AN ASSESSMENT OF ADHERENCE AND EFFECTIVENESS OF THE ANTI MONEY LAUNDERING REGULATIONS AMONG BANKING INSTITUTIONS IN TANZANIA

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A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN FINANCE IN THE OPEN UNIVERSITY OF TANZANIA

2013

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by the Open University of Tanzania the dissertation titled **"Assessment of the Adherence and Effectiveness of Anti Money Laundering Regulations Among Banking Institutions in Tanzania"** for the partial fulfillment of the requirements for the Master degree in Business Administration, finance of the Open University of Tanzania.

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Dr. Mohammed Hafidh Khalfan

(Supervisor)

……………………………...............

Date

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DECLARATION

I, **Abdullahi Halakhe Wario,** 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.

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Signature

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Date

DEDICATION

I would like to dedicate this work to my family for their tireless effort in supporting me during writing of this dissertation.

ABSTRACT

This research study is about an assessment of adherence and effective of the anti money laundering regulations among banking institutions on Tanzania. Both primary and secondary data collection tools were used in the course of conducting this study, for example questionnaires, interviews and documentations. A sample of about 30 employees was chosen for this study by using non-probability sampling technique. Also tables, chart, percentages and numbers were used to analyze the findings of this study. The result of this study have showed that there is need to adhere to anti money regulation in order to curb down money laundering. Several recommendations have been provided in chapter five of this report; they are geared towards adherence and effectiveness of anti money laundering regulations.

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LIST OF ABRREVIATIONS

AML	Anti Money Laundering
AMLO	Anti Money Laundering Officer
AMLRs	Anti Money Laundering Regulations
BFIA	Bank and Financial Institutions Act
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CIP	Continuous Improvement Process, Bank Secrecy Acts,
CRDB	Cooperative Rural Development Bank
ESAAMLG	Eastern and Southern Africa Anti- Money laundering Group
FATF	Financial Action Task Force
FI	Financial Institution
FIs	Financial Institutions
FIU	Financial Intelligence Unit
IT	Information Technology
KYC	Knowing Your Customer
KYE	Know your employee
ML	Money laundering
MoFEAs	Ministry of Finance and Economic Affairs
NBC	National Bank of Commerce
NMB	National Micro finance bank
OUT	Open University of Tanzania
PLC	Public Limited Company
POTA	Prevention of Terrorism Act

UFC	United Finance Company
UN	united Nations

CHAPTER ONE

1.0 INTRODUCTION

1.1. Overview

Money laundering is the process of converting illegal gotten- money from drug trafficking, terrorist or other serious crimes into legal money or having originated from legitimate sources. (Morgan (2003)) Furthermore, Thanasegaran and Shanmugam (2007) defined money laundering as earning huge sums of money from illegal activities. Such illegal activities include corruption, extortion, prostitution, illegal liquor, and gambling.

Money laundering is a global phenomenon with a significant policy concern for governments due to its widespread economic and social consequences for the world economy at large. There is therefore a need for collective responsibility in combating it worldwide since it weakens the financial system (Vaithilingam, 2007 and Masciandaro, 2003).

In a nutshell, Money laundering is used to finance terrorists, sometimes called reverse money laundering, that is the use of ‘clean’ money for ‘dirty’ ends. There are many cases where wealthy people/rich countries use their income to finance terrorist operations. For instance, Pakistan through Taliban and other Arabic countries used to finance Al Qaeda activities against USA and its allies. Also, USA on the other hand, has financed such operations during the cold war period in the fight against USSR operations to establish communism.

Bagenda, 2003 further widens the scope of money laundering to include manipulation and the use of money or property to hide its illegal source or the criminal origin by using it in a legal or illegal activity. Furthermore, he brought into the scope of Money Laundering two dimensions to encompass national or domestic and the transnational activities that amount to money laundering.

Since, money laundering is a global phenomenon with serious economic consequences as mentioned above, there are many measures have been taken to combat it. For example; the creation of the Financial Action Task Force (FATF).The task force aimed at developing and promoting national and international policies to combat money laundering and terrorist financing (Sturman, 2002).

1.2. The Financial Action Task Force (FATF)

The Financial Action Task Force (FATF) is an international organization with the main task to fight against money laundering and terrorism financing. FATF tries to “hunt” money launderers with the use of a “name and shame” policy by publishing a “black list”. Moreover, FATF tries to fight money laundering internationally (FATF, 2005).

FATF set forty recommendations which provide a comprehensive blueprint of the actions needed to fight against money laundering. Also, after September 11, 2001; the Extraordinary Plenary held in Washington, DC in October, 2001 formally broadened FATF’s mission beyond anti–money laundering to include anti–terrorist financing and similar activities (Sturman, 2002).

Money laundering is a domestic and transnational problem that gave rise to organized crime and illegal acts. Until recently, the definition of money laundering was limited to the disguising of dirty money and property obtained from criminal activities. However, with terrorism being financed by laundered money, the definition includes legal or illegal funds laundered for terrorist purposes (Sturman, 2002).

In this context, money laundering is not only the disguise of illegitimate proceeds, but also the use of legitimate funds for illegal purposes. The proceeds of illegal activities are directly injected into the regular economy. Major areas from which proceeds are derived for external money laundering are tax evasion misappropriation of foreign-assistance projects, public debt payment and fraud from the private economy.

For money laundering activities to be carried out, a syndicate is to be established through financial institutions. Financial institutions are at stake when it comes to money laundering. It does affect the functioning systems of the institutions, the employees,

1.2.1. History and Nature of Money Laundering in Tanzania

In Tanzania, money laundering is an offence under the Proceeds of Crime Act, 1991, Section 71 (3) which lists the offences as: [1] Engaging directly or indirectly in a transaction which involve the entering into or removal from the United Republic of Tanzania, of money or other property which is the proceed of crime; and [2]

Receiving, possessing, concealing, disposing off, bringing into or removing from the United Republic of Tanzania, of money or other property which is the proceed of crime, knowingly or otherwise.

Measures to combat money laundering were adopted in 1991. Since then, a lot of measures have been taken to combat money laundering. The Bank of Tanzania (BOT) has issued circulars to banks for anti–money laundering purposes and every financial institution must have an anti-money laundering compliance officer who oversees the implementation of anti–money laundering compliance (BOT, 2001).

The major areas from which money laundering profits are derived in Tanzania include; corruption, misappropriation of public funds, tax evasion, abuse of religious charities, misappropriation of foreign-assistance projects, bureau de change, land speculation, stock theft, car theft, drug trafficking, arms and gem smuggling, public procurement and public tender, and exchange control violations (BOT, 2001).

1.2.2. Suspicious Activities Connected to Money Laundering

Suspicious activities connected to money laundering include; large cash transactions from businesses that do not normally generate cash, unusually large deposits of cash, purchase and or deposits of monetary instruments unusual to customers, unusual fund transfers to overseas countries and opening of accounts by one customer using different names (Genzman, 1997). Other suspicious activities connected to money laundering include; opening of many accounts by a customer, currency exchanges from small to large denominations, deposits of funds with request for their immediate transfer elsewhere, receipt of electronic transfers with purchase of monetary instruments and international transfers (Madinger and Zalopany, 1999).

1.3. Statement of the Problem

Many studies have been conducted both locally and abroad on the issue of money laundering. For instance, Bagenda, 2003 did a study on combating money laundering, Goredema, 2000 conducted a study on effective control of money laundering, Haemala, 2007 did a study on money laundering in international trade, Masciandaro (2003) did a study in economic activities and Morgan (2003) did a study on policy issues in money laundering.

Money Laundering in Tanzania has received attention in the recent years (Bagenda, 2003). There are efforts by the central bank, financial institutional and the government itself to ensure that this problem is curbed. However, less is known on how much has been done and how effective can it means in the war against money laundering.

Therefore, there is a need to conduct more empirical studies on anti-money laundering regulation in Tanzania so as to bridge the knowledge gap that still exists. The research commits to disclose the status in all frameworks that have been put in place to fight AML.

This would enable the government and other stakeholders to examine the achievement and take a relevant action. Without such assessments, it would sound that they have done enough or less without empirical evidence.

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of the study was to assess the adherence and the effectiveness of Anti-Money Laundering regulations by financial institutions in Tanzania, focusing on CRDB and NBC banks as case studies. The researcher decided to use the two banks as case studies because they are relatively large compared to other banks in Tanzania based on branch networks.

1.4.2. Specific objectives of the Study

The study was guided by the following specific objectives;

a) To identify measures taken to fight money laundering

b) To identify challenges faced banks in fighting money laundering

c) To assess the effectiveness of anti money -laundering regulations in Tanzania.

1.5. Research Questions

1.5.1. General Research Question

The main research question in this study was to assess the level of adherence and effectiveness of AML regulations among financial institutions in Tanzania."

1.5.2. Specific Research Questions

The study was also guided by the following specific research questions;

a) What measures have been taken by banks fight money laundering?

b) What are the challenges faced by banks in fighting money laundering?

c) How effective are the anti-money laundering regulations in Tanzania?

1.6. Significance of the Study

It is hopefully that the findings of this study would enable the Bank of Tanzania (BOT) to come up with recommendations to ensure that financial institutions adhere to anti-money laundering regulations. In doing so, it will help to reduce incidences of money laundering in financial institutions.

On the other hand financial institutions will also use these findings to improve the state of adherence to anti-money laundering regulations. Basically the findings of this research study will be made available to the BOT as the in charge of the financial institutions, CRDB and NBC and other financial institutions so as to help them mitigate issues related to money laundering in their operations as well as improving their adherence to ant-money laundering regulations. Findings of the study will also serve as a stepping stone to researchers to conduct further studies on the same or similar topics. Specifically, findings of the study will pave the way for further studies on anti-money laundering regulations.

1.7. Scope of the Study

The scope of this study is limited to assess the adherence and the effectiveness of Anti-Money Laundering regulations by financial institutions in Tanzania. The Institutions covered in the due course of the research were CRDB and NBC banks as case studies.

The researcher narrowed the scope to those two banks because they are relatively large compared to other banks in Tanzania based on branch networks and also budget constraints that impeded contacting all financial institutions in the industry.

In addition, the research specifically look at AML measures in place, challenges and the extent to which the existing AML regulations are effective.

1.8. Organization of the Study

The research proposal and the research report were organized in form of chapters. Chapter one constitutes of the introductory part of the study. It includes issues like; background Information, statement of the problem, objectives of the study, research questions, significance of the study, scope of the study and the limitations.

Chapter two focuses on the literature review component. It constitutes the theoretical and the empirical literature reviews.

Chapter three is the research methodology and modeling. In this chapter the researcher talks of the research approach and methods used. Also, this chapter accommodates any model description that the researcher may design to use in the data analysis stage.

Chapter four is on data and policy analysis. This chapter presents the major research finding, their implications and impacts. It gives a clear picture of the recommendations that may be practical to put forward.

Chapter five includes study recommendations. This flow from the discussion of the findings. This is where the researcher adds value to the study and makes the study useful academically, in the policy environment and the community at large.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1. Introduction

Money laundering was not familiar to people involved in financial institutions many years ago until in recent years financial crimes used to be in the form of insider trading, falsification of financial reports, corporate looting and fraud. A new form of financial crime has emerged, that is money laundering as defined by Thanasegaran and Shanmugam (2007).

According to Adekunle (1999), money laundering is a process which involves flow of money from illegal sources into legitimate channels so that it becomes difficult to trace its original source. The process is conducted secretly and it involves many people whose activities are illegal, and sometimes the flow of money does not follow normal banking procedures. Later, the acquired money is used legally.

According to Osofsky (1993), the term “money laundering” was firstly used in 1973 during the Watergate Scandal and is therefore no original legal definition but a colloquial paraphrase describing the process of transforming illegal into legal assets. A supranational definition of money laundering was created by the United Nations Convention on Drugs and a European Union directive.

Criminals often launder the proceeds of their crimes through banks so that it appears as if the laundered money was legitimately acquired. This is because people deposit money after trading; therefore, it becomes difficult to understand the real source of funds which banks accepts as savings by its customers. A criminal would want to launder money to avoid unwanted questions about unexplained wealth (Okogbule, 2007).

By performing money laundering the criminals benefit in the following ways; avoidance of prosecution, increased profits, avoidance of seizure of accumulated wealth. The transaction rids the criminal money making it more difficult to link it to the crime. Possession of the item and subsequent sale also provides the necessary explanation for the clean cash at later stage (CRDB Anti Money Laundering Manual).

According to Samah (2007), money can be obtained from legitimate (halal) or illegitimate (haram) sources. Money obtained from legitimate sources such as salary, income from a legitimate business, and so on, is clean. But money obtained from illegitimate sources is dirty and that is what money launderers wish to clean to make it as if it comes from legitimate sources.

The literature sources used have many definitions and descriptions of money laundering. In regard to the proposed study, the researcher defines money laundering as the secret technique which involves a process of rechanneling illegal money obtained through either by illegal channel and illegal sources or by illegal channel but from a legal source into legitimate channels so as to conceal its illicit. This is because money can be obtained through legal sources but directed into illegal channels. For example through corruption one direct money from legal source such as tax into illegal channels.

2.2. Conceptual Definitions

2.2.1. Money Laundering

Money laundering is the disguising the illegal sources of money so that it looks like it came from legal sources (FATF, 2007). The methods by which money may be laundered are varied and can range in sophistication. Many regulatory and governmental authorities quote estimates each year for the amount of money laundered, either worldwide or within their national economy.

2.2.2. Anti Money Laundering

Anti-money laundering (AML) is a term mainly used in the financial and legal industries to describe the legal controls that require financial institutions and other regulated entities to prevent, detect and report money laundering activities (http://en.wikipedia.org/wiki/Anti-money_laundering#Enforcement/retrieved,10th March 2013) .

Anti-money laundering guidelines came into prominence globally as a result of the formation of the Financial Action Task Force (FATF) and the promulgation of an international framework of anti-money laundering standards.

2.2.3. Money Laundering Techniques

There are many techniques of money laundering. They include;

Placement

Placement involves inserting dirty money into financial system without anyone being suspicious about it. For example, through converting money into smaller portions and deposit into bank accounts, or purchase of financial instruments bank cheques,bank drafts, bonds, money orders, and so on.

Layering

Layering involves channeling the funds into various bank accounts around the globe, especially to countries which have less restriction on the movement of funds. At the integration stage the money laundered is re-entered into the legal financial system through investments into assets such as real estate and luxury goods (Thanasegaran and Shanmugam, 2007).

Integration

This is the provision of apparent legitimacy of criminally derived wealth. If the layering process succeeded, the scheme place laundered proceeds back into the economy in such away the re- enter the financial system and appear to be normal business funds.

2.3. Theoretical Literature Review

2.3.1. Techniques of Money Laundering

According to FATF, we have various forms. Some of the are [1] Placement and [2] Layering as described above. Others include; [3] Layering that involves channeling the funds into various bank accounts around the globe, especially to countries which have less restriction on the movement of funds.[4] Integration: According to Zeldin (1989), it is during this final phase that criminals attempt to integrate illegally obtained proceeds into legitimate businesses. Often cash-intensive businesses (e.g., nightclubs, bars, restaurants) are used as fronts because it is somewhat easier to over-report earnings. Once the legitimate businesses are established, it becomes easier to launder money by using a variety of methods.

First, a business may overstate the amount of revenue it receives through normal operations. A second method is to overstate the expenses required in the operation of the business. Still, a third approach is to write cheques and deposit cash in excess of both reported revenues and expenses (Zeldin, 1989). The steps associated with money laundering – placement, layering and integration.

As per the objective of the study, the banks are affected by money laundering. The following is the explanation on how banks are affected by money laundering: Okogbule (2007) says in order to make illegitimate fund legal, financial institutions are the obvious target. Criminals deposit their money into different bank accounts like savings, credit card account, term deposits, and so on.

The business of banks is money, so for all intents and purposes the banks are merely concluding normal business transaction but the money is the proceeds of crime and therefore banks are manipulated into accepting money that is the proceeds of crime. The bank is affected by abuse of its system. As a result, the bank is exposed to penalties or fines, loss of public confidence and reputation of the bank.

A bank employee is also affected by money laundering if he or she participates intentionally or negligently in money laundering so KYE (Know your Employee) should be used. For example the bank employee may cooperate with those people who want to launder money through making authorization of payment. There is a need of establishing legislation which should be undertaken to identify money laundering and ensure compliance.

Money laundering control has a lot to deal with not only in having acts but also a political will that will ensure that, there is real implementation of the acts and use any of its security mechanism to the maximum to fight against money laundering. According to the Bank of Tanzania Act 2006, section 7 (1) and (2); the primary objectives are to formulate, define, and implement monetary policy directed to the economic objectives.

Thus, financial institutions must ensure that, the integrity of the financial system and support of the general economic policy of the government and sound monetary, credit, and banking conditions are conducive to the development of the national economy. For this case, Tanzania which is still developing, it needs strong and committed banking staff and politicians that will focus on the development of the national economy.

Vildy (2007) says that corrupt people tend to squander their money and also to boast about their wealth. Thus, corrupt people have been using their money in buying shares in big companies, invest in real estates, import of motor vehicles and sell them to the public as one way of legitimating their wealth. And those who are paid by the corrupt people have been silent to expose the suspects because they are paid for.

This literature review has been very useful to this study by broadening the knowledge pertaining to money laundering. It has also, provided ways into which and how money laundering acts are practiced globally and paved way to deeper understanding of the concept. Further, the literatures have been a stepping stone towards the conduct of this research as to identify whether there is adherence to Anti – Money laundering regulations in financial Institutions in Tanzania. This is because the financial Institutions are the core centers prone with money laundering activities. They (financial institutions) are also the central points which can be used to alleviate or minimize to a large degree the practice of money laundering within the country.

2.3.2. Legal Provisions On Money Laundering

The Bank of Tanzania Act No. 4 of 2006 states the principal function of the bank is to formulate, implement, regulate and supervise banks and financial institutions. The act provides guidelines on how to supervise banks to follow the laws of the country. Bank of Tanzania Circular 8 deals with procedures for reporting of suspicious transactions, education and training to staffs of the financial institutions, and penalties to be imposed to any misconduct.

It also deals with sanctions on institutions for not abiding by this circular which includes revoking of the banking license. Bank and Financial Institutions Act No. 5 of 2006 is an act to consolidate the law relating to banking business, to harmonize the operations of all financial institutions in Tanzania, to regulate credit operations and to provide other matters subsidiary with those purposes (Montsi and Goredema, 2000).

2.3.3. Measures taken by Financial Institutions to Fight against Money Laundering

According to directives from BOT (2001) on how to combat money laundering in Tanzania, BOT requires banks to make sure business dealings of its customers are known to the bank in order to minimize risks of money laundering. Also, they (financial institutions) are demanded to cooperate with law enforcement agencies fighting against money laundering by disclosing and delivering necessary information.

In addition, financial institutions are required to conduct frequent audits and inspections of accounts of customers to check for any signs of money laundering activities in transactions. Anti - Money Laundering Officials (AMLOs) and other employees of financial institutions are obliged to report any suspicious transactions involving the bank’s customers.

The BOT’s directive on anti-money laundering also requires financial institutions to constantly train their employees in order to raise the level of their awareness and keep them up to date on latest developments on money laundering. Each financial institution is also required to maintain a special register of account holders with large cash and suspicious transactions.

Further, under instructions of a court order, financial institutions are obliged to release documents needed by law enforcement agencies for investigation on money laundering activities. The documents needed for money laundering investigations are released by Anti Money Laundering Officers (AMLOs) and include dates, names, type of transactions, amounts involved, and name of institutions to whom the documents are released.

2.4. Empirical Literature Review

2.4.1. Fight against Money Laundering

Montsi and Goredema (2000) say that tough approach against the laundering of proceeds of crime appears to be internationally well established as in August, 2001. Finance ministers of the Eastern and Southern Africa Anti - Money laundering Group (ESAAMLG) affirmed the group’s determination to participate in regional and international efforts to control, and eventually eliminate money laundering.

That measures have been taken to make sure that there are proper controls of money laundering with capacity building at revenue authority to avoid tax evasion, debt conversion by those aims at soliciting money through illegal systems. Furthermore, reforms made in the new Banking and Financial Institution Act of 2006 is a genuine development in Tanzania towards fighting anti-money laundering.

All in all, financial institutions are regulated and protected from money laundering because a little bit of negligence gives rise to criminals to launder money. For example; an employee is required to ask for supervision of deposit or withdraw a transaction of 10 billion and above or US$ 10,000 or fill in a form called Suspicious Activity Report, and send it to the Money Laundering Compliance Officer (ibid).

Bank staffs are also required to know high risk customers by using KYC (know your Customer) and take necessary precautions when dealing with them, these are like dealers in precious metals and gem stones, heads of state and governments, senior politicians, arm dealers, and so on. There is also sanction for those who support money laundering like revoke of license, penalties or fines, and black listing.

Therefore, high measures are taken to combat money laundering but the money laundering issue is becoming more complicated as days go on and there is a need for more studies and findings. So long as money laundering is practiced in corruption, the government has to ensure that it has stern laws that restrict people to make money laundering (Montsi and Goredema, 2000).

Transparency International report of the year 2000 listed Tanzania as the 9th most corrupt country in the world. In the year 2008 Transparency International ranked Tanzania as the 16th most corrupt country. The state sector was singled out as the most corrupt, with law enforcement agencies, especially the police, the judiciary, the Revenue Authority and Public Procurement topping the list of the most corrupt departments in the state system.

Misappropriation of public funds has been also the major source of money laundering in public sector. Every year the Controller and Auditor-General (CAG) issues the Annual Audit Report of Expenditure of Government Finances. The reports for financial year of the government and parastatal institutions show a trend of increased unauthorized expenditure (ibid).

According to the CAG (2005) the most striking audit findings are incompleteness of accounting records, incorrect bank reconciliations, failure to collect revenues, use of inappropriate procurement procedures, and gaps in payments procedures. Ghost payments are made to many companies and sometimes substandard works are done with intention to save money which was meant to produce quality works.

This has been the case for many local government councils in areas of education department, infrastructure development and in health. Payments were made from project accounts for purposes other than those originally intended. The funds were diverted from legitimate use. The reports also mention the unaccounted for and unauthorized expenditure of billions of Tanzanian Shillings in public procurement (Montsi and Goredema, 2000).

This lack of accountability and control has caused the government loss of huge amounts of public and donor funds. Government departments have been occasionally defrauded, such as by the use of ghost workers and even investigation of the CAG of the year 2009/2010 as ordered by the President to verify the claims and complaints of the teachers revealed that there are ghost employees.

The Prevention and Combating of Corruption (PCCB) Act 2007, section 7 (g) states that the Bureau shall investigate any alleged or suspected offence under this Act, conspiracy to commit an offence under this Act, and conduct of a public official which is connected to corruption. The situation is not as it is because the corrupt people have been practicing illegality to the extent that nobody has been jailed because of corruption.

Those who receive huge money have not been touched. A good example is the way the government resolved the suspects of the scandal involving stealing money from External Payments Account. They were asked to return the money instead of suing them. It is extracted from http://www.thecitizen.co.tz/newe.php. This has been contrary to the Prevention and Combating of Corruption (PCCB) Act 2007.

2.4.2. Effects of Money Laundering

Money laundering is a problem not only to financial institutions, but also to the common man and to the country's economy. Bartlett (2002) identifies the following;

i. Money laundering has a corrosive effect on country's social well being.
ii. Money laundering distorts business decisions, increase risk of bank failure.
iii. Money laundering takes control of economic policy away from the government thus resulting into economic instability.

2.4.3. Economic and Social Effects of Money Laundering

Blunnen (2000) describes that in economic effect, he describes the private sectors as the most affected area/sector because the money launderers often use the front companies which co-mingle the proceed of the illicit activity with, legitimate funds to hide the ill-gotten gains. These front companies have access to substantial illicit funds to subsidize their products and services at levels well below market rate.

Money laundering affect currencies and interest rate as launderers invests where their schemes are less likely to be detected rather than where rates of return are higher. Money laundering also increases the threat of monetary instability due to the misallocation of the resources. In social effect, the talks about the whole effect which society faces due to money launderers.

Present anti money laundering efforts date back to the 1980s. In 1986, the US criminalized money laundering as part its war against drugs (Helleiner, 1999). Steeves (2008) puts it that by 1986, laundering and related activities became a federal crime and by further prompting from USA Congress in 1992, banks and others were required to file reports on suspicious activities identifiable by their institutions under the Bank Secrecy Act.

The Bank Secrecy Act requires institutions to file Suspicious Activity Reports, which covers 21 categories of activities, including terrorist financing. Simser (2008) therefore argues that Successive laundered money has a concealed provenance. In 1989, the G7 established the Financial Action Task Force (FATF). In 1990, FATF released a set of rules on money laundering.

Goba (2003) observed that money laundering has over the years become a feature of organized criminal activity. It became increasingly associated with illicit drug trafficking, and this led to its recognition in the United Nations Convention against Illicit Drug Trafficking of 1988, but developments since then, have led to an international realization that it is not confined to drug trafficking but is associated with other crimes.

According to IMF (2002), the aggregate size of money laundering in the world could be between 2% and 5% of the worlds Gross Domestic product Bankers guide (2002) which amounts to up to US$1.5 trillion (Preller 2008). Money laundering has a wide scope and transcend borders as reiterated by Mole (2002). Moreover, money laundering is the third biggest industry worldwide following the international oil trade and foreign exchange.

2.5. Research Gaps

In Tanzania, it’s unfortunate that there are no many local studies on money laundering that have been conducted so far. This has limited the researcher considerably in the overall exercise of literature reviews. The researcher widely, utilized findings from other scholars within and outside Africa.

However, the researcher was keen enough to ensure that this literature research gap does not negatively impact the study.

In particular, this gap stands as one of the motivation to conduct this study. The findings of this study will add great value on the local literature in regard to anti money laundering assessments in the areas of effective regulatory practices.

2.6. Conceptual Frameworks

Conceptual framework shows that the understanding of the researcher about the topic/concept to be researcher/investigated. The below illustrates the meaning of effective ant money laundering regulations as the central theme to be assessed the researcher.

2.6.1. Conceptual Framework: Illustration

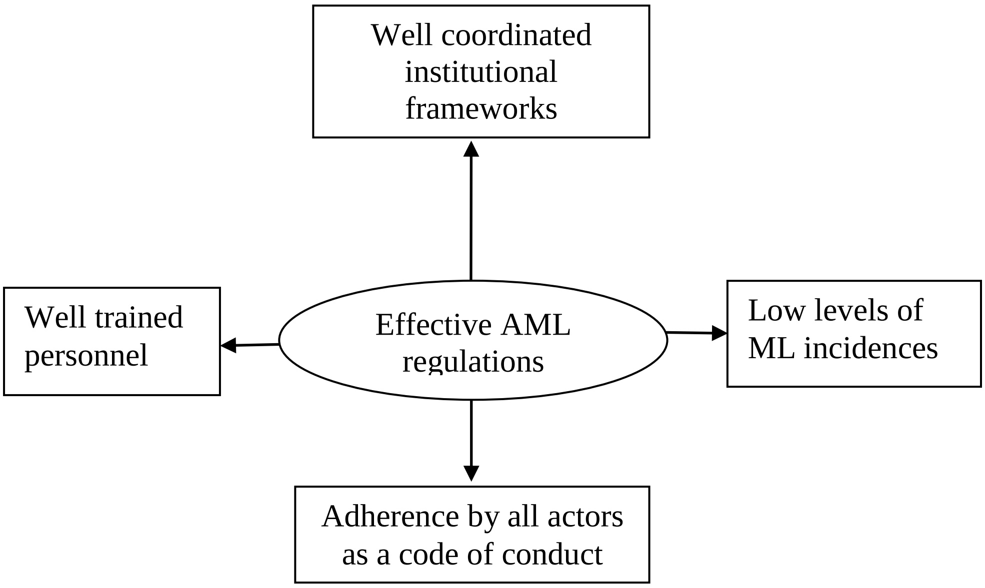

Figure 2.1: Conceptual Framework

Source: ***Researcher's Construction***

2.7. Theoretical Framework

The below framework shows the causal relationship between the dependent and independent variables under investigation.

1. Assessment of Anti Money Laundering Regulations= f (Human resource capacity, Existing Institutional frameworks, Existing Laws and Regulations……… X_n).

2.7.1. Theoretical Framework: Illustration

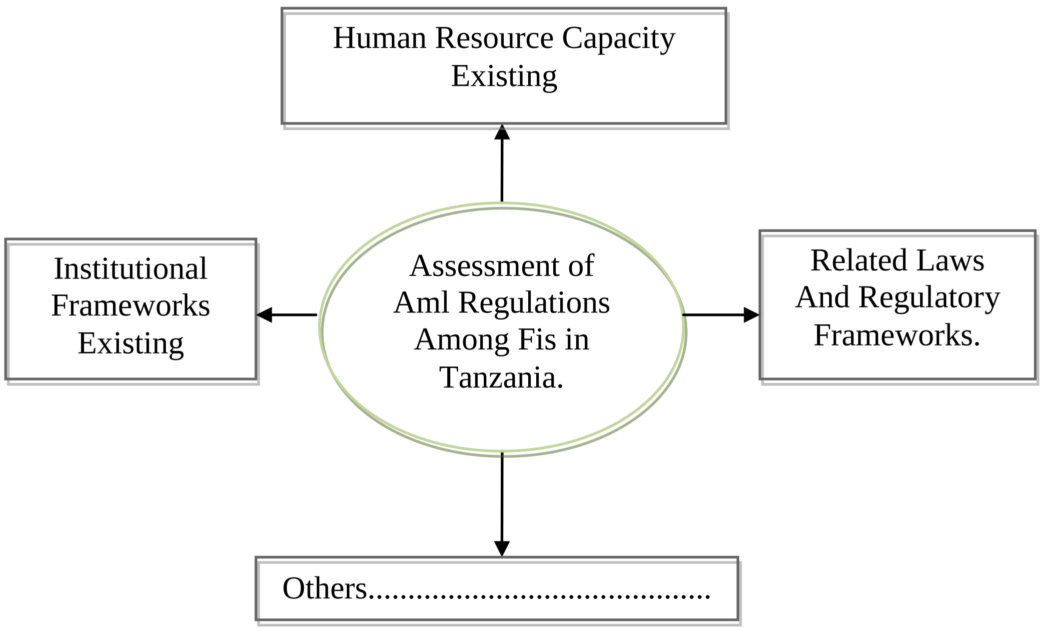

Figure 2.2: Theoretical Framework

Source: ***Researcher's Construction***

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1. Introduction

The research methodology plays a vital role in investigating a phenomenon (Saunders et al, 2003). For this reason, and following the literature review in chapter two, this chapter focuses on the research methodology adopted to conduct this study. There are three main parts in this chapter; research design, sampling considerations, data collection methods and data analysis.

3.2. Research Design

According to Kothari (2004), research design is a framework or blueprint for conducting the marketing research project. It details the procedures necessary for obtaining the required information. According to Saunders et al (2003), a research design is a master plan that specifies the methods and procedures for collecting and analysing the needed information. This research study used exploratory research design. The researcher decided to use an exploratory research design because this research design allows the researcher, apart from primary data, use secondary sources such as reviewing available literature and is used in instances where the subject of the study cannot be measured in a quantitative manner (Kothari, 2004).

3.3. Area of the Study

The study covered two banks in Dar es Salaam. These were CRDB, and NBC. The researcher decided to use the two banks as case studies because the banks are the large and fast growing banks in Tanzania by size and market share.

3.4. Population of the Study

The population of the study consisted of educated and well informed individuals in terms of the question under study. The population is in the practice part of AML and may probably have undertaken courses in regard to ML. The researcher ensured that the population used is reasonably representative. The researcher interviewed heads of AML units in CRDB and NBC in the bank, Officers and middle managers.

3.5. Sampling Procedures

Kothari (2006) defines sample as a collection of some parts of the population on the basis of which judgment is made small enough to convenient data collection and large enough to be a true representative of the population from which it had been selected. Sample size refers to a number of items to be selected from the universe to constitute a sample.

The sample must be optimum. Further, it may mean, the selection of some parts of aggregate of the totality based on which a judgment or inference about the aggregate or totality is made. It is a process of selecting a group of people, events, behaviour, or other elements with which to conduct a study.

In this study the researcher got the study sample by taking into consideration the number of staff in the AML departments in each bank and how many real are engaged in the AML practices. The researcher deployed stratified random sampling techniques. The researcher segregated the population into stratas. Firstly, to include normal officers in the AML units, managers and regulatory bodies like the central bank and MoFEAs who provided complementary but high level data.

3.6. Data Collection Methods

In order to meet the aims of the project it was necessary to use both primary and secondary methods of data collection. Secondary data is the data collected by others to be re-used by the researcher. It is also the data that have already been collected for purposes other than the problem at hand. This data includes both quantitative and qualitative data and can be located quickly and inexpensively There are two categories of primary data that were used in this study. These are qualitative and quantitative data. Quantitative research is used to measure things while qualitative methods are mainly used to obtain an understanding of the subject. Besides, qualitative research involves examining and reflecting on the less tangible aspects of a research subject such as values, attitudes and perceptions.

3.6.1. Questionnaire

Questionnaires were used to collect data from the respondents from CRDB, and NBC banks. The questionnaires were designed based on the information required, who needs the information, method of communication to be used (mail, telephone or personal interview), logical sequence of questions, sensitive questions, simplicity, starting from simple question to more complex ones at the end.

3.6.2. Interview Technique

An interview is a set of questions administered through oral or verbal communication or is a face-to-face discussion between the researcher and interviewees/respondents. The researcher held in depth interviews with some key informants from each department or section that in some way deals with money laundering in CRDB, and

NBC banks. This primary data collection method was used because it enabled the researcher to get first hand information, confirm some issues in the data collected through the questionnaire and capture some details that might have been left out by the questionnaires.

3.6.3. Interview Guide

The development of the interview guide is an integral aspect of the process of conducting qualitative research, yet one that receives little attention in the literature. It is often stated that in qualitative research, the researcher him or herself is the research instrument (Pyett, 2003; Fink, 2000), as it is through the researcher that qualitative data is generated or collected, analyzed and interpreted. Merriam (1998) refers to it as a list of questions that the researcher intends to ask in an interview. Before conducting interviews, the researcher prepared an interview guide that can be used to help to explain the methodology of conducting the interviews, arrangements, and direct the conversation towards the topics and issues to be investigated in regard to the topic. This helped the researcher know what to ask about, in what sequence, how to pose questions, and how to pose follow-ups. The interview guide took into account all issues that influence what people are likely to say in regard to the topic. Such issues include Research questions which are not the same as interview questions.

The interview Guide

- The in depth interviews were conducted a week after the collection of data by the questionnaires. This allowed entry of the data and observation of main gaps, deficiencies, doubts and other queries that were cleared through the interviews.

- The researcher informed the bank officers (interviewees) about the intention of holding the interview with them through letters to the bank.
- After, disclosing the intention, the researcher made appointments/date arrangements for the interviews. This depended on the time suitable on the party of the interviewees.

- After making the appointments, the researcher sent physically the areas where the interview questions concentrated. This helped the interviewees get prepared and hence ensure collection of informed data. The main issues from where other questions emanated and that were sent to them in prior include;
  a) *What measures have been taken by your bank to fight money laundering?*
  b) *What are the challenges faced by your bank in fighting money laundering?*
  c) *How effective are the anti-money laundering regulations in Tanzania?*
  d) *Policy recommendations.*

- The interviews took about 30 minutes with every respondent. The in depth interviews conducted in two days given the arranged dates. On the first day it was with CRDB, and thereafter NBC.
- The researcher had all the questions typed of course focused on the main questions. The questions however depended on the volume of queries that rose after the entry of the data obtained by the questionnaires.

- Lastly, the researcher extended a hand of thanks to the bank officers that participated in the in depth interviews. This was be to appreciate their time spent, readiness to avail the required information to the researcher and establish relationship for future endeavors with the bank especially on the issues of money laundering.

3.6.4. Documentation

Documentation method was used because it enabled the researcher to get ready-made data and information by passing through various documents such as; books, magazine and journals on the topic in question.

3.7. Data Collection Tools

The data collection tools that were used by the researcher are written and a mix of open and closed ended questionnaire. The researcher complemented these tools with an written interview questions to serve as a guiding tool during in depth interviews with managers, central bank AML personnel and MoFEAs representatives who were selected.

3.8. Data Reliability and Validity

In order to ascertain reliability of the study, a pilot study was conducted. Questionnaires were distributed to respondents. This was done to identify questions that might be ambiguous to respondents and any non-verbal behavior of the participants that may possibly show discomfort or embarrassment about the content or wording. This allowed the researcher to make modification on the data collection instrument before the study takes off formerly.

3.9. Data Presentation and Analysis

Quantitative data analysis, particularly descriptive analysis was employed in this study. Descriptive analysis was used to analyze the state of adherence and the effectiveness of anti money regulations among financial institutions in Tanzania in the due course of the assessment.

Data collected during the study was reduced into summary form. The summary was processed by using various software data analysis programmes such as Microsoft Excel and the Statistical Packages for Social Sciences (SPSS). Frequency tables were generated for single variables to for the first level of analysis. Thereafter cross tabulations were generated to establish correlation and between various variables. The research findings were organized, presented descriptively, using frequency tables, charts and graphs depending on the nature and suitability of the data of the specific variable.

The data collected through the in depth interviews enriched, complemented, filled gaps, confirmed, cleared doubts of the data collected through the questionnaires on each variable investigated as per the questionnaire.

CHAPTER FOUR

4.0 FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings and discussions of this study. The presentation is in terms of investigating the personal details of all personnel dealing with anti money laundering in the sampled banks, performance and status of money/anti money laundering in Tanzania, effectiveness and challenges of AMLRs in the particular banks sampled and policy recommendations put forward by the respondents.

4.2 Section A: Socio-Economic Profiles of the Respondents

This section presents the social economic profiles of the respondents interviewed during the survey. The issues focused on include; respondents' bank name, gender, age, number of years one has been in service, educational background and qualifications, and the role/position of the individual in the particular bank.

4.2.1 Respondents' Bank Name

Figure 4.1 shows the bank names from which the survey respondents came from. The names of the banks are completely a result of the sampling techniques and decisions reached. The data shows that many respondents about 63 percent were from CRDB while 37 percent of them were from NBC.

The major explanation for the difference in number of respondents from the two banks is based on the number of AML departments and AML staff size for both banks. CRDB has three departments that deal with AML. These are Treasury department, Risk management department and Retail banking department. For the case of NBC we have only Risk management department and the Treasury department. Also, for the case of CRDB there is about 25 AML staff in those departments while NBC has only about 11 AML staff in their two departments.

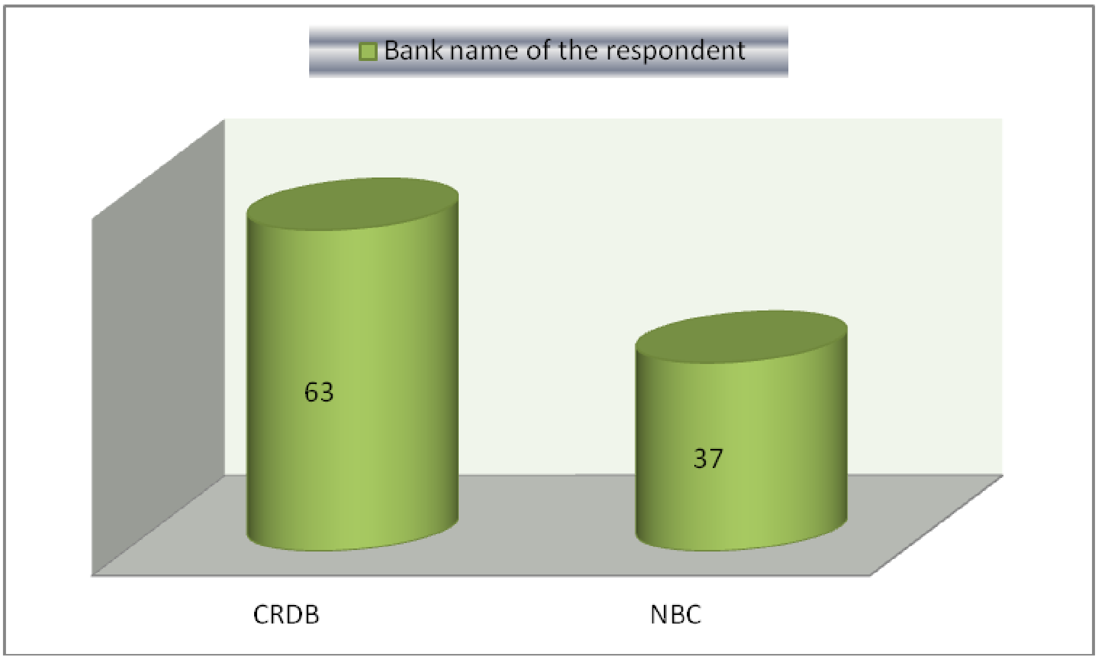

Figure 4.1. Respondents' Bank Name

Source: Field Data

4.2.2 Gender of the Respondent

Gender refers to a set of characteristics which distinguishes between males and females, particularly in cases of men and women. In general, depending on the context, the discriminating characteristics vary from sex to social role to gender identity. Gender issues influence the pace of development of a particular society and observance and respect for human dignity and rights.

Table 4..2 shows the gender of the respondents interviewed. Many respondents about 65 percent were males. Only few respondents about 37 percent were females. The data shows that there is a gender discrepancy in employment among financial institutions. This is because probably majority of females have no chances study in higher learning Institutions or do not pursue business studies that constitute majority of the employees in the banking sector.

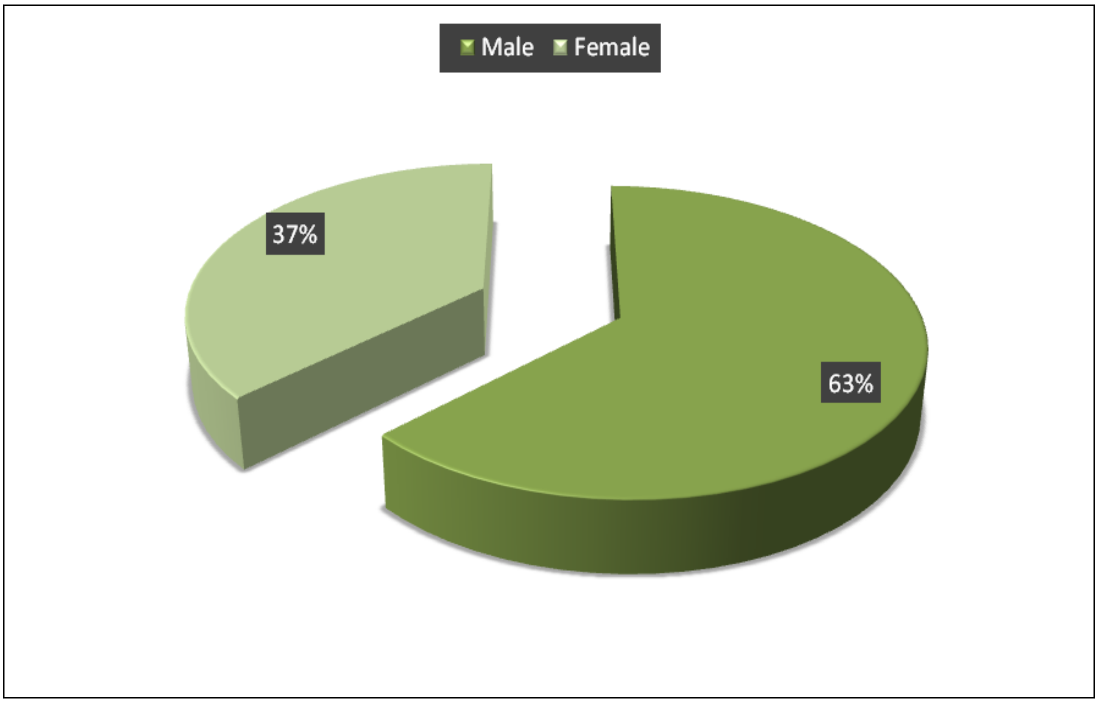

Figure 4.2. Gender of the Respondent

Source: Field Data

The study recommends the government to keep up front gender equity and equality in education sector. Also, the banking institutions should be gender sensitive in human resource recruitment and development. This could improve gender balances in the banking sector and reduce biasness in practice.

4.2.3 Workers Experience in AML Issues

Every banking institution in Tanzania needs to protect itself, its customers and its employees by providing the necessary policies, procedures and training to prevent and detect money laundering. Tanzania has taken steps towards controlling and preventing ML. This is through various measures such as enacting laws that criminalizes and preventing ML such as AML Act 2006 and its Regulation, Proceeds of Crimes Act,1999 and Prevention of Terrorism Act, 2002 (POTA). It also establishes FIU unit under Prime minister's office. Money laundering is criminalized under section 71 of the Proceeds of Crime Act. Money laundering is also criminalized under the Anti-Money Laundering Act, 2006 (AML Act).

There are also guidelines issued by FIU to financial institutions, such as Guidelines for verification of Customers Identities, Anti Money Laundering Guidelines for Banking Institutions, and Anti Money Laundering Guideline for Accountants and Auditors.

This study aims at identify to the effectiveness and adherence of AMLRs by the banking institutions. The study targeted employees of banking institutions and tests their knowledge and experience on ML issues. It involves looking at their duration and level of experience in their work, as indicated in table 4.1.3.1 and 4.1.3.2.

Table 4.1 indicates the duration of which the respondents in this study have been working in their banks. The data shows that, about 53% of the respondents have worked for 3 to 6 years while only 3% have worked for 7 to 10 years and those who worked for above 10 years are 17%.

Table 4.1. Duration of Work among AML Staff

	Frequency	Percent
Below 3 Years	8	27
3-6	16	53
7-10	1	3
Above 10	**5**	**17**
Total	**30**	**100**

Source: Field Data

This means, most of the respondents have worked between 3years to 6 years, followed by those who have worked below 3 years. This data suggests that, most of the respondents are experienced staffs in their posts. However their level of experience in dealing with AML is different as it's shown in table 5 below.

Table 4.1. above shows the level of experience of respondents in dealing with AML. The table indicates that, about 60% of the respondents have 1 to 3 years of experience while only 17% have 7 to 10 years experience. This means, most of the respondents have experience of 1 to 3 years in dealing with AML and only few have experience of 7 to 10 years. Therefore, despite the fact that most of the bank employees have worked for 3-6 years in their banks as its shown in table 4, still most of them have less experiences in dealing with AML.

Lack of proper trainings on AML, commitment by banks and inefficiency enforcement mechanism of AML Laws and regulations are among the reasons for this inconsistency. The presence of inexperienced staffs to deal with AML defeats the efforts to combat ML. Banking institutions should make sure they adhere to

AMRLs Laws and regulations, which requires establishment of AML units in Banks and appointments of AML officer as well as training of staffs. The AML regulations provides clear that, banking institutions must make appropriate measures to make employees aware of policies and processes put in place to detect, prevent and deter money laundering including those for customer identification, record keeping and internal reporting.

Table 4. 2. Working Experience among AML Staff

	Frequency	Percent
1-3	18	60
4-6	7	23
7-10	5	17
Total	**30**	**100**

Source: Field Data

Banking institutions are also required to make their employees aware of the relevant legislation pertaining to anti-money laundering and provide employees with trainings in the recognition and handling of suspicious transactions. If these guidelines are abided effectively by banking institutions, Banks will have experienced staffs to deal with AML hence make the efforts to combat ML easier.

Therefore banking institutions need to adhere to the AML Acts and its Regulations as well as issued FIU guidelines, by taking appropriate measures to make their employees aware of policies and processes put in place to detect, prevent and deter money laundering and provide employees with trainings in the recognition and handling of suspicious transactions.

4.2.4 Respondent's Education Level, Academic Background and Work Positions

Money laundering is a process which sometimes involves complex money transaction and involves people who are intelligent and smart. Technically stages of laundering money involve Placement, Layering and ultimately Integration. The most common form of money laundering that banking institutions will encounter on a day basis, in respect of their mainstreaming bank business takes the form of accumulated cash transactions which will be deposited in banking system or exchanged for value.

The increase use of electronic funds, mortgage and loans accounts creates vulnerability and complex layers of transactions to banks. Therefore it’s important for the bank officers to be well trained, skilled and competent.

Table 4.3. Respondent's Education Level

	Frequency	Percent
Diploma	5	17
Degree	17	57
Masters/Postgraduate diploma	8	27
Total	**30**	**100**

Source: Field Data

In this study, their competency and skills are tested in term of their level of education, academic background which is linked with their roles in the bank. Table 4.3 shows the level of education of respondents. The table indicates that about 57% of respondents have degree level of education while those with masters and post graduate accounts for 27%, this means that most of the respondents have the degree level of education, thus most of them are well educated.

Table 4.4. further indicates respondent's academic background. The table indicates that about 47% of the respondents have background in commerce while about 33% have background in economics; the remaining 20% have backgrounds in education, sociology and other fields. This suggests that, most of the respondents are aware commercial and cash issues which are important for AML control.

Table 4.4. Respondent's Academic Background

	Frequency	**Percent**
Commerce	14	47
Economics	10	33
Education	1	3
Sociology	2	7
Others	3	10
Total	**30**	**100**

Source: Field Data

However it's revealed by this study that, though most of the surveyed bank staffs have degree level of education and base in commercial subjects as shown in table 4.3 and 4.4. respectively, only few of them deals directly with AML. This is as shown in figure 4.3 below. The table shows respondents role in the bank.

The table indicates that about 74% of workers/respondents works as retail banking officer and risks management officers, and only 10% works as Money laundering officers. The other remaining 16% works in treasury department. This suggests there are few banks officers who deal directly with AML i.e. Money Laundering Control Officer (MLCO). Inefficient employment and placement schemes in banking institutions can be the reason behind few number of MLCO officers. Presence of few

MLCO exists despite the requirement set up by the AML regulations and FIU Ant-money laundering guidelines to banking institution which clearly requires the banking institutions to appoint MLCO and provide them with necessary access to systems and records for them to discharge their duties efficiently and effectively.

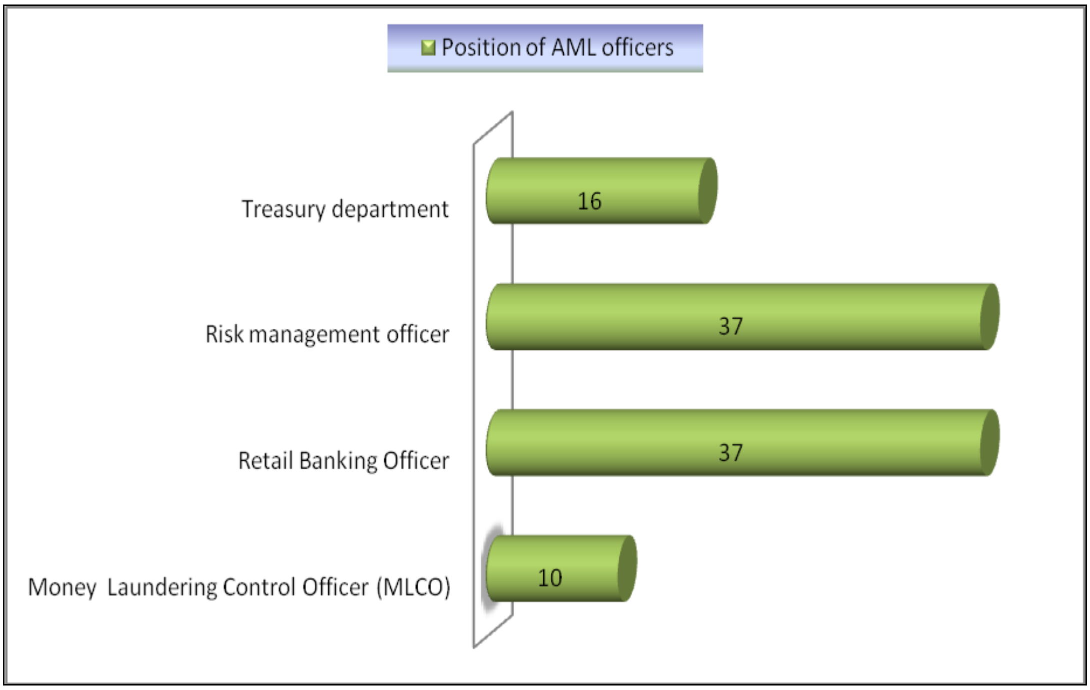

Figure 4.3. Role/Position of the Respondents in AML Sections

Source: Field Data

The number of MLCO in banking institution is small compare to the raising threat of ML in Tanzania. With the increasing global economic integration and international financial integration, as well as issues such as terrorism, drugs trafficking and illegal immigration, banking institutions should also increase efforts to combat the rising ML threat. The efforts include employ or appoint more MLCO qualified staffs and have better placement schemes. In addition, Trainings about AML to other bank officers in different posts should also be efficiently emphasized and implemented.

4.3 Section B: Performance of Anti Money Laundering Regulations in Tanzania

This section presents the changes that have been taking place in money laundering issues in Tanzania. The researcher captures the performance and status of money laundering by looking at various issues. Some of them are rate of ML encounters, existence of AML departments in the surveyed banks, money volumes that signal money laundering, and further training among staff on ML. Others are various operational roles and responsibilities of the respective bank in controlling ML, and nature and forms of money laundering incidence.

4.3.1 Encounter of ML Incidences Among Financial Institutions and Host of AML Departments by FIs

Table 4.5. below indicates how often surveyed banking institutions encounter ML incidences. The table indicates that, about 60% of the respondents reveals their banks have not often or little often encounter ML incidence, it’s also shown that about 16% have encountered ML often or very often, and 23% have encountered ML moderately often.

The data suggests several assumptions, first, there are ML incidences in surveyed banking institutions, and secondly the level of ML incidences in surveyed bank institution is low.

However, there is also a possibility that, the data in the table can change in the sense that, there are many ML incidences in our banking institutions but Banks fails to detect them due to inadequate human resources and inefficient technology.

Table 4.5. How Often Does Your Bank Encounter ML Incidence?

	Frequency	Percent
Not often	5	17
Little often	13	43
Moderately often	7	23
Often	4	13
Very often	1	3
Total	**30**	**100**

Source: Field Data

Its therefore recommended that efforts to control ML activities should be improved and effectively implemented, these efforts may include adequately criminalizing terrorist financing, establishing effective CDD measures, establishing adequate record-keeping requirements, establishing a fully operational and effectively functioning Financial Intelligence Unit and designating competent authorities to ensure compliance with AML/CFT requirements.

Table 4.6. Does Your Bank Host an AML Department?

	Frequency	Percent
No	0	0
Yes	30	100
Total	**30**	**100**

Source: Field Data

Table 4.6 shows if the respondent’s banks host an AML department. The table indicates 100% of the respondents banks have AML department, this means all the banks in the survey have an AML department subject to the requirement of BOT guidelines. The increase threat of ML activities due to technological and economical development as well as strict regulations and guidelines by BOT is the reasons for the establishment of AML departments. Most the surveyed bank branches have AML departments in their branches as it shown in table 4.2.1.3. The table 4.7 indicates if the respondents' bank hosts AML departments in their Branches. It's indicated that, about 90% percent of the respondents' banks have AML branches in their branches while 30% have no AML department in their branches.

This means that most of the banks have AML department in their branches. As pointed out earlier the rising threats of ML and the requirement by AMLR and FIU guidelines can be the reasons for these positive results. However also, because this study was limited to Dar es Salaam only, there is a possibility some of the branches outside Dar es Salaam have no AML departments, therefore further research is recommended to identify the same.

AML departments will play important roles in controlling ML activities if effectively used by banking institutions. AML departments should be well equipped in term of skilled human resources and technology. This study therefore recommends banking institution to effectively use their AML departments this goes together with improving and supporting them in term of resources, equipments and well trained staffs.

Table 4.7. Does Your Bank Host AML Department in its Branches?

	Frequency	Percent
Yes	3	10
No	27	90
Total	**30**	**100**

Source: Field Data

Table 4.8. Comment on Occurrence of ML Incidences at Your Bank

	Before 2006		**2006-2008**		**2009-2011**	
	F	**%**	**F**	**%**	**F**	**%**
Low	20	67	13	43	17	57
Little high	8	27	10	33	7	23
Moderately high	2	7	7	23	6	20
Total	**30**	**100**	**30**	**100**	30	100

Source: Field Data

Table 4.8 indicates the occurrence of ML incidents at respondent banks over the past six years. The table indicates that before 2006 the occurrence of ML was 67% while on 2006-2008 ML occurrence was 43% low and in 2009-2011 the ML incidences was 57% low. This means that, the ML activities are inconsistent over the years i.e. there were less of ML activities in 2006 but in 2006-2008 ML activities increases and then dropped in the year 2009-2011.

The inconsistency is caused by several factors such as the prevalence of informal, patronage, and cash-based, economies and high levels of corruption, correspondingly limited financial regulatory mechanisms, patchy legal frameworks and weak law enforcement and judicial capacity, contested understandings of the problem, poorly managed and porous borders, and the growing presence of transnational criminal network. Although data suggests that ML activities in banking institutions are dropping, the problem is still persistent and therefore necessary efforts to control it is required. If not controlled ML activities can results to number of predicate offenses, including political corruption; trafficking in drugs, wildlife, counterfeit goods, and humans; import tax evasion and even Terrorism as they will be easily financed. It's therefore recommended that, efforts to combat ML should be strengthened.

4.3.2 Financial Intelligence Unit, FIU, its Roles and Operations

The FIU was established in July 2007 pursuant to section 4 of the AML Act as an Extra-Ministerial Department in the Ministry of Finance and Economic Affairs. The FIU is responsible for receiving, analyzing and disseminating suspicious transaction reports and other information regarding potential money laundering or terrorist financing filed by the reporting persons and other sources from within and outside the United Republic. FIU is empowered under section 6 (f) of AML Act to prepare and issue guidelines to banks, financial institutions and other reporting persons in respect of suspicious transactions, record keeping and reporting obligations.

The FIU has issued three guidelines which became effective from 1stApril 2009, namely: Guidelines for the Verification of Customers' Identities (Guidelines No 1); AML Guidelines to Banking Institutions (Guidelines No 2) and AML Guidelines for Bank of Tanzania (Guidelines No. 3). Guideline No 2, which is related to reporting of STRs, covers only banking institutions. This study revels if the bank employees are aware of FIU, its roles and operations. Table 32 below shows if the respondents are aware of FIU, its roles and operations.

Table 4.9. Are You Aware of FIU, Its Roles and Operations

	Frequency	**Percent**
Yes	29	97
No	1	3
Total	**30**	**100**

Source: Field Data

Table 4.10. If YES to the Above, Comment On the Nature of Linkage with Between Your Banks (AML Department)

	Frequency	Percent
Formal	30	100
Informal	0	0
Total	30	100

Source: Field Data

Table 4.10 indicates the nature of linkage between respondents bank. The table indicates that about 100% of the respondents have formal linkage system in their AML Department. It is to be noted that, FIU has powers under the law to exchange information with other financial intelligence units and for issuing guidelines to the reporting persons.

Thus FIU has issued guidelines for the Verification of Customers' Identities, Anti-Money Laundering Guidelines to Banking Institutions and Anti-Money Laundering Guidelines for Bank of Tanzania (collectively referred to as the "FIU Guidelines"). However, these guidelines are not enforceable. Therefore, enforcement mechanism measures should be established to ensure their compliance.

4.3.3 Volume of Money Transaction that Signal Money Laundering

Money laundering was defined in 1998 by the United Nations Office on Drug Enforcement and Crime Prevention as consisting of an attempt to conceal unlawful origin of funds, "in order to invest them with complete impunity in international economic and financial circuits to transform them into lawful earnings". It has been suggested that there are three steps in the money laundering process. Cash can be injected into the legal economic activity of the foreign country or funds can be invested offshore and then lastly laundered money may be invested back into the regular economy.

Table 4.11. Volume of Cash Transaction That Signal Money Laundering

	Frequency	**Percent**
10-50m	1	3
51-100m	12	40
Above 500m	4	13
101-500m	2	7
Depends on the customer type	11	37
Total	**30**	**100**

Source: Field Data

Table 4.11 has been designed to show the volume of cash transactions that signaling money laundering. It could be seen from the table that about 40 percent of money ranging from 50 million Tshs to 100 million Tshs have been subjected to anti money laundering. It is sometimes difficult to identify the type of money that will be spent for as money laundering as some of the legal businesses require large amount of money.

Using the illegal profits of corruption or organized crime for immediate purchases is the method preferred by most people engaged in primitive accumulation, especially when the profits are generated within the country. Policy makers need to have knowledge of the ways in which money laundering is carried out and the extent to which it occurs. This section looks at different types of money laundering. The prevailing economic and operational processes, and the environmental system in which the different types of laundering occur, are complex. The main reason for the complexity is related to the internal and external environments and their distributional impact on the problem of money laundering. There are two main types of money laundering: money laundering in the internal environment and money laundering in the external environment.

4.3.4 Further Training on Money/Anti Money Laundering among Staff

Anti money laundering training courses and workshops are of crucial important to officers that work in the field that are responsible to fighting against money laundering. The primary focus of training to fighting against money laundering is usually to assess new methods of money laundering. More importantly it is also important during these training to assess various experiences and examples of money laundering events and how different nations have tried to go against money laundering.

Table 4.2.4 has detailed observation as to the sample taken on how many people/ officers have undergone training relating to anti money laundering. It could be seen that 73 percent of all the officers that were covered by the study confess that they have undergone various training to combat money laundering in their respective departments. In such kind of trainings many issues have been taught in specifically the new trick of money laundering and laws relating to money laundering as well as judicial proceedings. However efforts should be emphasized on the fact that more training have to be extended not only to bank officers but many more departments and agencies so as to reduce the rampant problem of money laundering.

Table 4.12. Have You Taken Any Additional Course on AML?

	Frequency	Percent
Yes	22	73
No	8	27
Total	**30**	**100**

Source: Field Data

There always problems and/ setbacks as to why there are no enough training and workshops that can facilitate the whole process of fighting money laundering. One of the most given reason is lack of seriousness among officers and head of various departments that run various organizations that form part of fighting money laundering in the country. Many do not see the need of having such training until when the problem is actually realized.

As it has been previously mentioned training and workshops play important roles as regards to anti money laundering activities in any country of interest. It introduces to anyone the new methods that people used in squandering money, new methods of fighting against money laundering. Additionally upon broadcasting to the general public, more people become more aware about this issue and hence the problem might be greatly reduced.

4.3.5 Operational Security and Responsibility of the Bank in Controlling Money Laundering

Anti-money laundering security and controls are the policies and procedures that one or an organization must be put in place in order to prevent activities related to money laundering and terrorist financing.

Table 4.13 shows the extent of main operational security and control of money laundering at respective banks. It can be seen from the table that the extent of security and control according to the study carried out was in most cases moderate. This tells us that the banking sector has not yet adopted effectively the procedures for combating money laundering.

Table 4.13. Comment on the Main Operational Security and Responsibility of Your Bank in Controlling Money Laundering

Ranks	**Education, training and communicating on dangers of ML**		**Arresting and prosecuting culprits**		**Tightening loopholes in banking transactions**		**Developing FIU to detect ML**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Not effective/Efficient	1	3	5	17	2	7	4	13
Little effective/Efficient	7	23	10	33	5	17	8	27
Effective/Efficient	7	23	4	13	7	23	4	13
Very much effective/efficient	7	23	3	10	4	13	2	7
Total	**30**	**100**	**30**	**100**	**30**	**100**	**30**	**100**

Source: Field Data

The immediate effect that can arise out of this observation is that if in the banking industry there are no effective anti money laundering processes and control then one could think of the situation in other sectors that do not involve the banking system/ procedures. As a policy recommendation then, we urge the government and the private sector to put much effort in controlling anti money laundering the country could experience genuine money transfers and genuine financing.

4.3.6 Forms and Nature of Money Laundering Faced By the Banks

Again money laundering is a way for people not only criminals to hide the cash proceeds of their illegal schemes. In most advanced economies there are several different types of money laundering. They include using shell companies, small bank deposits, and regular, consistent bank deposits. One of the most common ways to perform money laundering may be creating a shell company or business. This type of business is usually set up so that it is difficult to monitor cash flow.

For our case i.e. we developing economies particularly in Tanzania the situation is a little bit different as the types of money laundering differ a bit to that found in advanced economies mostly due to advancement in technology. The most common forms of money laundering include Structuring or smurfing, Balk cash, Cash Intensive businesses; trade based laundering, Shell companies and trusts, Bank rupture, casinos, real estate and black salaries.

Table 4.14 shows that Cash Intensive businesses is leading in terms of money laundering activities followed by others such as Structuring or smurfing Real Estate, Shell companies and trusts, casinos, as well as black salaries

It has been observed that businesses that provide services instead of selling physical goods may be able to circumvent the need to provide receipts or reports of money gained and spent. The business would typically be one in which accepting cash as a form of payment is not uncommon. Instead of creating a shell company, an alternative for money laundering may be to invest in a legitimate business, such as a casino or bar. The launderer can combine his illicit funds with the real income of the business or use the company's bank accounts to conceal the funds.

Table 4.14. Forms/Nature of Money Laundering Faced By Your Bank

	Structu-ring or smurfing	Balk cash	Cash Intensive businesses	Trade based laundering	Shell compa-nies and trusts	Bank rupture	casinos	Real Estate	Black salaries
	%	%	%	%	%	%	%	%	%
Yes	80	67	83	60	37	43	47	63	50
No	20	33	17	40	63	57	53	37	50
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source: Field Data

The increase in intensity of all these forms of money laundering in the country will have much great effect in the society. The most common effect includes intensification of the existing inequality in the country. This is said to be so since there will always be classes of people that have money and assets that are in excess while the vast majority of people have nothing (Mwema, 2000). Additionally terrorism and terrorist actions are likely to be accelerated since many studies have confirmed that most of terrorists' activities have been financed by funds from various unknown activities.

4.3.7 Effects of Money laundering to Banks

Money laundering has many effects both to the people who are affected by various activities that are likely to be financed by money amassed illegally. The banks as well are mostly affected by these illegal transactions. Due to the fact that the payment systems in most of the member states are largely cash based.

Non-cash negotiable instruments like cheques and credit cards are not universally used. A practical situation has shown that the situation in sub Saharan Africa is such that money transaction is widely used as opposed to non money transactions. Experience in East African member states indicates that capturing and monitoring cash transactions is difficult thus enabling money laundering to thrive without being detected.

Table 4.15. ML: Does It Have Any Effect On Your Bank?

	Frequency	Percent
Yes	30	100
No	0	0
Total	**30**	**100**

Source: Field Data

Table 4.15 above record the responses taken from the study which tries to answer the question about the effects of various forms of money laundering to banks in the country. Most of the said possible effects of money laundering include Drug trafficking, corruption, bribery, illegal arms dealings, tax evasion and others are said to affect most banks directly or indirectly. It has been projected that due to the close integration of people and culture in the world as a result of globalization then it is mostly likely that financial crises that happened and those which are continually happening in Europe are in most cases aggravated by money laundering in the world.

The Central bank should continue to be the driving force behind the anti money laundering initiatives in the sub-region. In this capacity, central bank should continue to work towards development of policy and legal framework issuance and implementation of prudential guidelines; training and capacity building for the financial sector participants and liaison with inter-ministerial, regional and international groups.

More specifically as a way forward the central bank should take the following actions to dealing with displacement factors: development of comprehensive legislation, improvement of the payment systems, Prohibit parallel banking activities, controlling money remittance activities, Vet licensing of foreign banks. This could help in reducing the intensity of money laundering in the country.

4.3.8 Does Your Bank Have Any Policy to Control ML?

Any institution that knows the danger of money laundering should have anti money laundering policy or law in place. Table 4.16 shows the responses on whether the institution has ant money laundering policy in place. Results show that about 93 percent of all the responses showed that these institutions have anti money laundering policies in place.

Anti money laundering policies are of crucial importance especially for financial institutions in dealing with funds which are of unknown sources or destinations. With anti money policy the institution would have a clear policy and direction on how to deal with money laundering. Sometimes institutions like banking sectors do not have anti money laundering policies in place. There are a lot of reasons that can explain this existence of this situation such as lack of information as to what money laundering problem is and also non existence of the problem itself (Mwema 2007).

For the case of Tanzania up until late 1980's we had no any experience as regards to crimes including money laundering.

Table 4.16. ML: Does Your Bank Have Any Policy to Control ML?

	Frequency	Percent
Yes	28	93
No	1	3
Not sure	1	3
Total	**30**	**100**

Source: Field Data

When the country entered the era of globalization and privatization, it is when the country started to experience such crime activities. We can also notice that before economic transformation, Tanzania had no any policy document or law that guided any conduct as regards to money laundering in the country. This is to say that the country had no idea of enacting such law or policy due to the non existence of the problem.

4.3.9 Training of Employees on Money Laundering

The term training refers to the acquisition of knowledge, skills and competencies as a result the teaching of vocational or practical skills and knowledge that relate to specific useful competencies. Normally training has specific goals of improving one's capability, capacity and performance. Training to deal with money laundering refers to an exercise that equips individuals in their areas of specialization to deal with the issue of money laundering problem. This exercise of training people on how to deal with money laundering has to be progressive as various methods of money laundering tend to emerge daily. Table 4.17 gives the responses on whether an institution provides training to its employees. The results were that 93 percent of the responses said that employees received training on money laundering.

Outdoor training should also be involved to make the general public aware of the extent of the problem. This can be applied through by the use of the media. The role of the media is to expose grand-scale corruption and money laundering at national level and in the sub-region through investigative journalism. In case of Tanzania journalists seem not to be conversant with the subject of money laundering and therefore not much has been written about this problem.

Table 4.17. ML: Do You Train Employees on ML?

	Frequency	**Percent**
Yes	28	93
No	2	7
Total	**30**	**100**

Source: Field Data

Failure to conduct routinely training as regards to anti money laundering in Tanzania will lead to the exaggeration of the problem in the country. The main transmission mechanism would in most cases be the banks. However due to the ongoing financial liberalization, bureau de changes may also be involves anti money laundering in the country as well as the micro finance schemes etc.

Results on money laundering training shows an impressive progress in these financial institutions is the country. These trainings have to be facilitated by the government by make sure that every institution that is responsible to deal with money laundering conducts periodic training on how to combat this problem.

4.3.10 Cooperation with Other Banks in the Fight against Money Laundering

Table 4.18 shows the responses on whether the banks do cooperate with the central bank in fighting against money laundering practices. The results showed that 93 percent of all the responses claimed that their banks comply with BoT regulations and hence cooperate with BoT in fighting against money laundering.

Table 4.18. ML: Does Your Bank Cooperate with BoT in AML?

	Frequency	**Percent**
Yes	29	97
No	1	3
Total	**30**	**100**

Source: Field Data

Despite the fact that most financial institutions in Tanzania comply with regulations towards fighting against money laundering, the central bank should continue to be the leading financial institution towards war against money laundering in the country. In this capacity, central bank of Tanzania should continue to work toward development of policy and legal framework, issuance and implementation of prudential guidelines, training and capacity building for financial sector participants and liaison with inter ministerial, regional and international groups.

More specifically, as a way forward the central bank take the following actions to deal with displacement factors which include: Development of comprehensive legislation, improving national payment systems, prohibiting parallel banking activities and vet licensing of foreign banks.

4.3.11 Preparation or Annual Report on Money Laundering

Report writing and workshop presentation are one way of monitoring banks on how they comply with the rule of fighting against money laundering in the country. These reports are assumed to be detailed, touching almost each area that is prone to money laundering in the banking sector. As a monitoring and evaluation device, report writing and workshop presentations should be a mandatory activity of banks in the country. Dissemination of the findings may in a way help to bring seriousness not only in the financial sectors but also within the general public about fighting against money laundering.

Table 4.19. ML: Does Your Bank Prepare Annual Report on Money Laundering

	Frequency	**Percent**
Yes	11	37
No	14	47
Not sure	5	17
Total	**30**	**100**

Source: Field Data

Results presented in table 4.19 shows whether banks prepare annual reports about their processes of fighting against money laundering. These results show that about 37 percent of the respondents said that their banks prepare annual reports about money laundering. In addition 47 percent said that their banks never prepare annual reports on money laundering activities. A minutest of 5 percent claimed that they were not sure whether reports about money laundering are being prepared or not. This however could be that these reports have in most cases been made so confidential by the banking authorities

It has been that, the problems associated with money laundering call for both national and international responses that are appropriate to the financial and economic realities of each country and region. There have, however, been many diversified responses to the threat of money laundering initially directed to anti narcotic trade. However, after the September 11, 2001 terrorist attack in New York, the fight against the vice has been intensified globally (Mullei K 2002).

The intensified fight against money laundering in the world goes hand in hand with the production of report and seminar dissemination of findings that related to money laundering. Together with the production of reports, the financial task force has to be in place as well.

4.4 Section C: Effectiveness and Challenges of Anti Money Laundering Regulations

This section presents the findings on the effectiveness and challenges of anti money laundering regulations among the financial institutions surveyed. This gives us a general reflection of the same in Tanzania. Issues investigated include, adherence to BFIA regulations, awareness of the AMLRs among the respondents, role of BOT in ensuring effectiveness of AMLRs, legal measures against culprits, information access, role of FIU, challenges as well as mechanisms to curb ML among financial institutions.

4.4.1 Own Opinions as Regards to Bank's Adherence to Anti Money Laundering

Table 4.20 provides results showing peoples opinion on how banks adhere to anti money laundering regulations in the country. Results shows that most people reached by the survey i.e. about 90 percent comply with the assertion that banks comply with Anti Money laundering regulations. Only few people denied about compliance by banks of anti money laundering activities.

Table 4.20. In Your Own Opinion, Does Your Bank Adhere To Anti Money Laundering Regulations?

	Frequency	Percent
Yes	27	90
No	3	10
Total	**30**	**100**

Source: Field Data

Tanzania has many regulations of fighting money laundering. Despite the fact that there are many laws and regulations, the aim has always been one, that of stopping money laundering in the country. Among the laws and regulations that have been operational since their enactment include The Anti Money laundering act, Cap 423 of 2006 which is operational in Tanzania Mainland and The Anti Money laundering Proceeds of crime Act, No. 10 of 2009 for Zanzibar, other regulations include: The Anti Money laundering regulations 2007 with its related legislation such as: Proceeds of Crime Act 1999, Prevention of Terrorism Act 2002, etc. Additionally, the Financial Intelligence Unit (FIU) was then established by the Anti Money laundering Act Cap. 423 of 2006. This body is and Extra- Ministerial Department under the Ministry of Finance and Economic Affairs. It became operational in the year 2007.

4.4.2 Awareness on Anti Money Laundering Regulations

Awareness as regards to money laundering is important in fighting against the said crime in any country or institution. Table 4.21 Shows responses as regards to the level of awareness on Anti Money Laundering. It can be concluded from the findings that 60 percent have average awareness that there is something like anti money laundering activities.

However 17 percent are more aware about anti money laundering activities and regulations. It is also a fact that in general there is 24 percent that reflect people who have very minute awareness on anti money laundering regulations. Additionally it may be that to the general public they might not be aware of any anti money laundering regulations, posing a threat for the problem to have a multiplied effect economically.

Table 4.21. What is Your Level of Awareness on AML Regulations?

	Frequency	Percent
Little aware	2	7
Moderately aware	5	17
Aware	**18**	**60**
Very aware	5	17
Total	30	100

Source: Field Data

More discussion regarding the observed data is that, there is a need for great concern about dealing with money laundering in the banking sector and to the general public. This could only be a success if and only if there is increase awareness to the people about regulations and the key regulators that deal with anti money laundering in the couture. Currently there are more than ten anti money laundering regulators in the country with the Central Bank (Bank of Tanzania) as the main regulator.

Lack of awareness about regulations of Anti Money Laundering in the country is a function of many factors. Simply one can argue that money laundering in the country is not a rampant problem to the extent that people could bother themselves about regulations against money laundering. This on one way could be a reason but it is weak in itself. There are other factors like information bias whereby it has been found that for developing economies in Sub – Saharan Africa, information is only available in towns and important economically cities. With this it could be seen that only those residing on these major cities can be aware about issues of anti money laundering regulations. These residing far apart can hardly understand these issues.

Failure to understand anti money laundering regulations and main regulators can lead to complexity of the problem. This means that even the funds allocated to be used for the purpose of general public can be easily diverted. Every year the Controller and Auditor-General (CAG) issues the Annual Audit Report of Expenditure of Government Finances.

The report for 1998/1999 and 1999/2000 show a trend of increased unauthorized expenditure. This means that payments were made from project accounts earmarked for special objectives as loans or advances and the money was used for purposes other than those originally intended. The funds were never repaid into the relevant creditor accounts. In other words, public funds were diverted from legitimate use (Bagenda, 2003).

4.4.3 Commercial Bank's Linkage with Bank of Tanzania in Ensuring Adherence to Anti Money Laundering Regulations

Commercial bank's linkage with the central bank in ensuring adherence to anti money laundering is of crucial importance. Table 4.22 has been designed to show responses on the level of linkage between commercial banks with the bank of Tanzania in ensuring adherence to ant money laundering. Results show that on average i.e. about 50 percent banks do link effectively with the central bank in ensuring adherence to anti money laundering.

According to the statistics, this trend is not bad but not sufficient effectively to conclude that anti money laundering might be banned soon. Central Bank’s regulations in fighting money laundering are very clear. In this way, the commercial banks being regulated by the central bank are obliged to follow these regulations. Close scrutinisation has to be established to enable the Central Bank understanding why there is no close linkage between it and other commercial banks in fighting this vice.

Table 4.22. Comment on Your Bank's Linkage with BoT in Ensuring Adherence to AML Regulations

	Frequency	Percent
Little effective	3	10
Moderately effective	12	40
Effective	**10**	**33**
Very effective	**5**	**17**
Total	**30**	**100**

Source: Field Data

Experiences in Eritrea tells us that reasonable measures were put in place to obtain information about the true identity of customers so as to ensure legitimate financial activities. In addition, there is a Financial Intelligence Unit as for the case of Tanzania which receives and analyzes unusual or suspicious transaction reports, this is in accordance with the Central Bank of Eritrea regulations (BOT, 2006). The information thus received enables courts to order seriously freezing of financial assets and other economic resources under the transitional Penal Code (Mullei, K 2002).

It is therefore the duty of financial institutions to retain customer information and transaction records for a specified time for future reference. In this transaction record, names and full details of incoming and outgoing funds transfers are registered. However in ensuring that money laundering is made a history in Eritrea, Central Bank has established anti-money laundering (AML) training programs but still needs more technical assistance. In the mean time however, it is under way on developing anti money laundering (AML) policies (Mullei K 2002).

4.4.4 Comment on Adherence of Anti-Money Laundering Regulations in Tanzania

Policy makers need to have knowledge of the ways in which money laundering is carried out and the extent to which it occurs. This looks on adherence of Anti Money Laundering regulations in Tanzania. It has been that the prevailing economic and operational processes and the environmental system in which the different types of money laundering occur are complex. The main reason for the complexity is related to the internal and external environments and their distributional impact on the problem of money laundering. There are two main types of money laundering i.e. money laundering in the internal environment and money laundering in the external environment.

Again table 4.23 presents the results showing opinions on adherence of Anti Money laundering regulations. Results shows that most people, about 73 percent said that there is adherence to anti-money laundering regulations in Tanzania. Regulations are normally set by the Central Bank and or the Financial Intelligence Unit (FIU) and have to be adhered by these other commercial banks. Tanzania has a number of laws and regulations that guide banks and general public on how to deal with the vice of money laundering in the country. However Tanzania has a special unit, the Financial Intelligence Unit (FIU) which operates under the Ministry of Finance (MoFEAs).

Table 4.23. In Your Own Opinion Comment on Adherence of Anti-Money Laundering Regulations in Tanzania

	Frequency	Percent
Little low	8	27
Moderately high	**16**	**53**
High	**6**	**20**
Total	**30**	**100**

Source: Field Data

Failure to adherence to the laws and regulations in fighting money laundering would cause many problems especially in the regulation of the financial system in the country. Currently there are traditional methods of money laundering which are based on the use of businesses. However failure to fight against this problem would be an advantage to criminals to innovate new methods so as to exploit weaknesses in the financial system and to try to keep ahead of investigators. There are however new development that are preferred by people that practice money laundering, this include the use of real estates, loans and trade based money laundering are mostly preferred to launder the proceeds of crime and tax fraud.

4.4.5 Measures Against Money Laundering Culprits in Your Bank

The law defines a culprit as a person who is responsible for a crime or other kind of misdeed. Unless one is proven guilt for the wrong act, cannot be subjected to any kind of punishment. When a person is caught to have practicing money laundering, it is required by law to follow criminal procedures to subject the person to the authorities responsible for further legal actions.

Table 4.24 shows measures taken against money laundering culprits in respective banks. About 33 percent confirm that when the culprit is identified, measures such as freezing the accounts and reporting the suspects to the Financial Intelligence Unit (FIU) are normally taken. Additionally, statistics from the table shows that about 57 percent of the culprits are reported to the Financial Intelligence Unit (FIU) and other legal organs such as the court.

Table 4.24. Measures Against Money Laundering Culprits in Your Bank

	Frequency	Percent
Arresting and prosecuting suspects	1	3
Freeze accounts	1	3
Freeze accounts and Report suspects to FIU and other legal organs	**10**	**33**
Report suspects to FIU and other legal organs	**17**	**57**
Report suspects to FIU and other legal organs and forced into bankruptcy	1	3
Total	**30**	**100**

Source: Field Data

Looking diligently at the table, we can see that other measures such as arresting and prosecuting the suspects attained very low scores. This is an indication that although under criminal procedures they have to be carried out, they are not actually consulted more often. Failure to actively take actions to culprits has been attributed to a number of reasons one of them being corruption and bribery.

Authorities concerned should make sure that the culprits are taken to where they are supposed to be as per what crime they have committed. It has been observed that currently in Tanzania, the government has been serious to toke into the court some of the leaders and civil servant who seemed to use public funds not in accordance to how it was supposed to be used during their terms in office. However some people and analysts see this as an external influence whereby the country now is forced to take these people to court after international community interfered to make audit of one of the accounts of the Bank of Tanzania-the External Payment Arrears (EPA).

4.4.6 Effects of Not Adhering to Anti Money Laundering

In a broad sense, regulation refers to an administrative legislation that constitutes rights and allocates responsibilities. It can be distinguished from primary legislation (by Parliament or elected legislative body) on the one hand and judge-made law on the other.

Regulation can take many forms such as legal restrictions promulgated by the government authority, self regulation by an industry such as through a trade union or trade association, social regulation e.g. norms. One can consider regulation as actions of conduct imposing sanctions such as a fine/fee to the extent permitted by the law of the land. This action of administrative law, or implementing regulatory law, may be contrasted with statutory or case law.

Table 4.25. Effects of Not Adhering to AML Regulations

	F	%
Loss of business license, and Decline in bank's reputation and trust	2	7
Macroeconomic instabilities, and Decline in bank's reputation and trust	4	13
Macroeconomic instabilities, increased corruption, and Decline in bank's reputation and trust	4	13
Macroeconomic instabilities, increased corruption, and inefficiency in financial system	2	7
Macroeconomic instabilities, increased corruption, inefficiency in financial system and Decline in bank's reputation and trust.	1	3
Macroeconomic instabilities, Loss of business license and inefficiency in financial system	3	10
Penalties and Loss of business license and Inefficiency in the financial system	9	30
Penalties, Loss of business license and Decline in bank's reputation and trust	6	20
Total	**30**	**100**

Source: Field Data

In this section we are observing the effects that may happen as the failure to adhering to anti money laundering regulations. Table 4.25 shows that there are sanctions such as penalties and loss of business license and inefficiency in the financial system (30 percent). In addition about 20 percent said that failure to comply with anti money laundering activities could lead to penalties, loss of business license and Decline in bank's reputation and trust.

Moreover, others about 13 percent argued that Macroeconomic instabilities, increased corruption, and Decline in bank's reputation and trust so some of the possible effects of failure to adhere to anti money laundering activities. One can conclude that failure to adhere to anti money laundering activities can further lead to macroeconomic instabilities in the country sometimes collapse of giant stable banks due to what they call financial panic brought about by money laundering activities. In addition immoral acts that tend to ruin the world can have its roots in the country if and only if there is no strict adherence to anti money laundering.

In the wake of 11 September 2001, *The Wall Street Journal* reported that Osama bin Laden loyalists were buying Tanzanite in Tanzania, smuggling it out and selling it to finance the Al-Qaeda organization. Al Qaeda has been linked to terrorist acts in various parts of the world, including Tanzania. A US State Department spokesman observed that there was no evidence at the time that any terrorist organization was using Tanzanite to finance terrorism, but he said that Al-Qaeda had undoubtedly previously sold Tanzanite to finance its operations (Bagenda 2002).

4.4.7 Does the Financial Institutions Act Sufficiently Address the Issue of Money Laundering Problem?

The United Republic of Tanzania enacted the Banking and Financial Institution act in 2006. Banking and Financial Institution Act (BFIA, 2006), (Cap 342), emanated from the Banking and Financial Institutions Act, 1991 which was repealed and replaced by BFIA, 2006. BFIA, 2006 consolidates the law relating to business of banking, to harmonize the operations of all financial institutions in Tanzania, to foster sound banking activities, to regulate credit operations and provide for other matters incidental to or connected with those purposes.

The Act is to provide for comprehensive regulation of banks and financial institutions; to provide for regulations 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, to provide for repeal of the Banking and Financial Institutions Act, (Cap. 342) and to provide for other related matters.

Table 4.26. Shows the extents to which financial institution act sufficiently address the issue of money laundering. Results have been that 63 percent of all the people said that financial institutions' act does not address sufficiently the issue of money laundering in the country.

Table 4.26. Does the FIs Act Sufficiently Address the Issue of Money Laundering?

	Frequency	**Percent**
Yes	11	37
No	19	63
Total	**30**	**100**

Source: Field Data

Although the monetary authorities have succeeded in enacting the new Banking and Financial Institution act in 2006, the responses from the general public has been that, the new act does not sufficiently present well the issue/problem of money laundering. The act itself has been concentrating on issues such as licensing, ownership and structure of banks and financial institutions, capital reserves and accounts, activities and investments, supervision, coordination and control with very little attention to anti money laundering. This is a very weak attribute of the financial institution act posing a higher possibility of failure in fighting against money laundering. Close attention has to be given during construction of such laws and regulation by considering key attributes that need close supervision and follow ups such as money laundering.

Under the same sort of thinking, Table 4.27 comes with explanations of those who think that the financial institution act present well the issue of money laundering. It could be seen that over 19 percent of all those who say yes, claimed that financial institution act of 2006 had put much emphasis on policy base for anti money laundering strategies. In addition about 17 percent claimed that financial institution act of 2006 is well equipped with necessary guidelines that can be used as a tool for anti money laundering device. However greater percent of people i.e. about 63 percent still see that there are weaknesses in the financial institution act.

Table 4.27. Does the FIs Act Sufficiently Address the Issue of ML? If Yes, Explain

	Frequency	Percent
N/A	19	63
Provides policy base for AML strategies	6	20
Well equipped with necessary guidelines	5	17
Total	**30**	**100**

Source: Field Data

It is also necessary to look at the ideas given by those who think that financial institutions act does not well reflect realities about money laundering problems in the country. Table 4.28 helps to shows us the path whereby 33 percent of those who support the argument about poor reflection of financial institutions act put much emphasis on the loopholes of the act itself. The law implicitly state about misconduct of conducting money laundering but no emphasis or commitment of banning this problem at all. In addition about 23 percent of the respondent said that the country is black listed.

This could however raise a lot of discussions. A country that is blacklisted reflects to be untrustworthy for any kind of assistance. This could be a bad repercussion for a country. Blacklisted for a country like Tanzania can only happen following bad experiences we had of crimes that happened in the country in one of our central Bank’s account. As an advice to the country when it passes polices acts, laws and regulations more emphasis should be considered in addressing the issue of money laundering in the country.

Table 4.28. Does the FIs Act Sufficiently Address the Issue of ML? If No, Explain

	Frequency	**Percent**
N/A	11	37
Has many loopholes	2	7
Not specialized to fight ML	10	33
Tanzania is black listed	7	23
Total	**30**	**100**

Source: Field Data

4.4.8 Accessibility of ML Information Among Financial Institutions

The term information access is used to describe an area of research at the intersection of informatics, information science, information security, language technology, computer science, and library science. Technologies used in enhancing information access include, information retrieval, text mining, machine translation, and text categorization. In discussions on free access to information and on information policy, information access is understood as concerning ensuring free and closed access to information. Information access covers many issues such as copyright, open source, privacy, and security.

Table 4.29 shows the situation of information access among the surveyed financial institutions in regard to money laundering. The table shows that many respondents about 67 percent have access to ML information. The study recommends all the financial institutions to build capacity in the principles of Know Your Customer, KYC, Continuous Improvement Process, CIP and Bank Secrecy Acts, BSA. This would help reduce ML due to easy access to information. In addition, these methods increase the bank's ability to reduce manual exceptions, clearly understand risk in your customer base and they are powerful solutions for enhanced due diligence that help identify priority of those risks.

Table 4.29. Accessibility of ML Information Among Financial Institutions

	Frequency	**Percent**
Little accessible	4	13
Moderately accessible	6	20
Accessible	14	47
Very accessible	6	20
Total	**30**	**100**

Source: Field Data

4.4.9 Level of FIs linkage with FIU

The AML Act 2006 proposed the established Financial Intelligence Unit. The Financial Intelligence Unit, FIU, is an Extra Ministerial Department under the Ministry of Finance as established in July 2007. The FIU is responsible for receiving, analyzing and disseminating suspicious transaction reports and other information regarding potential money laundering or terrorist financing received from the reporting persons and other sources from within and outside the United Republic.

The financial institutions in the country are supposed to stay strongly linked to the FIU (MoFEA, 2007).This is because; the FIs are major sources of information on suspicious transactions that have money laundering signals. The extent to which the FIs are linked to the FIU is a function of the functionality of the FIU itself, the level and frequency of communication between the FIU and the banks as well as the integrity of both the FIS and the FIU.

Table 4.30 shows the level of linkage between the FIs in Tanzania and the FIU as commented by the respondents in the survey. Many respondents about 54 percent said that there is a good/strong link between the FIs and the FIU. This is very good compared to previous years where the FIs were not connected to specific AML body (BOT, 2008).

The existing strong linkage is a result of the immediate establishment of the FIU as per the 2006 AML Act. The Act has been a watchdog on the FIs in terms of mobilizing information from the FIs on suspicious transaction that signal money laundering. The FIs have also been good sources of information to the FIU and have had a continued cooperation the war wedged against money laundering. The close operations between financial institutions and the FIU have improved the linkage between them and increased efficiency in the fight against ML (MoFEAs, 2009).

Table 4.30. Comment on the Level of Linkage with FIU

	Frequency	Percent
Little linkage	2	7
Moderately linkage	12	40
Linked	11	37
Greatly linked	5	17
Total	**30**	**100**

Source: Field Data

The laws and regulations as enshrined in the AML Act, 2006 give opportunity for banks and the organ to work closely. In addition, the institutional frameworks available have enhance the strong linkage existing. The Bank of Tanzania, the Ministry of Finance, and all Banks are all geared towards implementation of the AML Act and thus the performance of the FIU. Such good institutional linkages help a lot in implementation of government policies and laws (Semboja, 2008). The AML act will continue to make an impact in the financial systems and ensure good results in the fight against money laundering. Further, close linkages reduce possibilities of corrupt acts by the officers of the concerned authorities.

The national policy through the Ant Money Laundering Directorate of the Bank of Tanzania has put in place guidelines related to verification of customers' identities, suspicious transaction reporting and instructions for completing and submitting suspicious transactions reports (BOT, DBS Annual report, 2008). Moreover, the directorate organizes sensitization workshops for stakeholders organized by FIU for reporting entities and law enforcement agencies as well as sensitization workshop for Government and private sector officials on implementation of the Anti-Money Laundering Act 2006. All these activities have contributed to the strong linkage between the FIs and the FIU since they are well coordinated as the key stakeholders.

Therefore, the BOT and the ministry of Finance should utilize the existing strong linkage with the FIs to improve on the fight against ML. The BOT can come up with the most viable plans and strategies to fight money Laundering, utilizing the empowerment enshrined in the reviewed AML Act of 2011. This will be very practical given the strong linkage advantage existing.

4.4.10 Challenges/Constraints in Adhering to AML Regulations in Tanzania

Adherence to AML regulation refers to the observance of the AML laws as per the Act and cooperation of the implementing institutions with the other concerned departments at BOT and the FIU.

Table 4.31 presents some of the major challenges/constraints i.e., problems and limitations which may inhibit effective adherence of AML regulations among financial institutions in Tanzania. These include policy, laws and regulations, institutional frameworks, human resources, capital equipment, machinery and technology, financial resources and social cultural tribe problems.

Table 4.3.12 shows that very few respondents about 27 and 23 percent identified policy, laws and regulations and human resources capacity as the major constraint affecting adherence to AML regulations. On the other hand about 56 and 70 percent said that capital, machinery and technology, cultural problems and financial resources are not the major challenges constraining adherence to AML regulations.

There are no significant problems affecting adherence of AML regulations among financial institutions in Tanzania because of many explanations. Firstly, the government through the MoFEAs has close legal and institutional concerns in the fight against ML. Initiatives started with the establishment of the AML department at the BOT, the AML Act of 2006 and the establishment of the Financial Intelligence Unit. In addition the BOT demands all banks to have specialized department in AML. However, the central bank does not regulate the recruitment of the personnel working in those departments.

Table 4.31. Challenges/Constraints in Adhering to AML Regulations

Ranks	**Policy, laws and regulations**	**Institutional framework**	**Human resources**	**Capital equipment, machinery & technology**	**Financial resources**	**Social cultural problems**
	%	%	%	%	%	%
Not serious	7	3	3	3	17	43
Little serious	23	23	37	53	53	30
Moderate serious	43	60	37	27	13	27
Serious	17	13	20	13	13	0
Very serious	10	0	3	3	3	0
Total	**100**	**100**	**100**	**100**	**100**	**100**

Source: Field Data

The existence of little problems in the human resources and laws, regulations and policies come from implementation problems as well as lightly unsustainable strategies in place. In addition, the financial institutions have been using the same labour force in the other departments to be in the AML departments and lack of smart recruitment processes (BOT, annual report 2008). All these weaknesses have affect the effectiveness of the financial institutions and the other coordinating institutions i.e. the FIU, MoFEAs and the AML department at the central bank.

The impact of inefficiency in policy, laws and regulations at implementation stage and in human resources recruitment and development are both short run and long term. In the long run, ML may intensify and reach the past levels since the system will continue being weakened by these inefficiencies. Also, ineffectiveness in implementation leads to waste of resources that have being dedicated in fighting ML.

Therefore, the study recommends the need to strengthen more and improve on the strategies designed to implement the existing laws and regulations, and policies. Also, the financial institutions as well as the supervisory bodies should play role in promoting human resources development among financial institutions. This should be through recruiting experienced and qualified personnel to work in the AML departments as well as conduct frequent trainings on changes taking place in the money laundering techniques.

4.3.11. Mechanisms of the Bank of Tanzania to curb Money Laundering among Financial Institutions

The bank of Tanzania, BOT is required to have mechanisms to help the FIs institutions combat money laundering. The aim is to have effective controls and organization to ensure that financial institutions restrain and manage money laundering. Examples of the mechanisms that can be pursued by the BOT is to promote the Know-Your-Customer (KYC) norms, continuous, training of all relevant staff members and good reporting procedures to safeguard the organization from the dangers of Money Laundering.

In regard to compliance to the AML laws and regulations the mechanisms should include; [1] Strict adherence to Know Your Customer norms and Verification Procedures and regulations, [2] Ensure implementation of systems for effective tracking, monitoring and reporting of suspicious transactions, [3] Organizing training programme for all relevant staff members on a continuous basis, [4] Review and appraisal of AML measures at periodic intervals, [5] Introduce new measures, withdrawal or modification of old measures wherever required, [6] Keeping updates of changes in the national and international AML regulations (United Finance Company, SAOG, 2007).

Table 4.32. BOT's mechanisms to curb ML among FIs

	Frequency	**Percent**
Continued monitoring of all FIs	3	10
Formulation of AML policies, strategies and regulations for all FIs	19	63
Technical assistance to all FIs and Continued monitoring of all FIs	8	27
Total	30	100

Source: Field Data

Table 4.32 shows the mechanisms pursued by BOT to curb money laundering among financial institutions. The table shows that many respondents about 63 percent identified formulation of AML policies, strategies and regulations as major mechanisms pursued by the BOT to curb money laundering. Very few respondents identified continued monitoring and technical assistance as the mechanisms pursued by BOT.

The formulation of AML policies, regulations and strategies mainly touch enhancing strictness in the principle of Know Your Customer, verification procedures and regulations, ensure implementation of systems for effective tracking, monitoring and reporting of suspicious transactions and organizing training programme for all relevant staff members on a continuous basis from all financial institutions in the country.

The government through the MoFEA has charged the BOT with the policy and strategic responsibility of controlling money laundering (AML Act, 2006). This explains why BOT's mechanism has mainly been on formulation of AML policies, regulations and strategies to build capacity for financial institutions and put the necessary tools of work in place.

From institutional perspective between the Ministry of finance, FIU, BOT and the FIs the BOT becomes automatically the institution charged with the policy responsibilities. Thus, the BOT by the virtue of the existing institutional frameworks needs to design policies, strategic line of activities and regulations that become its mechanisms to ensure that ML is combated among financial institutions.

The major impact of the nature of mechanisms pursued by the BOT is that the BOT becomes the centre of AML policy and strategies. The BOT may be alienated from the on ground AML practices and activities. As a result the FIs may not deliver effectively on the fight against ML simply because the BOT is not there.

Therefore, the study recommends the BOT to extend its scope of AML mechanisms by designing trainings that will directly connect the FIs AML departments and the AML department at the BOT. This could strengthen the existing linkages and increase the effectiveness of adherence of AML regulations among FIs in Tanzania.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATION

5.1. Introduction

This chapter presents the conclusion from the study. At first it gives a general conclusion basing on the theories of money laundering in relation to the study findings. Thereafter, it proceeds by highlighting the major findings from the study and the policy recommendations suggested.

5.2. General Conclusion

Money laundering is the process of converting illegal gotten- money into clean money. The study identified many types of money laundering including structuring and smuggling, real estate, cash captures etc. Other practices that instigate money laundering are drug trafficking, terrorist financing or other serious crimes (Morgan (2003).

In Tanzania, adherence and effectiveness of Anti money Laundering regulations is relatively reasonable (Survey results). The study revealed that the FIs are conversant with AML regulations and Acts and implementing them in practice. The government of Tanzania through the MoFEAs established the AML department at the BOT to strengthen the institutional capacity to fight ML. Other efforts include the write up and the pass of the AML act of 2006 and its consequent review in 2011 by the parliament. Further, in 2007, the Financial Intelligence Unit was established to work together with the AML department at BOT and the rest of FIs to fight ML.

5.3. Major Findings and Recommendations

5.3.1. Measures Taken by CRDB and NBC to Fight Money Laundering

Workers have reasonable working experience with ML issues

Many respondents about 53% of the respondents have worked for 3 to 6 years while only 3% have worked for 7 to 10 years and those who worked for above 10 years are 17%. About 60% of the respondents have 1 to 3 years of experience while only 17% have 7 to 10 years experience.

Many workers have degree level education

Many respondents about 57% of respondents have degree level of education while those with masters and post graduate account for 27%. Others about 16 percent have diploma levels education.

Respondents have varying academic backgrounds

About 47 percent of the respondents have background in commerce while about 33 percent have background in economics. The remaining 20% have backgrounds in education, sociology and other fields.

Majority of the respondents work as retail banking and risk management officers

Majority of the respondents about 74 percent of workers/respondents work as retail banking officers and risks management officers. Only 10 percent work as Money laundering officers.

5.3.2. Performance and challenges Anti Money Laundering Regulations

Banks do not often encounter money laundering incidences

Many respondents about 60 percent of the respondents revealed that their banks have not often encountered ML incidence. Also the data shows that about 16 percent have encountered ML often.

All banks have money laundering departments at the head offices

All respondents, that is, 100 percent said that their banks have AML department at the head office. This means all the banks in the survey have an AML department subject to the requirement of BOT guidelines.

Majority of the banks have AML departments/sections at their branches

Majority of the respondents about 90 percent said that their banks have AML departments/sections at their branches. Others about 30 percent have no AML department in their branches.

Occurrence of ML incidences has been increasing over years

Before 2006 the occurrence of ML was low as commented by 67 percent of the respondents. The volume increased that the percentage for low incidence kept decreasing up to 57 percent and 43 percent for 2006-2008 and 2009-2011 respectively.

Majority of the respondents are aware about Financial Intelligence Unit roles and operations

Majority of the respondents that is, 97 percent are aware of FIU, roles and operations.

There is a formal linkage between FIU and the banks' AML departments

All respondents i.e. 100 percent of the respondents have formal linkage system between their AML Departments and the FIU.

Any on spot transaction of between 50 to 100 million signal money laundering but yet it depends with the customer details present.

Majority of the respondents about 80 percent said that money transactions ranging from 50 million TZS to 100 million TZS signal money laundering. But yet it depends with the customer information details available.

Officers have undergone training on AML

Majority of the respondents about 73 percent of all the officers interviewed confessed that they have undergone various training to combat money laundering in their respective departments.

Cash intensive businesses are the lead forms of money laundering

Majority of the respondents said that cash Intensive businesses is leading in terms of money laundering activities. Others are structuring or smurfing, real estate, shell companies and trusts, casinos, as well as black salaries.

Major effects of ML are Drug trafficking, corruption, bribery, illegal arms dealings, tax evasion

Most of the said possible effects of money laundering include Drug trafficking, corruption, bribery, illegal arms dealings, tax evasion. Others are said to affect most banks directly or indirectly.

Banks have AML policies in place

Majority of the respondents about 93 percent said that their institutions have anti money laundering policies in place. Very few lacked sufficient information to comment on it.

Banks comply with BOT's AML regulations as well as pursue of cooperation with BOT in the fight against ML

Majority of the respondents about 93 percent claimed that their banks comply with BOT's regulations and pursue cooperation with BOT in fight against money laundering.

There is no certainty whether banks prepare annual budgets on ML

Few respondents about 37 percent of the respondents said that their banks prepare annual reports about money laundering. On the other hand 47 percent said that their banks never prepare annual reports on money laundering activities. Very few of them about 5 percent claimed that they were not sure whether reports on money laundering are being prepared or not.

5.3.3. Effectiveness and Challenges of Anti Money Laundering Regulations

Banks comply with AML regulations as stipulated in the BFIA of 2001 as well as the AML Act of 2006

Majority of the respondents about 90 percent said that their banks comply with comply with Anti Money laundering regulations as enshrined in the existing Acts.

In average AML bank officers are ware about AML regulations

Many respondents about 60 percent have average awareness of the existing AML regulation s in Tanzania. However 17 percent are more aware about anti money laundering activities and regulations.

In average banks have effective linkage with the BOT in ensuring adherence to AML regulations

Many respondents about 50 percent said that banks do link effectively with the central bank in ensuring adherence to anti money laundering regulations

ML culprits are reported to FIU and other legal organs

Many respondents about 57 percent said that ML culprits are reported to the Financial Intelligence Unit (FIU) and other legal organs such as the court.

Legal measures against ML culprits include penalties, and loss of business license

The data shows that there are sanctions such as penalties and loss of business license and inefficiency in the financial system (30 percent). In addition about 20 percent said that failure to comply with anti money laundering activities could lead to penalties, loss of business license and Decline in bank's reputation and trust.

The BFI Act does not sufficiently ML issues

Many respondents about 63 percent of all the people said that the banking and financial institutions Act does not address sufficiently the issue of money laundering in the country.

Banks have access to ML information

Many respondents about 67 percent have access to ML information.

In average there is a good link between FIs and the FIU

Many respondents about 54 percent said that there is a good/strong link between the FIs and the FIU. This is very good compared to previous years where the FIs were not connected to specific AML body (BOT, 2008).

Capital, machinery and technology, cultural problems and financial resources are the major constraints affecting adherence to AML regulations

Very few respondents about 27 and 23 percent identified policy, laws and regulations and human resources capacity as the major constraint affecting adherence to AML regulations. On the other hand about 56 and 70 percent said that capital, machinery and technology, cultural problems and financial resources are not the major challenges constraining adherence to AML regulations.

BOT's mechanisms to curb money laundering include of formulation of AML policies, strategies and regulations

Many respondents about 63 percent identified formulation of AML policies, strategies and regulations as major mechanisms pursued by the BOT to curb money laundering. Very few respondents identified continued monitoring and technical assistance as the mechanisms pursued by BOT.

5.4. Recommendations

Recommendations on Judicial, Laws, and regulation frameworks

Banking institutions should comply with AML Acts and its Regulations as well as issued FIU guidelines, by taking appropriate measures to make their employees aware of policies and processes put in place to detect, prevent and deter money laundering and provide employees with trainings in the recognition and handling of suspicious transactions.

Efforts to control ML activities should be improved and effectively implemented, these efforts may include adequately criminalizing terrorist financing, establishing effective CDD measures, establishing adequate record-keeping requirements, establishing a fully operational and effectively functioning Financial Intelligence Unit and designating competent authorities to ensure compliance with AML/CFT requirements.

Enforcement mechanism measures should be established to ensure FIU guidelines are complied.

Human resource related recommendations

Banking institutions should increase efforts to combat the rising ML threats. The efforts include employ or appoint more MLCO qualified staffs and have better placement schemes. In addition, Trainings about AML to other bank officers in different posts should also be efficiently emphasized and implemented.

This study therefore recommends banking institutions to adhere to the AML Acts and its Regulations as well as issued FIU guidelines, by taking appropriate measures to make their employees aware of policies and processes put in place to detect, prevent and deter money laundering and provide employees with trainings in the recognition and handling of suspicious transactions.

Recommendations on capital, equipment and technology

Banking institution should effectively use their AML departments this goes together with improving and supporting them in term of resources, equipments and well trained staffs.

Gender based recommendations

The study recommends the government to keep up front gender equity and equality in education sector. Also, the banking institutions should be gender sensitive in human resource recruitment and development. This could improve gender balances in the banking sector and reduce biasness in practice.

5.5. Areas for Further Research

The delimitations of this research study i.e. the areas where which the researcher did not investigate lay ground for further research.

The areas suggested to be investigated by other scholars with interest in Money Laundering include the following; [1] Causes of increased money laundering in the developing economies; [2] The social and economic impact of money laundering to the country; [3] the relevance of AML regulations in the Tanzania’s contexties; Economic, political and Social perspectives.

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APPENDIX

Questionnaire to Staff of CRDB, NBC, ACB and NMB

A. What measures have been taken by CRDB, NBC, ACB and NMB to fight money laundering?

1. What is your level of education?
   a) Diploma
   b) Advanced Diploma
   c) Degree
   d) Masters or above

2. Does your bank/every branch host department specialized in anti money laundering?

   Yes……………No……………

3. Have you undertaken any training courses with regard to money laundering issues? a) Yes b) No

4. In your opinion, does your bank adhere to anti-money laundering regulations as stipulated in the Banking and Financial Institutions Act (BFIA) of 2001? a) Yes b) No

Please explain

___

B. What are the challenges faced by CRDB, NBC, ACB and NMB in fighting money laundering?

1. What are the challenges faced by your bank in supervising adherence to anti-money Laundering regulations among financial institutions in Tanzania?

____

____

____

C. How effective are the anti-money laundering regulations in Tanzania

1. What nature/forms of money laundering has your institution faced often?

i. Structuring/ smurfing. Yes….No….

ii. Bulk cash smuggling: Yes….No….

iii. Cash-intensive businesses: Yes….No….

iv. Trade-based laundering: Yes….No….

v. Shell companies and trusts: Yes….No….

vi. Bank capture: Yes….No….

vii. Casinos Yes….No….

viii. Real estate: Yes….No….

ix. Black salaries: Yes….No….

2. How often does your bank encounter money laundering incidences? Rank in a five point scale.

Not often	Little often	Moderately often	Often	Very often
1	2	3	4	5

2. What is your level of awareness on anti-money laundering regulations? Rank on five point scale.

Not aware	little aware	moderately aware	Aware	very aware
1	2	3	4	5

3. How effective is BOT in supervising adherence to anti-money laundering regulations among financial institutions in Tanzania? Rank in five point scale.

Not effective	little effective	Moderately effective	Effective	Very effective
1	2	3	4	5

4. What is the level of adherence to anti-money laundering regulations among financial Institutions in Tanzania? Rank in five point scale.

Very low	Little low	Moderately high	High	Very high
1	2	3	4	5

5. What are the effects of not adhering to anti-money laundering regulations among financial institutions in Tanzania?

____

____

6. In your opinion does the Banking and Financial Institutions Act (BFIA) sufficiently address the issue of money laundering in financial institutions? a) Yes b) No

Please explain,

____

____

7. Incidences of money laundering in your bank. Please tick where appropriate.

Particulars	**Yes**	**No**	**Not sure**
Do incidences of money laundering occur at your bank?			
Does money laundering have any effects on your bank?			
Does your bank have any policy on controlling money laundering?			
Does your bank train employers on money laundering issues?			
Does your bank cooperate with BOT to fight money laundering?			
Does your bank prepare an annual report on money laundering?			

D. Policy recommendations

1. In your opinion, what should be done to improve adherence of financial institutions to anti-money laundering regulations and reduce money laundering?

   ____

   ____

2. What do you recommend as measures to improve effectiveness of the anti-money laundering among financial institutions in Tanzania?

   ____

*******************END*******************