



# **SECTORAL REPORT**

**MONEY LAUNDERING, TERRORISM FINANCING, AND  
PROLIFERATION FINANCING RISK ASSESSMENT FOR THE  
SECURITIES SECTOR IN ZIMBABWE (2024-2025 VERSION)**

**2025**

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## LIST OF KEY ABBREVIATIONS

<b>AML/CFT/CPF</b>	Anti-Money Laundering, Combating Terrorism and Proliferation Financing
<b>BO</b>	Beneficial Ownership
<b>CDD</b>	Customer Due Diligence
<b>CFD</b>	Contract for Difference
<b>CIS</b>	Collective Investment Schemes
<b>CISNA</b>	SADC Committee of Insurance, Securities and Non-Banking Financial Authorities
<b>CSD</b>	Central Securities Depository
<b>CTR</b>	Cash Transaction Report
<b>ETF</b>	Exchange-Traded Fund
<b>ESAAMLG</b>	Eastern and Southern Anti-Money Laundering Group
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial Intelligence Unit
<b>FINSEC</b>	Financial Securities Exchange
<b>IMF</b>	International Monetary Fund
<b>IOSCO</b>	International Organization of Securities Commissions
<b>KYC</b>	Know Your Customer
<b>ML/TF/PF</b>	Money Laundering, Terrorism Financing and Proliferation Financing
<b>MLPCA</b>	Money Laundering and Proceeds of Crime Act
<b>NGO</b>	Non-Governmental Organization
<b>NRA</b>	National Risk Assessment
<b>RBA</b>	Risk-Based Approach
<b>SECZim</b>	Securities and Exchange Commission of Zimbabwe
<b>SRA</b>	Sectoral Risk Assessment
<b>STR</b>	Suspicious Transaction Report
<b>TFS</b>	Targeted Financial Sanctions
<b>UN</b>	United Nations
<b>UNCSR</b>	United Nations Security Council Resolutions
<b>USD</b>	United States Dollar
<b>USSD</b>	Unstructured Supplementary Service Data
<b>VFEX</b>	Victoria Falls Stock Exchange
<b>ZIG</b>	Zimbabwe Gold (Currency)

## EXECUTIVE SUMMARY

The Securities Sector Risk Assessment of 2024/2025 provides a comprehensive evaluation of vulnerabilities to money laundering (ML), terrorism financing (TF), and proliferation financing (PF) risks within Zimbabwe's securities sector. The number of licensed persons in the sector increased from 118 to 133 (12.7%) between 2021 and 2024.

The risk assessment findings indicated that the residual ML risk for the securities sector is rated as **medium (0.40)**, showing an improvement from **medium (0.41)** reported in the previous assessment of 2021. The risk levels vary across subsectors, with asset managers, custodians, transfer secretaries, and infrastructures rated **medium**, while securities dealing firms, trustees and investment advisors demonstrate a lower risk exposure. The assessment also found that TF and PF risks remained **low**. Products, such as Contracts for Difference (CFDs), present heightened vulnerabilities due to their complexity and cross-border characteristics, warranting closer regulatory attention. Virtual assets and other new products were not considered in this risk assessment.

The securities sector remains exposed to a range of ML/TF/PF risk indicators, including unusual transaction patterns, rapid fund movements, structuring, complex financial transactions, and engagement with high-risk customers such as politically exposed persons (PEPs). Additionally, the potential for market abuse, including insider trading, market manipulation, and unauthorized pooling, poses further risks. Compliance deficiencies remain a concern, with gaps identified in transaction monitoring, CDD/KYC procedures, and the reporting of suspicious transactions.

To address these challenges, the Commission is strengthening its supervisory framework through a risk-based approach, ensuring that higher-risk firms receive increased regulatory engagement. Thematic reviews, targeted workshops, and sector-specific guidance will be introduced to enhance compliance standards. Key areas of focus include improving transaction monitoring systems, reporting of suspicious transactions, enhancing due diligence on high-risk clients, and ensuring robust implementation of AML/CFT/CPF controls across all subsectors.

Further strategic measures are required to reinforce risk mitigation efforts. These include increasing the number of AML/CFT/CPF supervisory staff, developing detailed subsector-specific AML/CFT/CPF guidelines, and conducting targeted onsite examinations for collective investment schemes, trustees, CSDs, advisors, and transfer secretaries as these subsectors were not considered previously. Strengthening suspicious transaction reporting mechanisms and establishing an emerging risk bulletin are also critical components of the broader strategy to enhance the sector's resilience against financial crimes.

This assessment underscores the importance of continued vigilance, regulatory enforcement, and industry collaboration in mitigating financial crime risks. The Commission remains committed to fostering a secure and transparent securities sector that aligns with international best practices and regulatory standards. The Commission will be observing heightened risks from new products and continue to work in various regional and international committees such as the ESAAMLG, IOSCO AML network and CISNA AML/CFT/CPF Working Group among others.

## SECTION 1: OVERVIEW OF THE SECURITIES SECTOR, RBA AND PROCESS FOR SRA

### 1.1. INTRODUCTION AND OVERVIEW

The securities sector is regulated and supervised by the Securities and Exchange Commission (SECZim). The sector is made up of different subsectors which include securities exchanges, central securities depositories (CSDs), securities dealing firms (and individual dealers), securities investment management companies, securities transfer secretaries, securities custodians, securities trustees, securities advisors, and collective investment schemes.

The Commission licenses, regulates, monitors and supervises the conduct of business activities in the sector. It is also the AML/CFT/CPF supervisor of the sector. Table 1 shows the licensed persons as at 31 December 2024 compared to same period in 2021.

**Table 1: Number of licensed institutions as at 31 December 2024**

SUB-SECTORS		Number of licensed persons in the subsector as at 31 December 2021	Number of licensed persons in the subsector as at 31 December 2024
1	Securities Investment Managers	25	34
2	Securities Custodians	5	6
3	Securities Trustees	4	7
4	Securities Dealing Firms	20	22
5	Securities Investment Advisors	56	55
6	Securities Transfer Securities	3	3
7	Exchanges and CSDs	5	6
Total		118	133

The total number of licensed persons increased by 15 between the two periods across the subsectors which translate to a 12.7% increase.

The term “securities” is broadly defined by FATF as including, for instance:

- (a) transferable securities, including equities and bonds or similar debt instruments;
- (b) money-market instruments;
- (c) investment funds, including units in collective investment undertakings;
- (d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields or other derivatives instruments, financial indices or financial measures, which may be settled physically or in cash;
- (e) options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash;

- (f) derivative instruments for the transfer of credit risk;
- (g) financial contracts for differences; and
- (h) options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that are settled in cash, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this section, which have the characteristics of other derivative financial instruments.

The Securities and Exchange Act [Chapter 24:25] defines a “security” to include share or stock, debt, depositary receipt, future, contract for differences, and any other instrument that can be declared by the Minister in terms of the Act.

Securities providers (services and activities) referred to as licensed persons in Zimbabwe Capital Market are any natural or legal persons who are or are required to be licensed or registered by the Commission, to provide securities products and services as a business. The Securities and Exchange Act outlines licensable activities in the country’s capital market.

The FATF Glossary defines a “financial institution” to include trading in transferable securities; commodity futures trading, participation in securities issues and the provision of financial services related to such issues, individual and collective portfolio management, safekeeping and administration of cash or liquid securities on behalf of other persons, otherwise investing, administering or managing funds or money on behalf of other persons.

The securities sector, along with banking, insurance and pensions sector, is one of the primary sectors through which individuals and corporations can access the financial system. This access for investment purposes also provides opportunities for criminals to misuse the financial system to engage in financial crimes which include ML/TF/PF. The securities sector evolves rapidly and is global in nature. It provides opportunities to quickly carry out transactions across borders with a relative degree of anonymity.

Market abuse typologies describe a wide range of unlawful behaviour in the securities sector including market manipulation, wash trading, insider trading, misappropriation, layering, unauthorized pooling, spoofing, and front running. The typologies also captures high level of activities of unregistered and unlicensed players such as pyramid schemes.

Market abuse risk is relevant in the ML/TF/PF context for two principal reasons. Firstly, some forms of market abuse may constitute predicate offences for ML under applicable national laws. Secondly, certain controls which licensed persons may be required to implement to comply with market abuse laws, particularly the surveillance of trading activity, may also be of use in monitoring for suspicious activity for ML/TF/PF purposes.

In addition to criminal proceeds originating from predicate offences as identified by the national risk assessment, that is, corruption, fraud, smuggling, illegal dealing in gold, tax invasion and drug trafficking, criminal proceeds from the sector may also originate from insider trading, market manipulation and securities fraud.

The Securities and Exchange Commission of Zimbabwe, as the competent supervisory authority, continues implementation and enforcement of legal, and regulatory frameworks to ensure the prevention, detection and deterrent of financial crimes, including ML/TF/PF, in the country's capital markets. The Commission is also working to strengthen the capabilities of resources dedicated to these efforts and improve their effectiveness by implementing internationally accepted AML/CFT/CPF standards recommended and promoted by the FATF, ESAAMLG, and other FSRBs, as well as the United Nations, World Bank, and International Monetary Fund (IMF).

The Commission will continue to improve its understanding of the risks in the sector. This is achievable through Sectoral Risk Assessment (SRA). SRA is dynamic, provides risk indicators, trends and emerging risks are identified through monitoring tools and the use of updated ML/TF/PF data collected by the sector. This is the third SRA, and the Commission will continue updating, expanding substantially on the analysis of sectoral vulnerabilities provided in the 2024-2025 update to the National Risk Assessment (NRA).

The SRA enables the Commission to understand how, and to what extent, the sector is vulnerable to ML/TF/PF and form the basis of 2025-2026 risk-based supervisory approach. It considered quantitative and qualitative information obtained from relevant internal and external sources to identify, manage and mitigate the risks. In identifying and assessing indicators of ML/TF/PF risk to which the sector is exposed, the Commission considered a range of factors including the nature, diversity and complexity of securities business, products and target markets; the proportion of customers identified as high risk; the jurisdictions in which the licensed persons are otherwise exposed to; the distribution channels; the internal and external control functions; and volume and size of transactions.

The residual ML risk of the Securities Sector was rated **Medium**. Most of the products were also rated **Medium** with newly introduced Contract for Differences posing a **High** risk. In terms of the subsectors, asset managers, transfer secretaries, custodians, and market infrastructures were rated **Medium** whilst dealers, advisors and trustees were rated **Low**. TF and PF risks were rated **Low**. The securities sector presented different control levels across the subsectors. Table 2 summarise the securities sector 2024/2025 risk assessment results and table 3 is the risk matrix for the same.



**Table 2: Residual risk for the securities sector for the year ended 31 December 2024**

CATEGORY	RATING	SCORE	WEIGHTING	OVERALL
Securities Investment Managers	MEDIUM	0.43	0.13	0.06
Securities Custodians	MEDIUM	0.43	0.13	0.06
Securities Transfer Secretaries	MEDIUM	0.42	0.13	0.05
Securities Exchanges	MEDIUM	0.41	0.13	0.05
Central Securities Depositories	MEDIUM	0.41	0.13	0.05
Securities Trustees	Low	0.39	0.12	0.05
Securities Dealing Firms	LOW	0.38	0.12	0.04
Securities Investment Advisors	LOW	0.37	0.11	0.04
<b>OVERALL</b>	<b>MEDIUM</b>		<b>1.00</b>	<b>0.40</b>

**Table 3: Risk Matrix for Securities Sector Risk Assessment 2024/2025**

SUB SECTOR	ML risk					TF risk	PF risk	AML/CFT/CPF Controls	Residual Risk
	Nature, size, and complexity of business	Client/ Investor Risk	Product/ Service/ Transactions risk	Distribution Channel Risk	Country risk				
Securities Custodians	High	High	Medium	Low	Medium	Low	Low	Strong	Medium
Securities Investment Managers	High	High	Medium	Low	Low	Low	Low	Satisfactory	Medium
Securities Dealing Firms	Medium	Medium	Low	Low	Low	Low	Low	Satisfactory	Low
Securities Exchanges	Medium	Medium	Medium	Low	Low	Low	Low	Satisfactory	Medium
Securities Trustees	Medium	Medium	Low	Low	Low	Low	Low	Strong	Low
Securities Transfer Secretaries	Medium	Medium	Low	Medium	Medium	Low	Low	Satisfactory	Medium
Securities Investment Advisors	Low	Medium	Low	Low	Low	Low	Low	Satisfactory	Low
Central Securities Depository	Medium	Medium	Medium	Low	Low	Low	Low	Satisfactory	Medium
<b>OVERALL SECURITIES SECTOR</b>									<b>Medium</b>

## 1.2. COMPARISON OF 2021/2022 AND 2024/2024 EDITION OF SSRAs

**Table 4: Comparative Risk Assessment Summaries**

SUB-SECTOR	2021/2022 FINAL RISK	2024/2025 FINAL RISK
Securities Asset Managers	Medium (0.43)	Medium (0.43)
Securities Custodians	Medium (0.42)	Medium (0.43)
Securities Transfer Secretaries	Medium (0.40)	Medium (0.42)
Securities Exchanges	Low (0.39)	Medium (0.41)
Central Securities Depositories	Low (0.39)	Medium (0.41)
Securities Dealing Firms	Low (0.39)	Low (0.38)
Securities Trustees	Not assessed	Low (0.39)
Securities Investment Advisors	Not assessed	Low (0.37)
<b>Overall Risk for the Securities Sector</b>	<b>Medium (0.41)</b>	<b>Medium (0.40)</b>

The sector's residual risk was rated **medium**, with an overall risk score of **0.40**. This represents an improvement from overall risk score of **0.41** reported in the previous SRA of 2021/2022. The ML overall risks for all securities sector intermediaries were rated and ranked between **low** and **medium** (as shown in appendix 1).

The 2024 NRA showed that the vulnerability of the securities sectors slightly increased from a medium-low rating of 0.33 in 2019 to 0.38 in the 2024 NRA, maintaining its medium-low classification. This increase is primarily attributed to the broader scope of the 2024 assessment, which included all subsectors, and a wider range of products traded in the sector, whereas the 2019 assessment only considered three subsectors. The SRA residual risk is not far off the rating from the NRA. Thus, the risk score of 0.40 for the sector is closely aligned with NRA risk score for the sector.

## 1.3. PURPOSE OF THIRD SECTORAL RISK ASSESSMENT

The Commission carried out its third SRA with the following objectives:

- (a) To better understand securities sector risks and threats.
- (b) To provide guidance to licensed persons on risks particular to their subsectors.
- (c) To develop a supervisory strategy and plan to address identified sector risks.

## 1.4. COMMISSION SUPERVISION FRAMEWORK FOR AML/CFT/CPF

The Commission employs a Risk-Based Approach (RBA) in its AML/CFT/CPF supervision of licensed persons. This entails that supervisory engagement (whether through onsite examination, offsite inspection, or other interventions) is increased in response to the ML/TF/PF risks presented by the different subsectors of the securities sector. Individual licensed persons with higher ML/TF/PF risks will receive more

supervisory attention and resources, while those with lesser ML/TF/PF risks will continue to receive adequate and appropriate levels of engagement.

## 1.5. METHODOLOGY

The Commission utilised a risk assessment tool that provides a formal and systematic process for assessing the level of ML/TF/PF risks in a consistent way across all licensed persons. The tool mirrors the World Bank's Securities Sector Vulnerability (Module 4) tool. The model begins with assessing the licensed person's inherent risks by utilising risk factors. The risk factors are business, customers, products and services, delivery channels, geographic, terrorism and proliferation financing.

The weighted average was calculated for key risk factors, producing a final inherent score. Each licensed person in the subsector was equally weighted, and an average risk score determined the overall inherent risk rating for the sub-sector. The Model then assesses the quality of licensed persons controls in place, including overall AML/CFT/CPF controls, oversight by Senior Management and Board of Directors, a business wide risk assessment, CDD/KYC and Customer Risk Assessment, enhanced CDD, monitoring/reporting framework, STR reporting, Targeted Financial Sanction obligations, record-keeping, and outsourcing arrangements.

Control effectiveness scores are derived for each licensed persons after analysing the control assessment. Each licensed persons were equally weighted, and an average risk score determined the overall control effectiveness rating for the sub-sector. The ML/TF/PF residual risks are then assessed utilizing a 3×3 risk matrix in line with ratings (High, Medium and Low). Beneath is the risk matrix, which reflects the likelihood or probability of the risks, and the impact.

**Table 5: Description of 3×3 risk matrix**

PROBABILITY		IMPACT		
		LOW	MEDIUM	HIGH
	LOW	Low	Low	Medium
	MEDIUM	Low	Medium	High
	HIGH	Medium	High	High

**Table 6: Description of the inherent risk ratings**

RISK RATING	INTERPRETATION
Low risk	<ul style="list-style-type: none"> <li>The risk occurrence is highly unlikely, potentially causing insignificant or moderate damage.</li> </ul>
Medium risk	<ul style="list-style-type: none"> <li>The risk occurrence is highly unlikely, but it could potentially cause significant damage if it does occur.</li> </ul>
High risk	<ul style="list-style-type: none"> <li>The risk occurrence is highly probable and may result in significant or highly significant damage.</li> </ul>

**Table 7: Description of the controls**

CONTROLS	INTERPRETATION
Strong	○ A licensed person's policies and procedures are appropriate for its size, complexity, and risks.
Satisfactory	○ A licensed person's policies and procedures enable it to meet the minimum compliance requirements.
Fair	○ The policies and procedures adopted by licensed persons are below minimum the basic compliance requirements.
Weak	○ The policies and procedures are either unsatisfactory or their implementation is ineffective.
Critical	○ Licensed Persons lacks proper controls or has significant shortcomings, requiring urgent corrective actions.

**Table 8: Description of Residual/Net risk rating**

CONTROLS		INHERENT RISK		
		LOW (0.20 – 0.40)	MEDIUM (0.41 – 0.60)	HIGH (0.61-1.00)
	STRONG (0.81-1.00)	Low	Low	Medium
	SATISFACTORY (0.61 - 0.80)	Low	Medium	Medium
	FAIR (0.41 – 0.60)	Low	Medium	High
	WEAK (0.21 – 0.40)	Medium	High	High
	CRITICAL (0 – 0.20)	Medium	High	High

**Table 9: Interpretation of the residual/net risk ratings**

RISK RATING	INTERPRETATION
Low risk	<ul style="list-style-type: none"> <li>○ The inherent risk is low, with highly effective controls. The action requires minimal management oversight or moderate priority.</li> <li>○ The inherent risk is low with satisfactory or fair controls, requiring moderate priority and some degree of ongoing active management.</li> <li>○ The inherent risk is medium with strong controls, requiring moderate priority and some degree of ongoing active management and support.</li> </ul>
Medium risk	<ul style="list-style-type: none"> <li>○ The inherent risk is low but there are poor controls in place, necessitating ongoing active management oversight and support.</li> <li>○ The inherent risk is medium, but fair to satisfactory controls are in place. This requires continuing monitoring and management support.</li> <li>○ The inherent risk is slightly high, but adequate controls are in place. This requires moderate priority and continual management and assistance.</li> </ul>
High risk	<ul style="list-style-type: none"> <li>○ High inherent risk and inadequate mitigation controls necessitate active management and support.</li> <li>○ High inherent risk due to lack of mitigation controls necessitates quick management intervention.</li> </ul>

## 1.6. KEY ML/TF/PF RISK INDICATORS (KRIs) IN SECURITIES SECTOR

KRIs are designed to provide early warning signs and help identify potential vulnerabilities or deviations from established AML/CFT/CPF policies and procedures.

These play a crucial role in the risk management process by assisting in the identification, measurement, and tracking of risks related to money laundering.

The sectoral risk assessment focusses on key ML/TF/PF risk indicators in the securities sector potential vulnerabilities impacting reporting entities in all sectors. These are:

- (a) unusual transaction patterns,
- (b) rapid movement of funds,
- (c) structuring and smurfing,
- (d) complex transactions,
- (e) high-risk customers e.g., PEPs; high-risk jurisdictions e.g., DRPK,
- (f) changing share ownership to transfer wealth across borders,
- (g) redeeming a long-term investment within a short period,
- (h) opening multiple accounts or nominee accounts,
- (i) using brokerage accounts as long term depository accounts for funds,
- (j) effecting transactions involving nominees or third parties,
- (k) engaging in market manipulation, e.g. "pump and dump" schemes,
- (l) engaging in boiler room operations (a "boiler room" is a fraudulent operation that uses high-pressure sales tactics to sell worthless or overpriced stocks or other investments to unsuspecting investors), and
- (m) deficiencies in compliance (e.g., missing KYC documents and lack of transaction monitoring).

## **1.7. SECURITIES SECTOR VULNERABILITY (SUBSECTOR ANALYSIS)**

There are some deficiencies that were presented by the sector in terms of compliance with AML/CFT/CPF requirements. The deficiencies are variable and different across the subsector of the securities sector. The following are the most common deficiencies:

- (a) deficiencies in transaction monitoring and reporting,
- (b) weak Enhanced due diligence on high-risk clients,
- (c) non-implementation of UNSCR requirements,
- (d) lack of staff training,
- (e) non verification of BO information for legal persons,
- (f) missing KYC documents in the client files and missing of some files,
- (g) no official AML/CFT/CPF policy,
- (h) poor Record keeping and retention,
- (i) no service level agreement with other business partners,
- (j) weak CDD/KYC documentation,
- (k) non Reporting of Suspicious transactions, and
- (l) suspicious transaction reporting in the sector remains relatively low.

## **1.8. LIMITATIONS**

- (a) Manual processes to come with SRA, and
- (b) Low staff complement in the Unit against number of licensed persons

## SECTION 2: SUBSECTORS RISK ASSESSMENT

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### 2.1. SECURITIES INVESTMENT MANAGERS SUB-SECTOR

#### Inherent Risk Profile

Securities investment managers are firms that manage investments on behalf of their clients in accordance with the investors' investment objectives and parameters. These institutions provide products such as asset management, fund investment, trade finance, portfolio management, and property management. The subsector also manages collective investment schemes.

The Commission noted that the subsector carries inherently high risks in the areas of products, services and transactions risk, customer risk, delivery channels and geographic risk. Factors such as high volume of transactions, cross-border transactions, complex financial products, managing large amounts of money, exposure to politically exposed persons (PEPs), pressure to maximise returns, use of third parties and intermediaries and evolving technologies cause securities investment managers to be inherently vulnerable to ML risk.

High-risk customers were noted in the sub-sector. These customers include PEPs; non-residents; NGOs; professional intermediaries; high net worth clients; Trusts; DNFBPs; and money or value transfer services ("MVTs").

Inherent Risk Rating for the subsector was considered **high** with a risk score of 0.68.

#### Control Assessment

The assessment of the effectiveness of controls in the subsector suggests that the controls are there but need to be strengthened further. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of "**satisfactory**" from the risk assessment model used. There are two (2) licensed persons in the sector that were assessed of having "**fair**" rating on controls.

The controls measured included: board and senior management oversight, adequacy of AML policies and procedures, effectiveness of CDD and KYC procedures, effectiveness of customer risk assessments, access to beneficial ownership information, effectiveness of AML institutional risk assessments, effectiveness of the compliance function, availability of administrative sanctions imposed, ongoing CDD procedures, AML knowledge of staff, adequacy of staff AML training, monitoring and reporting of suspicious transactions, monitoring and reporting of large cash transactions, record keeping, implementation of relevant UNSCRs, transaction monitoring mechanisms, vetting of PEPs, reliance on third parties/non-face-to-face interactions, and the prevention of tipping-off and protection in STR reporting.

#### Residual Risk

Based on the residual risk table provided in the Methodology section, an inherent risk rating of "**high**" combined with a control effectiveness rating of "**satisfactory**", yields

a residual risk rating of “**medium**” for the securities investment management sub-sector.

Due to the enhancements noted in the control environment, the sub-sector’s residual risk rating has been maintained from the assessment rating of 2022.

**Table 10: Risk Assessment Summary for securities investment managers**

Subsector	Inherent Risk	Controls	Residual Risk
Securities Investment Managers	High	Satisfactory	Medium

### 2.1.1. COLLECTIVE INVESTMENT SCHEMES

#### **Business model of Collective Investment Schemes**

Collective Investment Schemes are registered and regulated in terms of the Collective Investment Schemes Act [Chapter 24:19] and relevant statutory instruments. For the year ended 31 December 2024, there were eighty-seven (87) registered collective investment schemes in Zimbabwe.

Schemes give indirect access to various financial products to retail investors and corporate entities, pension funds, retirement funds, and state-owned enterprises seeking to meet short and medium to long-term investment objectives. Collective Investment Schemes are designed by investment professionals or fund managers according to investment objectives, time horizon, and the risk appetite of investors. Each fund or unit portfolio is a combination of financial assets or securities such as bonds, equities, property shares, derivatives, commodities. Collective Investment Scheme manager and trustee play a crucial role in the operation of the scheme.

Redemptions can be made within 72 hours. Proceeds are paid into the client’s authorized bank account as designated by clients. Typologies in Collective Investment Schemes revealed that third-party payments requests are also prevalent in redemptions especially on Unit trust funds.

In Zimbabwe, there are three (3) categories in which collective investment schemes may be registered which are:

- (a) internal scheme
- (b) external scheme
- (c) professional scheme

There are different types of funds that can be operated for Collective Investment purposes. These include real estate, property funds; equity funds; money market funds; fixed-income (bond) funds; balanced or stable funds; commodity funds; ETFs; REITs; private equity funds; and venture capital funds.

The allocation of funds for the CIS is in both USD value and ZIG value and it indicates preferences among local and foreign currency investors, with significant trends in real

estate, property, and commodities. Additionally, ML/TF/PF risks vary across these investment categories, influencing their attractiveness and regulatory scrutiny.

**Real Estate Investment Trusts (REITs):** REITs dominate the CIS market, particularly in USD Value, where they account for 69.81% of the total allocation, making them the most preferred investment option. In ZIG Value, they also hold a significant share at 32.96%. This strong preference suggests that investors view real estate as a hedge against inflation and currency volatility, especially amid Zimbabwe's unstable economic environment. The high USD investment in REITs implies that foreign or high-net-worth investors consider real estate a safe, tangible asset. REITs present substantial AML risks due to the nature of real estate transactions, which can be used to launder money through over or under-valuation of properties.

**Property Funds:** Property funds also receive considerable investment, making up 14.34% in USD and 40.82% in ZIG, the highest allocation is in the local currency. This indicates that domestic investors prefer property investments over other asset classes, likely due to the perceived stability of land and buildings compared to the volatility of stocks or money markets. The stronger ZIG allocation suggests that local investors are shifting towards tangible assets as a store of value amid inflationary pressures. However, property investments are a common avenue for money laundering, especially in economies with high inflation. Criminals may purchase property using illicit funds and later sell it to integrate the proceeds into the legitimate economy. Additionally, complex property ownership structures involving trusts and offshore companies increase the risk of money laundering, making it crucial for authorities to monitor real estate transactions closely.

**Money Market Funds:** Money market funds have a relatively low allocation, at 15.62% in USD and an extremely low 0.26% in ZIG, indicating limited investor confidence in short-term financial instruments. This could be due to unattractive interest rates, high inflation, and concerns over liquidity in Zimbabwe's financial markets. Investors may view money markets as unreliable for preserving value, especially with ongoing currency depreciation. Money market funds are considered a moderate risk for money laundering, particularly in layering schemes, where illicit funds are transferred between multiple accounts or financial instruments to obscure their origins.

**Commodity Funds:** Commodity funds, which include investments in gold, minerals, and agricultural products, 13.78% of ZIG investments. The higher ZIG allocation suggests that local investors view commodities as a safeguard against currency depreciation. Zimbabwe's economy, which relies heavily on mining and agriculture, makes commodities an attractive investment class, especially for those seeking protection against inflation. However, commodities also pose significant AML risks, particularly in the gold and mineral sectors. Illicit gold trading is a major issue in Zimbabwe, with reports of smuggling and under-reporting of exports. Criminals can use commodity trading to launder money by falsely inflating the value of transactions, engaging in trade-based money laundering, or conducting illicit cross-border transactions.



**Equity Funds:** Equity funds are the least preferred investment category, with 0.23% allocation in USD and 12.18% in ZIG. The relatively low allocation in USD suggests that investors lack confidence in the local stock market, possibly due to concerns over market volatility, economic instability, and corporate governance issues. The slightly higher ZIG allocation indicates that local investors still see some potential in equities but are cautious about exposure to market risks. In terms of AML concerns, equity markets can be exploited for market manipulation, insider trading, and pump-and-dump schemes, where criminals artificially inflate stock prices before selling them at a profit. Additionally, illicit funds can be funnelled into the stock market under the guise of legitimate investments.

### **Inherent Risk Profile**

The inherent risk vulnerability assessment indicates a proportion of low-risk clients across funds, primarily due to the high number of inactive accounts with minimal balances. However, the presence of PEPs, high-net-worth clients, trust funds, non-residents clients, and legal persons necessitates a vigilant monitoring strategy to ensure compliance with regulatory standards and to mitigate potential risks associated with these clients.

The inherent risk of CIS usually manifests through investors with complex structures, such as trusts; multi-layered investment vehicles can make it challenging to trace the flow of funds and assess risk; frequent and rapid movement of funds; a large number of transactions that may mask suspicious activities.

Inherent Risk Rating for the Collective Investment Schemes mainly on fund itself and largely on investors was considered “**Medium**”.

### **Control Assessment**

The investment managers have implemented some controls for the funds, although further strengthening is needed. The assessment's outcome rated controls for collective investment schemes as "satisfactory." The managers have put in place documented AML/CFT/CPF policies that also cover CIS obligations. In most cases, employees responsible for CIS are trained annually on AML/CFT/CPF compliance, and there are procedures for CIS employee screening for AML/CFT/CPF compliance. Additionally, compliance officers are appointed and oversee the operation of the CIS; the compliance function is being performed; and a CIS transaction monitoring process is in place (including daily investment report preparation, redemption processing, report compilation, review and approval, compliance checks, trustee oversight, and ongoing transaction monitoring). It was also noted that there are inactive clients.

### **Residual Risk**

Based on the residual risk table provided in the Methodology section, an inherent risk rating of “**medium**” combined with a control effectiveness rating of “**satisfactory**”, yields a residual risk rating of “**medium**” for the Collective investment scheme sub-sector.

The Commission will enhance its supervisory activities on CIS funds to substantiate if funds are proactively addressing the risks through robust AML frameworks, thorough due diligence, and ongoing monitoring to safeguard against potential money laundering activities.

**Table 11: Risk Assessment Summary for collective investment schemes**

Subsector	Inherent Risk	Controls	Residual Risk
Collective Investment Schemes	Medium	Satisfactory	Medium

**Table 12: Prioritization ranking in the securities investment managers subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	
Effectiveness of CDD and KYC Procedures	2
Effectiveness of Customer Risk Assessments and vetting of PEPs	5
Access to beneficial ownership information	1
Effectiveness of AML/CFT/CPF institutional risk assessment	4
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	
Ongoing CDD Procedures and transactions monitoring	3
AML Knowledge of Staff and adequacy of trainings	6
Monitoring and Reporting of STRs and CTRs	7
Effectiveness of record keeping	8
UNSC Monitoring: Implementation of TFS	9

### **ML/TF/PF red flags of Securities Investment Managers**

#### **1. Client Due Diligence and Mandate**

- Unclear or unusually broad investment mandates, especially for high-risk clients.
- Clients who refuse to define investment objectives, risk appetite, or expected returns.
- Mandates that involve high-risk asset classes (e.g., crypto, exotic derivatives) without justification.
- Frequent changes to client mandate, ownership structure, or beneficiaries without a clear business need.

#### **2. Suspicious Client Behavior**

- Clients who use proxies excessively or insist on communication only via encrypted or private channels.
- PEPs seeking unusually high-risk or opaque investment strategies.
- Clients overly focused on secrecy, particularly about the source of funds or beneficial ownership.

#### **3. Fund Movements and Transactions**

- Large or frequent cash injections into managed portfolios inconsistent with the client's profile.
- Rapid in-and-out movement of funds.
- Use of offshore accounts or tax havens for receiving investment returns.

- Funding from unrelated third parties or through complex legal entities without legitimate business relationships.

#### **4. Investment Pattern Red Flags**

- Investments in illiquid or obscure assets, especially in jurisdictions with weak AML controls.
- Unusual portfolio turnover or short-term speculative trades inconsistent with a long-term investment strategy.
- Investment into high-risk sectors (e.g., arms, precious metals, politically unstable regions) without a logical basis.
- Patterns of "window dressing" or transactions that do not impact the economic position but create an appearance of activity.

#### **5. Geographic and Sector Risk**

- Clients investing heavily in high-risk countries, especially those under international sanctions or with known terrorist activity.
- Investment mandates focused on volatile or opaque sectors (e.g., cryptocurrency funds, high-risk private equity) without clear explanation.

#### **6. Fund Return or Distribution Issues**

- Requests to redirect returns or proceeds to third-party accounts or jurisdictions different from the client's residence or base of operations.
- Unwillingness to reinvest proceeds, despite claiming long-term investment goals.
- Demand for rapid liquidation, even at a financial loss, possibly to obscure the origin of funds.

#### **7. TF/PF-Specific Red Flags**

- Small but structured portfolio contributions that aggregate over time, possibly indicative of TF activity.
- Charity-linked investment accounts or mandates that have weak documentation or unclear end beneficiaries.
- Disbursements to NGOs, personal accounts, or organizations in conflict zones or areas of terrorist concern.

### **ML/TF/PF red flags Collective Investment Schemes**

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#### **1. Investor Due Diligence Red Flags**

- Investors who are reluctant to provide full identification or beneficial ownership information, especially when investing through omnibus account.
- Use of complex legal structures, offshore trusts, or shell companies to subscribe to units or shares without a clear rationale.
- Frequent changes in signatories, authorized persons, or beneficial owners without proper documentation or explanation.
- High-risk client profiles, such as PEPs, NPOs in high-risk jurisdictions, and Clients from countries with known AML/CFT/CPF deficiencies.

## **2. Subscription and Redemption Red Flags**

- Large or structured investments, particularly made in cash, by unrelated third parties, or from offshore accounts.
- Early redemption of units shortly after subscription, particularly where the investor is willing to take a loss — a classic layering technique.
- Frequent switching between CIS products or fund classes without a valid financial or tax motivation.
- Redemptions directed to third-party accounts, especially in high-risk or sanctioned jurisdictions.

## **3. Fund Flow and Transaction Monitoring Red Flags**

- Funds routed through multiple intermediaries, accounts, or countries before reaching the CIS account.
- Subscription payments from multiple accounts or unrelated third parties — especially across borders.
- Irregular contribution patterns, e.g., inconsistent with the investor's profile or declared source of wealth.
- Use of cryptocurrencies or anonymous funding sources to invest in CIS units, particularly if not permitted by the scheme's rules.

## **4. Fund Structure and Operational Red Flags**

- CISs with complex legal and operational structures (e.g., feeder/master arrangements, SPVs, offshore administrators) that limit transparency.
- Fund assets held in high-risk jurisdictions or in illiquid/unverifiable forms (e.g., art, crypto, private equity in secrecy havens).
- Frequent amendments to offering documents or fund strategy, particularly to allow new investor types or riskier jurisdictions.
- **Use of omnibus or nominee accounts** with minimal or outdated beneficial owner information.

## **5. Management and Governance Red Flags**

- Fund managers or trustees who are uncooperative with regulators or AML compliance teams.
- Unusual delegation of fund administration, compliance, or audit functions to unregulated or offshore service providers.
- Frequent change of fund service providers (e.g., administrators, custodians, auditors) without justifiable cause.

## **6. Geographic and TF/PF-Related Red Flags**

- Subscriptions or redemptions involving countries with active terror financing concerns, conflict zones, or subject to UN/EU/FATF sanctions.
- Small, structured investments from multiple investors in the same high-risk region, potentially pooling TF-related funds.
- Fund managers or schemes targeting unregulated donor networks, diaspora investments, or religious/charity-linked groups without clear transparency.

## **7. Product and Marketing Red Flags**

- CISs marketed with an unusually strong emphasis on confidentiality, privacy, or offshore benefits.

- Funds designed to provide “easy exit” or short lock-in periods, appealing to launderers aiming to cycle funds quickly.
- Promoters targeting vulnerable or unregulated investor populations, such as informal business groups or remittance receivers.

#### **8. Best Practices for CIS Operators:**

- Conduct ongoing due diligence on investors, especially for redemptions above thresholds or involving third parties.
- Monitor subscription/redemption trends for abnormal behavior or jurisdictional risks.
- Verify source of funds and cross-check against sanctions and PEP databases.
- File Suspicious Transaction Reports when any ML/TF/PF indicators are detected.

## **2.2. SECURITIES CUSTODIANS SUB-SECTOR**

### **Inherent Risk Profile**

Securities custodians are companies that keep securities for another individual and engage with them only to the extent required for the custody relationship. Custodians in Zimbabwe keep stocks, money, or property in trust for their clients. All securities custodians in Zimbabwe are banks. Nearly half of the listed assets on both the ZSE and VFEX are spread across the six custodians, with the remainder of the assets either managed through stockbrokers via broker-controlled accounts or self-managed.

Securities custodians are vulnerable to ML/TF/PF in a variety of ways. International transactions associated with custodians would be either cash inflows from foreign portfolio investors or cash outflows as foreign portfolio investors disinvest. The volume of these foreign portfolio investor transactions depends on the activities of these investors in the capital markets. The inherent risk was rated “**Medium**”.

### **Control Assessment**

The assessment of the effectiveness of controls in the subsector suggests that the controls are in place with one (1) bank required to strengthen their controls. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of “**strong**” from the risk assessment model used.

The controls were measured on board and senior management oversight; adequacy of AML policies and procedures; effectiveness of CDD procedures; effectiveness of customer risk assessments; access to BO information; effectiveness of AML institutional risk assessment; effectiveness of the compliance function; availability of administrative sanctions imposed; ongoing CDD procedures; AML knowledge of staff; adequacy of staff AML training; monitoring and reporting of suspicious transactions; monitoring and reporting of large cash transactions; record keeping; implementing relevant UNSCR; transaction monitoring mechanisms; vetting of PEPs; reliance on third parties/non-face to face and tipping-off and protection in STRs reporting.

## Residual Risk

Based on the residual risk table provided in the Methodology section, an inherent risk rating of “**Medium**” combined with a control effectiveness rating of “**satisfactory**”, yields a residual risk rating of “**Medium**” for the securities custodian sub-sector.

**Table 13: Risk Assessment Summary for securities custodians**

Subsector	Inherent Risk	Controls	Residual Risk
Securities Custodians	Medium	Satisfactory	Medium

**Table 14: Prioritization ranking in the securities custodian subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	
Effectiveness of CDD and KYC Procedures	6
Effectiveness of Customer Risk Assessments and vetting of PEPs	5
Access to beneficial ownership information	3
Effectiveness of AML/CFT/CPF institutional risk assessment	4
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	
Ongoing CDD Procedures and transactions monitoring	7
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs and compliance	2
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	1

## ML/TF/PF red flags of Custodial Services

### 1. Account Structure and Ownership Red Flags

- Clients using complex or opaque ownership structures (e.g., layered trusts, shell companies) without a clear rationale.
- Accounts held in the name of third parties unrelated to the actual asset owner.
- Unexplained changes to beneficial ownership, particularly just before or after transactions.
- Multiple custodial accounts opened by the same client under different names or entities.
- Difficulty verifying source of funds or beneficial ownership through standard due diligence.

### 2. Unusual Fund Movements

- Frequent incoming and outgoing transfers with no economic rationale (e.g., not tied to investment activity).
- Rapid movement of securities or cash between multiple jurisdictions.
- Use of custodial accounts for pass-through activity, especially when there is no investment or safekeeping purpose.
- Cash settlements from or to unrelated third parties or offshore entities.
- Mismatch between the client’s known profile and the volume or type of assets held or transferred.

### **3. Securities Settlement and Asset Transfer Red Flags**

- Repeated transfers of the same security between related accounts or entities (possible layering).
- Unusual settlement instructions, such as payments or deliveries to third-party accounts or foreign custodians.
- Frequent free-of-payment (FOP) transfers, especially when assets move cross-border or involve high-risk jurisdictions.
- Backdated or unusually timed trades or settlements, especially around reporting cut-offs or regulatory deadlines.

### **4. Geographic and Jurisdictional Red Flags**

- Accounts or transactions involving high-risk jurisdictions, especially those lacking AML/CFT/CPF regulations, under international sanctions (UN, EU, FATF, etc.), and known tax havens or secrecy jurisdictions.
- Clients or counterparties located in conflict zones, or areas with known terrorist financing activity.

### **5. Behavior and Documentation Red Flags**

- Unwillingness or delay in providing required KYC documents, particularly regarding beneficial owners.
- Clients requesting minimal records or paper trails for custodial holdings or transfers.
- Use of legal professionals or intermediaries to obscure ownership, especially when unnecessary.

### **6. Terrorist Financing-Specific Red Flags**

- Small custodial holdings and transactions that aggregate over time with unclear purpose.
- Linkages to entities associated with charitable activities in high-risk areas, without proper documentation or transparency.
- Transfers of securities or proceeds to individuals or organizations in conflict/terrorism-linked zones.

### **7. Operational Anomalies**

- Repeated override of internal controls, such as bypassing KYC steps, manual approval of high-risk transactions, etc.
- Inconsistencies between client instructions and legal documentation, particularly related to powers of attorney or signatories.
- Attempts to move assets immediately after increased regulatory scrutiny or inquiries.

## **2.3. SECURITIES DEALING FIRMS SUB-SECTOR**

### **Inherent Risk Profile**

Securities-dealing firms and stockbrokers are licensed to purchase and sell securities on behalf of investors. Some securities-dealing firms are registered with the

depositories where they operate broker-controlled accounts and provide partial custodial services to retail clients.

Securities firms are vulnerable to money laundering in a variety of ways, including executing trades on behalf of clients without monitoring for suspicious activity, dealing with clients or industries with questionable reputations.

Securities dealing firms have one of the largest trading-related portfolio holdings in the capital market. The portfolio's complexity and diversity were deemed low. Stockbrokers largely trade stocks, bonds, real estate investment trusts, and exchange-traded funds, with limited foreign participation. The subsector also identifies the presence of high-risk clients, including politically exposed persons (PEPs), high-net-worth individuals, and non-resident clients. Third-party transactions are prohibited under current regulations.

The inherent risk of the subsector was rated **“low”** at a final risk score of 0.40.

### Control Assessment

The assessment of the effectiveness of controls in the stockbroker's subsector suggests that the controls are there but require further strengthening. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of **“satisfactory”** with one (1) institution having fair rating controls.

The controls were measured on board and senior management oversight; adequacy of AML policies and procedures; effectiveness of CDD and KYC procedures; effectiveness of customer risk assessments; access to beneficial ownership information; effectiveness of AML institutional risk assessment; effectiveness of the compliance function; availability of administrative sanctions imposed; ongoing CDD procedures; AML knowledge of staff; adequacy of staff AML training; monitoring and reporting of suspicious transactions; monitoring and reporting of large cash transactions; record keeping; implementing relevant UNSCR; transaction monitoring mechanisms; vetting of PEPs; reliance on third parties/non-face to face and tipping-off and protection in STRs reporting.

### Residual Risk

The securities dealing firm subsector yields a residual risk rating of **“low”**. The subsector maintained the residual risk rating from the assessment rating of 2022.

**Table 15: Risk Assessment Summary for securities dealing firms**

Subsector	Inherent Risk	Controls	Residual Risk
Securities dealing firms	Low	Satisfactory	Low



**Table 16: Prioritization ranking in the securities dealing firms subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	1
Effectiveness of CDD and KYC Procedures	3
Effectiveness of Customer Risk Assessments and vetting of PEPs	7
Access to beneficial ownership information	2
Effectiveness of AML/CFT/CPF institutional risk assessment	6
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	5
Ongoing CDD Procedures and transactions monitoring	4
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs	8
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	9

### **ML/TF/PF red flags of Securities Dealing Firm (Stockbrokers)**

#### **1. Client Profile and Behavior**

- Reluctance to provide identifying information or provide incomplete, suspicious, or inconsistent details.
- Unusual concern with secrecy or confidentiality regarding transactions or account details.
- Use of multiple or complex structures (e.g., trusts, offshore companies) without clear business rationale.
- Frequent changes to account details (beneficial ownership, address, etc.) without a clear reason.
- Politically Exposed Persons (PEPs) engaging in large or complex transactions without a credible source of funds.
- Disinterest in investment strategy, returns, or risks — suggesting the account is used as a pass-through.

#### **2. Account Activity Red Flags**

- Frequent deposits or withdrawals that are inconsistent with stated income or wealth.
- Unusual fund movement — large incoming funds followed by rapid withdrawals or transfers.
- Use of third parties to fund or withdraw from the account, especially with no logical relationship.
- High volume of trading with little regard for profits or losses, suggesting layering rather than investment.
- Structuring transactions to avoid reporting thresholds or KYC scrutiny.

### 3. Securities Trading Patterns

- Buying and quickly selling securities (churning) for no economic reason — possibly to layer funds.
- Trading in illiquid or low-value stocks that can be easily manipulated to justify large movements of funds.
- Cross trading between related accounts with offsetting buy/sell orders.
- Wash trading — buying and selling the same security repeatedly to create an appearance of activity.

### 4. Source of Funds Red Flags

- Unexplained or sudden inflows from high-risk countries or tax havens.
- Use of offshore accounts or banks with weak AML controls.
- Funds originating from entities not in the customer's name, or from unrelated third parties.
- Payments from shell companies with no clear legitimate business.

### 5. Geographic Risk Indicators

- Transactions involving **jurisdictions with high ML/TF/PF risks**, such as those subject to FATF sanctions or public statements, lacking AML/CFT/CPF laws, and known for corruption or organized crime.

### 6. Terrorist Financing-Specific Red Flags

- Small, structured transactions that seem insignificant individually but add up over time (typical of TF).
- Frequent fund transfers to or from NGOs/charities, especially in high-risk zones.
- Links to extremist ideologies or social media presence indicating radical views.
- Use of cash-intensive businesses or personal accounts for securities-related activity.

## 2.4. CAPITAL MARKET INFRASTRUCTURES

### Inherent Risk Profile

Securities exchanges and central securities depositories (CSDs) are both integral components of the securities sector, as they play distinct roles in facilitating the trading and settlement of securities. Securities exchanges are a marketplace where securities, such as stocks, are bought and sold. On the other hand, CSDs are institutions that provide post-trade services in the securities market. Their primary role is to facilitate the settlement and safekeeping of securities. When a trade occurs on a securities exchange, CSDs step in to ensure the proper transfer of ownership and the delivery of securities and cash between the buyer and seller.

Securities exchanges are vulnerable to money laundering if they fail to properly screen listed companies for ML risks, detect unusual volume or price movements, to conduct client due diligence on exchange members and participants, to detect market manipulation or fraudulent activities on the exchange, and failing to implement adequate cyber security measures to prevent hacking and unauthorized access.

The central securities depository is vulnerable to money laundering if it fails to properly monitor and control the settlement and clearing processes and failing to properly verify and control securities transfers. Depositories may be in the best position to identify and report on securities fraud that may not necessarily require the use of a securities intermediary.

The inherent risks of both infrastructures subsector were rated “medium” at a final risk score of 0.44.

### Control Assessment

The assessment of the effectiveness of controls of infrastructures suggests that the controls are being fairly implemented and require further strengthening. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of “**satisfactory**”. The controls were measured as indicated in other sub-sectors.

### Residual Risk

The infrastructures yield a residual risk rating of “**medium**”. This indicated a slight deterioration by 0.02 points from the assessment rating of 2022.

**Table 17: Risk Assessment Summary for infrastructures**

Subsector	Inherent Risk	Controls	Residual Risk
Securities exchanges	Medium	Satisfactory	Low
Central securities depository	Medium	Satisfactory	Medium

**Table 18: Prioritization ranking in the infrastructure’s subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	
Effectiveness of CDD and KYC Procedures	1
Effectiveness of Customer Risk Assessments and vetting of PEPs	4
Access to beneficial ownership information	2
Effectiveness of AML/CFT/CPF institutional risk assessment	6
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	5
Ongoing CDD Procedures and transactions monitoring	3
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs	7
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	8

### ML/TF/PF red flags for Market Infrastructures

#### 1. Suspicious Trading Patterns (Exchange Level)

- Unusual price movements or volume spikes without clear market news — may indicate manipulation or layering.

- Wash trades — simultaneous buy and sell orders for the same security, with no market risk or genuine transfer of ownership.
- Matched trading between related parties or accounts — potentially to obscure ownership or create a false market.
- Churning — excessive buying and selling without economic rationale, often used to layer funds or inflate volumes.
- Spoofing or placing large orders with no intention to execute — to manipulate prices or mislead the market.

## **2. Suspicious Clearing and Settlement Behavior (CSD Level)**

- Rapid movement of securities between accounts without matching cash transactions (especially repeated FOP transfers).
- Frequent cross-border security transfers involving shell entities, offshore vehicles, or tax havens.
- Settlement failures or delays without valid market or counterparty justification.
- High volume of back-to-back trades among related accounts or across multiple markets to obscure audit trails.

## **3. Account Activity and Access Red Flags**

- Multiple CSD or trading accounts opened by the same beneficial owner across different intermediaries.
- CSD participants acting as conduits for opaque third-party transactions or nominee arrangements.
- Unusual requests for omnibus account structures with minimal transparency on underlying owners.
- Sudden changes in account activity, especially when linked to geopolitical events or regulatory actions.

## **4. Suspicious Corporate Actions and Dividends**

- Corporate actions (e.g., splits, mergers, dividends) benefiting opaque shareholders disproportionately.
- Requests to process dividends or rights to unrelated or offshore entities.
- High volume of unclaimed securities entitlements linked to dormant or inactive accounts — may indicate layering or front activity.

## **5. Geographic and Jurisdictional Red Flags**

- Frequent settlement or clearing through accounts in high-risk jurisdictions, including FATF-blacklisted countries, Countries with weak AML/CFT/CPF regimes, and Secrecy or tax haven jurisdictions.
- Trading in foreign securities by local entities without economic rationale or disclosed investment purpose.

## **6. Participant or Intermediary Red Flags**

- CSD or Exchange participants with weak AML controls, excessive secrecy, or history of regulatory breaches.
- Participants acting on behalf of clients who resist disclosure of beneficial ownership.
- Unusual trading by entities with no known investment strategy, especially if linked to shell companies or PEPs.

## **7. TF/PF-Specific Red Flags**

- Small, structured purchases of listed securities, potentially used to convert illicit cash into traceable assets.
- Cross-border share transfers to or from entities in conflict/terrorism-prone zones.
- Links to charities or NPOs engaged in securities activity without a legitimate investment or funding objective.

## **8. Market Infrastructure Red Flags**

- System override logs showing repeated manual interventions in automated trading or settlement processes.
- Repeated discrepancies in securities reconciliation, especially across cross-border accounts.
- Requests for expedited listings, settlements, or clearing bypassing normal due diligence.

## **2.5. SECURITIES INVESTMENT ADVISORS SUB-SECTOR**

### **Inherent Risk Profile**

Securities Investment Advisors are firms that provide securities and financial planning advice to their clients, which can be corporations, private equity funds, asset managers, pension funds, government funds, high- to medium-net-worth individuals, professionals and expatriates in the NGO, and large institutions. Advisors can be vulnerable to money laundering through failure to properly verify client identity and source of funds, prioritizing client confidentiality over AML reporting obligations, dealing with PEPs without proper risk assessment, and failing to maintain transparent records of client advisory activities.

The institutions in the subsector are not permitted to have or manage any investments; their licensable activities are limited only to advisory services. However, the subsector is the largest in terms of the number of players when compared to other subsectors in the securities sector. The products and services include advising on raising equity finance on local quoted markets or privately; advising on corporate transactions such as mergers and acquisitions, disposals, investments, stake-building, and restructurings; and advising clients on investor communications and regulatory compliance.

The clients include politically exposed persons (PEPs), high-net-worth clients, non-resident clients, and trusts, among others. Advisors facilitate international

transactions for their clients, which include administrative tasks such as opening bank accounts in tax haven jurisdictions.

The inherent risks for securities investment advisor's subsector was rated "**low**" at a final risk score of 0.40.

### Control Assessment

The assessment of the effectiveness of controls in the securities investment advisor subsector suggests that the controls are there but require further strengthening. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of "**satisfactory**". The controls were measured as indicated in other sub-sectors.

### Residual Risk

The securities investment advisors yield a residual risk rating of "**low**". The advisors were not assessed from the risk assessment of 2022.

**Table 19: Risk Assessment Summary for securities investment advisors**

Subsector	Inherent Risk	Controls	Residual Risk
securities investment advisors	Low	Satisfactory	Low

**Table 20: Prioritization ranking in the securities investment advisor's subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	1
Effectiveness of CDD and KYC Procedures	2
Effectiveness of Customer Risk Assessments and vetting of PEPs	3
Access to beneficial ownership information	
Effectiveness of AML/CFT/CPF institutional risk assessment	5
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	
Ongoing CDD Procedures and transactions monitoring	
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs	4
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	6

### ML/TF/PF red flags for Securities Advisors

#### 1. Client Profile and Behavior Red Flags

- Clients unwilling or evasive about disclosing source of wealth or funds or providing inconsistent information.
- High-risk clients (PEPs, offshore companies, trusts) seeking unusually private or opaque services.
- Clients with minimal financial knowledge requesting complex or high-risk investment structures.
- Overly aggressive focus on privacy or confidentiality, beyond what is customary in advisory relationships.

- Sudden changes in investment objectives or risk appetite, without an identifiable trigger or rationale.

## **2. Investment Activity Red Flags**

- Investment strategies inconsistent with the client's known profile, income, or business background.
- Frequent switching between investment products or jurisdictions without financial justification (possible layering).
- Clients directing investments into obscure, illiquid, or hard-to-value assets, such as art, crypto, or offshore funds.
- Requests to purchase securities that are not easily traceable, or to structure investments to avoid triggering reporting thresholds.
- Client shows unusual interest in products that provide anonymity, like bearer bonds (where still available), unregulated digital assets, or omnibus accounts.

## **3. Fund Flow and Transaction Red Flags**

- Funds coming from or going to unrelated third parties, especially from offshore accounts or high-risk countries.
- Transfers of large sums that are inconsistent with the client's investment profile, such as bulk funding followed by minimal trading.
- Use of multiple accounts or custodians to split transactions, potentially to avoid scrutiny.
- Insistence on using cash or high-risk payment methods, such as crypto wallets or prepaid cards.
- Frequent early withdrawals, losses willingly incurred, or cancellation of trades shortly after execution.

## **4. Geographic and Jurisdictional Risk Indicators**

- Clients based in or routing investments through high-risk jurisdictions, including FATF-blacklisted or grey-listed countries, Known secrecy or tax haven jurisdictions, and Sanctioned or embargoed territories.
- Cross-border investment requests with no legitimate investment objective or economic rationale.

## **5. Documentation and Advisory Practice Red Flags**

- Clients pushing for advisory relationships without standard documentation, e.g., investment mandates or suitability assessments.
- Resistance to completing client risk profiling or KYC/AML documentation.
- Requests to avoid written advice, or to communicate only via unofficial channels.
- Frequent appointment of intermediaries or proxies, especially those not subject to regulatory oversight.

## **6. Terrorist Financing-Specific Red Flags**

- Investment accounts used for structured small investments, particularly those that mirror known TF typologies.
- Links to charities or informal groups making or receiving investment-related payments.

- Clients with known or suspected links to sanctioned persons, conflict zones, or radicalized networks.
- Investments designed to launder funds under the guise of “legitimate community projects” or diaspora investment initiatives.

## **7. Internal Practice Red Flags**

- Advisors bypassing firm’s risk assessments or KYC checks for certain clients.
- Incentivized behavior to onboard high-net-worth clients from high-risk regions without proper vetting.
- Unusual fee structures or commissions, especially those not documented or standard.

## **8. What Securities Advisors Should Do**

- Conduct robust suitability and KYC assessments for all clients, including ongoing monitoring.
- Verify source of wealth and funds, especially for HNWLs and offshore clients.
- Escalate any unusual activity via Suspicious Transaction Reports (STRs).
- Maintain detailed records of all advice given, risk profiles, and investment instructions.

## **2.6. SECURITIES TRUSTEES SUB-SECTOR**

### **Inherent Risk Profile**

Securities trustees are entities that are involved in the management and administration of securities on behalf of investors or beneficiaries. Their main role is safeguarding the interests of collective investment scheme investors. Trustees licensed by the Commission are mostly banks and accounting firms.

Trustees can be susceptible to money laundering by if they fail to properly monitor and control trust accounts, verify the identity of beneficial owners, allowing complex trust structures that disguise beneficial ownership, failing to conduct thorough client due diligence, and failing to report STRs to the FIU.

The inherent risks of both securities trustees’ subsector was rated “medium” at a final risk score of 0.43.

### **Control Assessment**

The assessment of the effectiveness of controls in the securities trustees’ subsector suggests that further strengthening of controls remain crucial. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of “**satisfactory**”. The controls were measured as indicated in other sub-sectors.

### **Residual Risk**

The securities trustees yield a residual risk rating of “**low**”. The trustees were not assessed from the risk assessment of 2022.



**Table 21: Risk Assessment Summary for securities trustees**

Subsector	Inherent Risk	Controls	Residual Risk
Securities Trustees	Medium	Satisfactory	Medium

**Table 22: Prioritization ranking in the securities trustee's subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	
Effectiveness of CDD and KYC Procedures	6
Effectiveness of Customer Risk Assessments and vetting of PEPs	5
Access to beneficial ownership information	3
Effectiveness of AML/CFT/CPF institutional risk assessment	4
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	
Ongoing CDD Procedures and transactions monitoring	7
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs	2
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	1

### ML/TF/PF red flags for Securities Trustees

#### 1. Red Flags Related to Trust and Asset Structures

- Complex trust structures involving multiple layers of legal entities, particularly those registered in offshore jurisdictions with no clear commercial rationale.
- Frequent changes in trust beneficiaries, beneficial ownership of underlying assets, or controlling parties, especially shortly before maturity, default, or enforcement.
- Creation of trusts or appointment of trustees in urgent or unusual circumstances, e.g., just before regulatory inquiries or financial reporting deadlines.
- Trusts established with minimal documentation or vague asset descriptions, such as "general investments" or "portfolio assets" without clear traceability.

#### 2. Suspicious Transactional and Fund Flow Behavior

- Inflow of funds or assets into the trust from multiple unrelated third parties, with no logical link to the trust's stated purpose.
- Disbursements or distributions to third parties not named as beneficiaries, or to countries considered high-risk or sanctioned.
- Use of trust accounts as temporary conduits, where funds are received and immediately moved without investment activity.
- Unexplained substitution of collateral or sudden liquidation of trust-held assets, especially if inconsistent with investor expectations.

### **3. Jurisdiction and Geographic Red Flags**

- Trusts involving assets, parties, or intermediaries in high-risk jurisdictions, such as countries under FATF monitoring or under international sanctions.
- Cross-border structures designed to obscure ownership, including the use of trust protectors or advisors in different jurisdictions from the trustee or settlor.
- Repeated interactions with tax havens or secrecy jurisdictions, without a solid economic or regulatory reason.

### **4. Client Behavior and Due Diligence Challenges**

- Clients or settlors unwilling to disclose the source of wealth, source of funds, or background of beneficiaries.
- Over-reliance on legal intermediaries or law firms to set up trust structures without direct client engagement.
- Beneficiaries with known criminal affiliations, PEP status, or links to terrorism, especially if they insist on privacy protections.
- Use of bearer shares, unregulated digital assets, or other high-risk instruments as trust property.

### **5. Securities and Market Conduct Red Flags**

- Unusual trustee involvement in distressed bond issues or default events, especially where investor communications are minimal or opaque.
- Collateral held in non-transparent instruments, like exotic derivatives or privately valued real estate, which can be used to disguise illicit assets.
- Trust structures used in public offerings or private placements with unexplained investor demographics, such as uniform small investments from multiple high-risk jurisdictions.

### **6. Terrorist Financing-Specific Indicators**

- Trusts established for charitable or humanitarian purposes but with links to conflict zones or countries with active terrorist organizations.
- Small, frequent distributions to individuals/entities in known TF hotspots, often under the guise of aid or community support.
- Unregistered charities or informal religious/cultural groups listed as beneficiaries without public records or regulatory oversight.

### **7. Key Considerations for Trustees**

- Conduct enhanced due diligence on settlors, beneficiaries, and trust assets.
- Maintain clear documentation and records of asset flows and decisions.
- Escalate any red flags through internal AML reporting structures (e.g., filing Suspicious Transaction Reports).
- Ensure that trust deeds and agreements include clauses that allow them to freeze, decline, or report suspicious activity.

## 2.7. SECURITIES TRANSFER SECRETARIES SUB-SECTOR

### Inherent Risk Profile

Securities transfer secretaries are entities responsible for recording transfers and other transactions relating to securities, and managing the corporate actions associated with the securities of a publicly traded company.

Securities Transfer Secretaries are vulnerable to money laundering if they fail to properly verify shareholder identity and ownership, processing share transfers without monitoring for suspicions, issuing share certificates without proper oversight, and making dividend payments without verifying shareholder identity. Allowing proxy voting without verifying shareholder identity, allowing shareholders to remain anonymous, processing international share transfers without proper AML controls, failing to maintain accurate and up-to-date share registration records, and failing to implement effective AML compliance programs.

Transfer secretaries do not typically hold assets themselves; they play a role in facilitating transactions and performing secretarial duties.

The inherent risks of both securities transfer secretaries' subsector was rated **"medium"**.

### Control Assessment

The assessment of the effectiveness of controls in the securities transfer secretaries' subsector suggests that the controls are there but require further strengthening. The outcome of the assessment is appropriately reflected in the control effectiveness of average rating of **"satisfactory"**. The controls were measured as indicated in other subsectors.

### Residual Risk

Based on the residual risk table provided in the Methodology section, an inherent risk rating of **"medium"** combined with a control effectiveness rating of **"satisfactory"**, yields a residual risk rating of **"medium"** for the securities transfer secretaries' subsector. The sub-sector's residual risk rating slightly deteriorated from the assessment rating of 2022.

**Table 23: Risk Assessment Summary for securities transfer secretaries**

Subsector	Inherent Risk	Controls	Residual Risk
securities transfer secretaries	Medium	Satisfactory	Medium

**Table 24: Prioritization ranking in the securities transfer secretaries' subsector**

PRIORITY RANKING FOR AML/CFT/CPF CONTROLS	PRIORITY RANKING
Board and Senior Management Oversight	
Adequacy of AML Policies and Procedures	
Effectiveness of CDD and KYC Procedures	5
Effectiveness of Customer Risk Assessments and vetting of PEPs	
Access to beneficial ownership information	3
Effectiveness of AML/CFT/CPF institutional risk assessment	4
Effectiveness of the compliance function	
Availability of administrative sanctions imposed	
Ongoing CDD Procedures and transactions monitoring	6
AML Knowledge of Staff and adequacy of trainings	
Monitoring and Reporting of STRs and CTRs	2
Effectiveness of record keeping	
UNSC Monitoring: Implementation of TFS	1

## **ML/TF/PF red flags for Securities Transfer Secretaries**

### **1. Shareholder Identity and Ownership Structure**

- Frequent or unexplained changes in beneficial ownership, especially involving offshore entities or trusts.
- Requests to register securities in the name of third parties or nominees without valid legal justification.
- Inconsistent or incomplete information provided during shareholder registration (e.g., false addresses, unverifiable IDs).
- High volume of share transfers involving entities with no known connection to the issuer or to each other.

### **2. Suspicious Share Transfer Activity**

- Rapid succession of share transfers, particularly involving low-liquidity stocks or companies with minimal activity.
- Transfers between related parties that appear circular or offsetting (possible layering).
- Free-of-payment (FOP) share transfers with no matching financial transaction, especially if repetitive.
- Unusual backdating of transfers or retroactive entries in the share register.
- Shareholder or agent insisting on avoiding standard transfer procedures or documentation.

### **3. Dividend and Payment Instructions**

- Requests to send dividends or proceeds to unrelated third parties or offshore accounts.
- Frequent changes in payment instructions, especially without clear cause or documentation.

- Dividend payment instructions inconsistent with shareholder location or profile.
- Split dividend instructions (e.g., different accounts for different payment tranches), which may obscure true beneficiaries.

#### **4. Geographic Risk and Cross-Border Issues**

- Shareholders or transfer requests originating from high-risk jurisdictions, especially FATF-blacklisted countries, Known tax havens or secrecy jurisdictions, and Areas linked to terrorism or conflict.
- Patterns of transfers that suggest an effort to conceal geographic links, such as intermediate layers or nominee entities.

#### **5. Documentation and Due Diligence Red Flags**

- Use of forged, altered, or suspicious documents (e.g., stock certificates, affidavits, powers of attorney).
- Resistance to providing source of funds or source of shares documentation, especially for large or unusual transfers.
- Intermediaries refusing to disclose the identity of beneficial owners or ultimate controllers.

#### **6. TF/PF-Specific Red Flags**

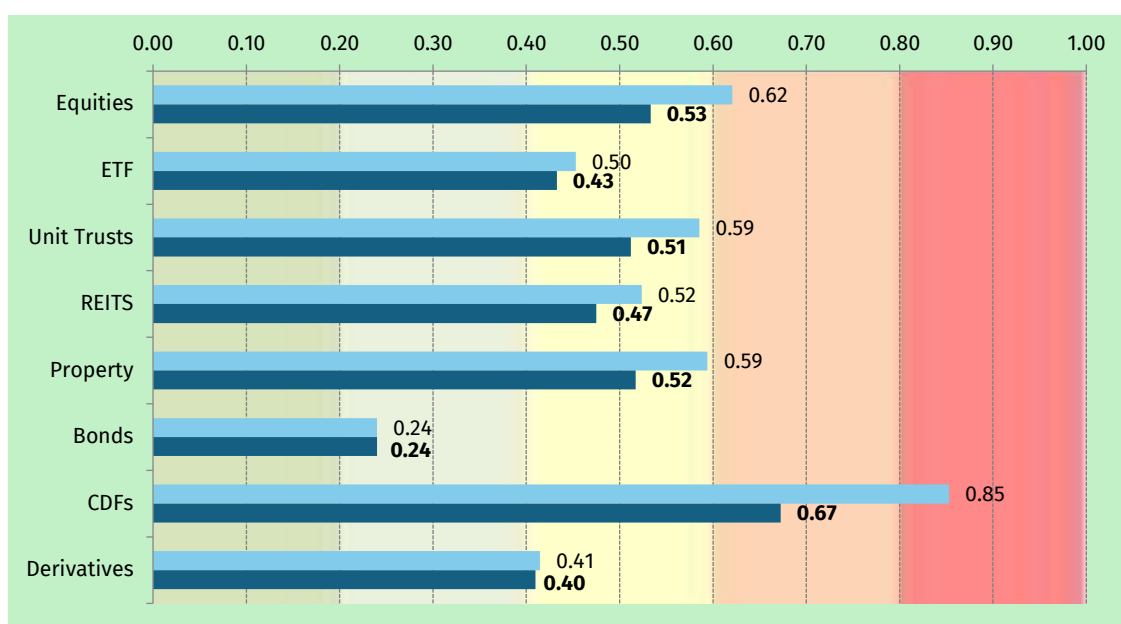
- Unusual shareholding patterns in non-profit or charitable organizations, particularly in conflict zones.
- Shareholder links to known or suspected terrorist entities or organizations on sanctions/watchlists.
- Small, structured transfers to or from individuals/entities in high-risk areas, consistent with TF typologies.

#### **7. Operational or Systemic Red Flags**

- Manual overrides of standard transfer controls without proper approval or documentation.
- Pressure to complete transactions urgently, especially when AML or KYC checks are incomplete.
- Use of unusual legal or corporate structures to justify exceptions in transfer rules.

## 2.8. SECURITIES SECTOR PRODUCTS VULNERABILITY

**Figure 1: Risk Assessment Results of Products in the Securities Sector**



Contracts for Difference (CFD) were found to be the most vulnerable securities sector product, with a score of 0.67. A CFD is a financial contract that pays the differences in the settlement price between the opening and closing trades. These instruments allow investors to speculate on the price movements of various assets, including equities, indices, commodities, and currencies, without requiring ownership of the underlying asset itself. CFDs, often known as Forex Trading, attract a wide range of investor types, including high-risk investors. Liquidity and offshore characteristics further contribute to the vulnerability of CFDs.

Equities were assessed as vulnerable, with a score of 0.53. These products can be exploited for laundering illicit funds obtained from other sectors and can also generate illicit funds through fraudulent activities within the sector. Equities trading allows for large transaction volumes with substantial values to be executed and settled rapidly, increasing the risk of market manipulation and insider trading. The complexity and global reach of equities add to their vulnerability.

Property investments were found to be vulnerable, with a score of 0.52. Real estate transactions can facilitate money laundering through over- or under-valuation of assets, rapid property flipping, and use of shell companies to obscure ownership. The large transaction values and potential for cross-border investment increase the risk of illicit financial flows.

Unit Trusts were deemed vulnerable, with a score of 0.51. These pooled investment schemes can be used to integrate illicit funds into the legitimate financial system. The ability to invest through intermediaries and multiple layers of transactions creates challenges in tracing the original source of funds. Additionally, market manipulation risks exist due to the collective nature of fund investments.

Exchange-traded funds (ETFs) were found to be somewhat vulnerable, with a score of 0.43. Multiple licensed persons are involved in ETF transactions, which increases the risk of money laundering due to gaps in customer due diligence (CDD) measures. The introduction of Internet-based and USSD trading accounts adds to client anonymity, further increasing vulnerability.

REITs were assessed as somewhat vulnerable, with a score of 0.47. These investment vehicles allow investors to pool funds into real estate assets, creating opportunities for illicit financial activities such as layering and integration of illicit funds. Similar to ETFs, the involvement of multiple licensed persons in transactions increases the risk of oversight gaps in CDD measures.

Derivatives are inherently vulnerable; however, there is currently no active trading of derivatives on the FINSEC. While derivatives have the potential to be exploited for illicit activities due to their complexity and speculative nature, the lack of market activity in Zimbabwe reduces their current vulnerability.

Bonds listed on the Victoria Falls Stock Exchange (VFEX) were found to be less vulnerable to money laundering. The structured nature of bond investments, regulatory oversight, and relatively lower transaction volumes compared to other securities sector products contribute to their reduced vulnerability.

Virtual assets and other new products were not assessed in this 2024/2025 risk assessment. These products will be considered in the next version when the country decides on the best approach of these products. These will include carbon credits and delivery channel of Securities Lending and Borrowing (SLB).

## SECTION 3: KEY SRA ISSUES

**Table 25: Key areas of focus from the sectoral risk assessment (2024/2025)**

<b>Business models, Products, Services, Clients, Geographic and delivery channels risk factors</b> <ul style="list-style-type: none"><li>• High inherent risk products</li><li>• High volumes, speed, and liquid products</li><li>• Existence of Price volatility, inflation, exchange rates</li><li>• Existence of different types of customers including some high risk</li><li>• Need to understanding emerging risks in crypto/virtual assets</li><li>• AML considerations in ESG investing</li><li>• New products: carbon credits; Virtual Assets;</li><li>• ML/TF/PF Typologies relevant to Real Estate investments</li><li>• ML/TF/PF Typologies relevant for Private Equity investments</li><li>• ML/TF/PF Typologies relevant for commodities</li></ul>	<b>Licensing, Compliance and Enforcement Issues</b> <ul style="list-style-type: none"><li>• Revised FATF Standards</li><li>• Active Supervision of all subsectors for AML/CFT/CPF</li><li>• Detecting and preventing sanctions evasion</li><li>• Red flags for Terrorist Financing</li><li>• Enhancement of offsite and onsite supervision techniques</li><li>• Proliferation Financing detection techniques</li><li>• Using technology in AML (e.g., AI)</li><li>• AML compliance for investment funds/CIS</li><li>• TFS.TF.PF Compliance requirements</li><li>• BO verification requirements</li><li>• Cybersecurity and data protection taking centre stage</li><li>• Open Source Intelligence</li><li>• ML/TF/PF risks posed by unregulated and unlicensed</li><li>• Implementation of RBA as a baseline for sector compliance.</li></ul>
<b>Legal Framework Issues</b> <ul style="list-style-type: none"><li>• Compliance with Cyber and Data Protection Act</li><li>• No legal Framework for VAs and VASPs</li><li>• Effectiveness of usage of penalties framework</li></ul>	<b>Policy Issues</b> <ul style="list-style-type: none"><li>• Policy development to encourage growing of fintech products in the sector as well as ensure their appropriately regulation.</li><li>• The above also aligns to other new products such as carbon credits</li></ul>

## SECTION 4: IMPLEMENTATION OF TARGETED FINANCIAL SANCTIONS ON TF AND PF

The Commission continues to ensure that market players comply with targeted financial sanctions (TFS) related to terrorist financing and proliferation financing. The Commission continues to raise awareness among licensed persons and also ensure every market player is registered on the goAML platform. The Commission uses inspections to check compliance with the requirements together with circulation of directives without delay to the licensed persons upon receipt from the FIU. Terrorism and proliferation risks were rated “**low**” in the securities sector with appropriate controls being put in place by licensed persons. Screening of clients is being done from onboarding stage and at an ongoing basis.



## SECTION 5: RISK MITIGATION STRATEGIES

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Based on the findings of the sectoral risk assessment, a series of risk mitigation strategies have been identified to address the priority ML/TF/PF risks within the securities sector. These strategies are designed to be risk-based, proportionate, and responsive to the specific vulnerabilities observed across licensed persons.

### 1. Strengthening Regulatory and Supervisory Oversight

- Implement a **Risk-Based Supervision (RBS)** framework to allocate supervisory resources based on the risk profile of securities firms.
- Enhance **fit-and-proper criteria** for key personnel and beneficial owners, particularly for entities with high-risk product offerings or cross-border exposure. Operationalisation of screening against UN Sanction list when licensing and come up with database of PEPs.
- Conduct **thematic reviews** focusing on high-risk activities such as structured products, nominee accounts, and offshore fund flows.

### 2. Enhancing Market Participant Controls

- Mandate **enhanced due diligence (EDD)** for high-risk clients and transactions, including those involving politically exposed persons (PEPs) or jurisdictions with strategic AML/CFT/CPF deficiencies.
- Mandate application of **simplified CDD** on low risk situations.
- Strengthen requirements for **automated transaction monitoring systems** and ensure the quality and timeliness of suspicious transaction reporting.
- Promote **robust third-party risk management** practices, especially for outsourced services such as fund administration and client onboarding.

### 3. Promoting Transparency and Information Sharing

- Enforce compliance with **ultimate beneficial ownership** requirements for all securities accounts and nominee structures.
- Continue with **cross-border regulatory cooperation** to improve detection and response to international ML/TF/PF threats.
- Continue engagement with **CSAs and SROs** to support dissemination of best practices and peer learning.

### 4. Managing Technology-Related Risks

- Conduct ongoing risk assessments of **FinTech platforms** and **online brokerages**, focusing on digital onboarding, remote transactions, and cybersecurity vulnerabilities.
- Continue work with team operating **innovation office/sandbox** within the Commission to test and evaluate innovative products and services under controlled environments.

### 5. Building Capacity and Awareness

- Issue sector-specific **AML/CFT/CPF guidance** tailored to the securities sector, covering red flags, typologies, and enhance reporting obligations.
- Deliver **capacity-building programs** targeting front-line staff, compliance officers, senior management and board in licensed persons.

## **6. Strengthening Enforcement and Sanctions**

- Continue with application of **effective, proportionate and dissuasive administrative sanctions** for breaches of AML/CFT/CPF obligations, including non-compliance with reporting, CDD, and recordkeeping requirements.
- Consider increasing transparency by publishing **enforcement statistics and outcomes** to serve as a deterrent and promote sector-wide compliance.

## **SECTION 6: ACTION ITEMS FOR STRENGTHENING AML/CFT/CPF COMPLIANCE**

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### **1. Enhance Risk-Based Supervision**

- Prioritize high-risk licensed persons for increased regulatory engagement.
- Conduct risk-based onsite examinations.

### **2. Strengthen Compliance and Regulatory Guidance**

- Develop subsector-specific AML/CFT/CPF guidelines to address unique risks.
- Provide targeted training programs for licensed persons, including board members, to reinforce top-level compliance commitment.

### **3. Improve Transaction Monitoring and Due Diligence**

- Strengthen CDD/KYC frameworks.
- Enhance suspicious transaction reporting (STR) mechanisms and increase sectoral awareness of reporting obligations.

### **4. Address Emerging Risks and Market Abuse**

- Establish an emerging risk bulletin to provide ongoing insights into sectoral threats.
- Enhance oversight on market abuse typologies, including insider trading and market manipulation.

### **5. Increase Supervisory Resources and Collaboration**

- Expand AML/CFT/CPF supervisory staff to improve regulatory coverage.
- Foster collaboration between licensed persons, regulatory authorities, and development partners to strengthen financial integrity.

These measures aim to bolster the resilience of Zimbabwe's securities sector, aligning it with international best practices and mitigating financial crime risks effectively.

## APPENDICES

### Appendix 1: ML/TF/PF Securities Sector Risk Assessment Ratings (For publication)

Name of Institution				
A.	Asset Managers	Low	Medium	High
1	AM 1		0.47	
2	AM 2		0.47	
3	AM 3		0.44	
4	AM 4	0.39		
5	AM 5		0.40	
6	AM 6	nil		
7	AM 7		0.42	
8	AM 8		0.50	
9	AM 9	0.39		
10	AM 10	0.39		
11	AM 11		0.45	
12	AM 12		0.59	
13	AM 13		0.47	
14	AM 14	0.39		
15	AM 15	0.39		
16	AM 16		0.43	
17	AM 17		0.48	
18	AM 18		0.42	
19	AM 19		0.42	
20	AM 20	0.39		
21	AM 21	nil		
22	AM 22	nil		
23	AM 23		0.45	
24	AM 24	0.39		
25	AM 25	0.39		
26	AM 26	0.39		
27	AM 27	nil		
28	AM 28		0.59	
29	AM 29		0.45	
30	AM 30	0.39		
31	AM 31		0.43	
		0.39	0.46	0.43
Name of Institution				
B.	Securities Dealing	Low	Medium	High
1	SD 1	0.38		
2	SD 2	0.38		
3	SD 3		0.41	
4	SD 4		0.40	
5	SD 5	0.39		
6	SD 6	0.32		
7	SD 7	0.39		
8	SD 8		0.40	
9	SD 9		0.41	
10	SD 10	0.32		
11	SD 11		0.42	
12	SD 12		0.41	
13	SD 13	0.36		
14	SD 14		0.40	
15	SD 15		0.41	
16	SD 16		0.41	
17	SD 17	0.38		
18	SD 18	0.32		
19	SD 19	0.37		
20	SD 20	0.37		
21	SD 21	0.38		
22	SD 22	0.32		
		0.36	0.41	0.38
Name of Institution				

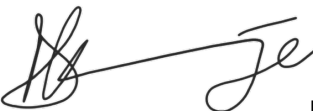
C.	<b>Custodians</b>	Low	Medium	High			
1	CD 1		0.48				
2	CD 2		0.46				
3	CD 3	0.39					
4	CD 4	nil					
5	CD 5	0.39					
6	CD 6	0.39					
		0.39	0.47				0.43
	<b>Name of Institution</b>						
D.	<b>Securities Exchanges</b>	Low	Medium	High			
1	SE 1	0.39					
2	SE 2	nil					
3	SE 3		0.42				
4	SE 4		0.41				
		0.39	0.42				0.40
	<b>Name of Institution</b>						
E.	<b>Trustees</b>	Low	Medium	High			
1	TR 1	nil					
2	TR 2		0.40				
3	TR 3	0.39					
4	TR 4	nil					
5	TR 5	nil					
6	TR 6		0.40				
7	TR 7	0.38					
		0.39	0.40				0.39
	<b>Name of Institution</b>						
F.	<b>Transfer Secretaries</b>	Low	Medium	High			
1	TS 1		0.40				
2	TS 2		0.41				
3	TS 3		0.41				
			0.41				0.41
	<b>Name of Institution</b>						
G.	<b>Advisors</b>	Low	Medium	High			
1	AD 1	nil					
2	AD 2	0.30					
3	AD 3	nil					
4	AD 4	0.25					
5	AD 5	0.25					
6	AD 6	0.25					
7	AD 7	0.25					
8	AD 8	nil					
9	AD 9	0.25					
10	AD 10	0.32					
11	AD 11	0.25					
12	AD 12	nil					
13	AD 13	nil					
14	AD 14	nil					
15	AD 15		0.48				
16	AD 16	0.30					
17	AD 17	nil					
18	AD 18	nil					
19	AD 19	nil					
20	AD 20	0.32					
21	AD 21	0.25					
22	AD 22	0.25					
23	AD 23	0.25					
24	AD 24	0.25					
25	AD 25	0.32					
26	AD 26	0.25					
27	AD 27	0.25					
28	AD 28	0.25					
29	AD 29	nil					
30	AD 30	nil					
31	AD 31	nil					
32	AD 32	0.30					
33	AD 33	0.30					
34	AD 34	nil					

35	AD 35	nil			
36	AD 36	nil			
37	AD 37	nil			
38	AD 38	nil			
39	AD 39	0.25			
40	AD 40	nil			
41	AD 41	nil			
42	AD 42	0.25			
43	AD 43	nil			
44	AD 44	0.25			
45	AD 45	0.25			
46	AD 46	nil			
47	AD 47	nil			
48	AD 48	nil			
49	AD 49	0.25			
50	AD 50	nil			
51	AD 51	0.25			
52	AD 52	nil			
53	AD 53	nil			
		0.27	0.48		0.37
<b>Name of Institution</b>					
H.	<b>Central Securities Depositories</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>	
1	CSD 1	0.39			
2	CSD 2		0.43		
3	CSD 3		0.44		
		0.39	0.44		0.41


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