the financing of terrorism and combating financing of proliferation reforms is clear and robust.

In addition to the high level political commitment by His Excellency the President of the Republic of Botswana, high level political commitment

was further confirmed during the onsite through the engagement and assurances of the Minister of Finance and Economic Development, Minister of Presidential Affairs, Governance and Public Administration, Minister of Defence Justice and Security; Minister of Investment, Trade and Industry; Minister of Nationality, Immigration and Gender Affairs; Minister of International Affairs and Cooperation; Permanent Secretary to the President; the Attorney General and other competent authorities.

## **EXITING OF THE GREYLIST**

At the just ended October 2021 FATF Plenary meeting, the FATF approved the exiting of Botswana from the greylist on the basis that the Action Plan has been fully implemented. FATF encouraged Botswana to

- sustain the strong political will to combat money laundering, counter financing of terrorism and counter financing of proliferation;
- promote coordination and cooperation among all stakeholders; to ensure that all sectors appropriately address the risk identified in the National Risk Assessment;
- continue to update their understanding of the anti-money laundering, counter terrorism financing and counter proliferation financing.

## **WHAT NEXT POST EXIT FROM THE GREYLIST**

The exit from the grey list does not mean Botswana ceases to be monitored. The monitoring of sustained AML/CFT/CFP reforms will no longer be done by the FATF but by the regional body, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Based on the recommendations in the Botswana On-site Assessment Report, my Ministry has developed a Post Grey-listing National Action Plan with Action Items that have timelines within which the Action should be completed and the responsible institution. It is critical that we maintain the momentum in the implementation of our

AML/CFT/CFP framework so that we guard against the risk of being grey listed again after undergoing the next mutual evaluation, which is tentatively set for 2024. Continuous improvement to our AML/CFT/CFP regime is key.

Appreciation goes to

- Various Government Departments
- The private sector
- Civil Society
- The Media
- Batswana at large