



REPUBLIC OF SENEGAL
ONE PEOPLE – ONE GOAL – ONE FAITH

**NATIONAL COORDINATION COMMITTEE OF THE FIGHT AGAINST
MONEY LAUNDERING AND TERRORISM FINANCING**

SUMMARY
**NATIONAL MONEY LAUNDERING AND
TERRORISM FINANCING RISK
ASSESSMENT REPORT**

Summary done in March 2020

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Introduction

Senegal is a country located in the western most part of Africa, covering an area of 196,722 km². Its population is estimated at around 15.3 million inhabitants in 2016, 23% of whom are concentrated in the Dakar region (which covers 0.3% of the territory) and 40% live in urban areas. Senegal is surrounded by the Atlantic Ocean to the west, Mauritania to the north, Mali to the east, Guinea, Guinea Bissau to the south. The Gambia is a land base in Senegal.

Endowed with quality human resources, Senegal is a politically stable, diplomatically dynamic country with an appreciable level of internal security.

The Financial Action Task Force (FATF), a supranational body for the standardization of activities of the fight against money laundering and terrorism financing (AML / CFT), have issued forty (40) recommendations aimed at helping States acquire " an adequate legal and institutional framework.

The first of these recommendations prescribes, at the national level, the identification, assessment and understanding of the money laundering and terrorist financing (ML / FT) risks to which each country is exposed, according to a process called National Assessment of Risks (NRA), taking effective measures to mitigate those risks. NRA constitute the first step in developing effective strategies to combat ML and FT related criminal activity.

For the purposes of the second mutual evaluation under the aegis of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), Senegal must carry out a national risk assessment which will be submitted to the assessors.

In order to help States carry out the national risk assessment (NRA), the FATF developed and published, in February 2013, guidelines which constitute a general frame of reference for the design of a document identifying threats and vulnerabilities and, therefore, risks of ML / TF.

This summary recalls the different stages and elements of the development process (I) before presenting the main results (II).

I. NAR development process

The process started with a clear set of objectives before the adoption of a methodology and an analysis tool. In this process, the team in charge of the NAR had to overcome some difficulties in order to achieve integrated results on a national level and partial results, on a sectoral and thematic level.

I.1 Objectives of the NRA

The national risk assessment is an exercise, the purpose of which is:

- Firstly, to identify the threats weighing on Senegal in terms of money laundering and terrorism financing, to know the points of weakness likely to

favor the realization of these threats and to highlight the risks to which our country is exposed;

- Secondly, to measure the extent of the risks identified in order to allow the development of an action plan and / or a global strategy including a system of management for these risks

I.2 Methodology

The national risk assessment was carried out, in particular by:

- Collecting data from different sources (ministerial departments, financial intelligence unit, private sector organizations, etc.);
- Collecting information on the basis of questionnaires;
- Conducting interviews with public or private actors;
- Consultation with the public or open source documents, in particular studies carried out by regional or international organizations.

The data analysis was carried out by sector teams directly or indirectly involved in AML / CFT. The composition of the sector teams was made according to the areas of competence covered by each of the sectors.

In Senegal, the national risk assessment process took place in several stages, including:

- The transmission of a request from the Minister of Economy, Finance and Planning (MEFP) to the Director of Operations of the World Bank for Senegal, Mauritania, The Gambia, Guinea-Bissau and the Republic of Cabo Verde;
- The official launch of the national ML / FT risk assessment process, on September 7th, 2016, by the Secretary General of the Ministry of the Economy, Finance and Planning on behalf of the Minister, in the presence of representatives of the various organizations involved in the exercise;
- The conference calls of 03rd, 05th and 07th of October 2016 between the CENTIF and a Senior specialist in the financial sector at the World Bank headquarters, manager of the team of experts, designated to support Senegal carrying out the NAR;
- The NAR team inception meeting, on October 11th, 2016;
- The team validation meeting, on October 25th, 2016;
- The video-conference between the heads of the NRA team and the World Bank Senior specialist, in their premises in Dakar, on November 03rd, 2016;
- The preparatory meetings held on November 21st and December 08th, 2016;
- The national training workshop, by four (04) experts from the World Bank, representatives of national stakeholders and the start of the collection of information for risk assessment, from December 20th to 22nd, 2016;
- Work within the teams, from December 23rd, 2016;
- The meetings of the coordination team with the sector teams, on January 25th, 2017 and February 15th, 2017;
- The sector reports writing;
- The drafting of a consolidated report based on sector reports;
- The organization of a pre-validation workshop for the provisional consolidated report, on July 19th, 2017;

- The meetings of the sectoral teams for the review of the general provisional report, on July 24th and 25th, 2017;
- The holding of a general report validation meeting on July 27th, 2017.

Participants have different profiles. They came, in particular from:

- Ministerial departments concerned directly or indirectly;
- Public or supranational organizations, ensuring technical or administrative supervision of reporting entities, whether or not designated as AML / CFT supervision authorities;
- Organizations belonging to the public or the parapublic sector, having competence in specific fields;
- Private sector: reporting entities, professional associations of reporting entities, etc.;
- Civil society;

The active and massive participation of the actors allowed fruitful exchanges for the conduct of the exercise.

I.3 The NAR tool

The team in charge of the NRA has benefited from the technical support of the World Bank who developed, in 2007, an Excel-based application intended to carry out the NAR in a practical way.

This application, which served as a basic tool allows:

- To collect data relating to the environment in which the actors involved in AML / CFT operate;
- To identify the threats which the various sectors of activity the national economy faces;
- To highlight the vulnerabilities of these sectors, likely to encourage their use for the purpose of money laundering or terrorism financing activities;
- To analyze the factual elements noted;
- To identify the main factors generating these risks;
- To develop an action plan aimed at proposing appropriate responses to the challenges identified.

The tool consists of nine (9) modules serving as a framework for this report:

- Two (2) cross-functional modules devoted to the analysis of threats to the country, on one hand, and vulnerabilities, on the other;
- One (1) module relating to the risk of terrorism financing;
- Five (5) modules intended to review the main sectors of the economy that may be used to launder illegally the acquired capital or to finance terrorism activities;
- One (1) specific module which aims to define a framework, making it possible to reconcile the imperatives of the fight against money laundering and the terrorism financing with the need to ease the control measures necessary to promote financial inclusion of low-income population.

I.4 Difficulties and limits:

The difficulties encountered relate, primarily, to the unavailability and / or lack of completeness of the data in almost all of the sectors for the period covered (at least 3 years).

The other difficulties encountered pertained to:

- The absence of transposition of the uniform law relating to AML / CFT deriving from Directive No. 02/2015 adopted on July 2nd, 2015 by the WAEMU Council of Ministers, which should constitute the legal basis for the risk approach;
- The absence of a coherent policy or strategy for the collection, management and dissemination of statistical data;
- The reluctance of some people to communicate information considered sensitive;
- The novelty and magnitude of the national risk assessment exercise.

To overcome these obstacles, the working groups had to make projections or approximations in order to reach realistic and objective conclusions.

II. The risks of money laundering and terrorism financing in Senegal

Due to its political stability, its openness to the world, Senegal is naturally a host country for foreigners looking for tranquility and a good quality of life, but also and unfortunately, for delinquents looking for a framework that would allow the accomplishment of their purpose.

Senegal is thus considered as a country of transit of drugs, especially cocaine, transported from Latin America to Europe, directly or via Guinea Bissau or Guinea.

On a global scale, the vulnerabilities associated with money laundering concern:

- Weaknesses in AML / CFT policy and strategy;
- The non-internalization of the AML/CFT uniform law which has implications for the availability of a binding legal framework for the adoption of a risk-based approach;
- The total freedom of movement of cash and other payment instruments, in the West African Monetary Union (WAMU) Treaty;
- The free movement of people, goods, services and capital in the community space of the West African States (ECOWAS) characterized by the porosity of the borders;
- The importance of the informal sector;
- The preponderance of cash in financial transactions;
- The absence of a legal and organizational mechanism for identifying the beneficial owners of transactions and the beneficial owners of legal persons;
- The incentives and facilities offered in setting up businesses in a short time;
- The absence of supervisory authorities for Designated Nonfinancial Businesses and Professions (DNFBP);

- The reduced effectiveness of the asset confiscation, characterized by the absence of an authority responsible for the confiscation and administration of property seized, frozen or confiscated;
- The limited number, at the very least, of administrative and criminal sanctions for non-compliance with AML / CFT obligations.

II.1 The risks of money laundering

From a business sector perspective, money laundering risks can arise from a variety of factors, depending on the nature of the business.

For financial institutions, we can retain two essential elements:

- The importance and the diversity of transactions carried out through the banks or partner institutions, in particular money transfer operators, whose control efficiency remains a major challenge in a context of dematerialization and instantaneity;
- The limits of the system for identifying the customers of financial services and products due to the use of falsified documents or fraudulently telephone contact details.

In the insurance sector, the level of risk is quite low, even if financial offenders can take advantage of the flexibility of certain provisions of the CIMA Code (the lack of control over the origin of funds, the reimbursement of premiums not sufficiently supervised) or practices of the profession. In addition, certain insurance products carry risks (anonymous or bearer capitalization, life insurance in the form of unit-linked investments, pension insurance with activities not clearly defined). The risks inherent in the customer relationship are high in the event of significant use of cash, in a regulated or unregulated manner, more particularly when it is difficult to identify the beneficial owner associated with legal persons.

With regard to electronic money institutions (EMI), the identification of actual originators or recipients of last resort of the transactions carried out is almost impossible. In addition, the technical platforms used are not controlled by the AML / CFT competent authorities.

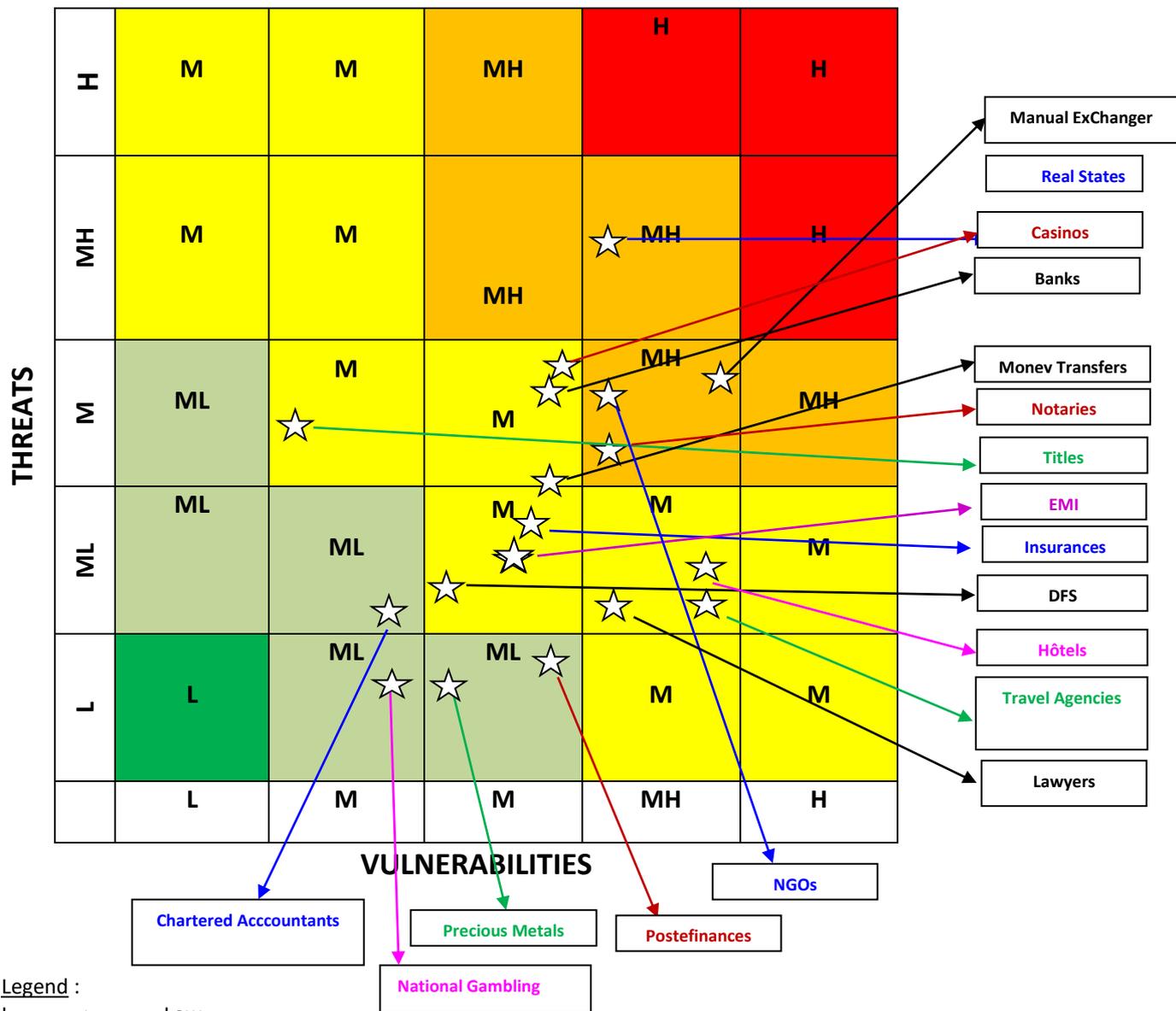
With regard to participants in the stock market, the competent authority (Regional Council for Public Savings and Financial Markets) does not have national offices to ensure close control and does not interact with the financial intelligence unit.

The specific case of POSTEFINANCES, a subsidiary of a national company (La POSTE), is problematic in that it is not classified among the financial institutions (banks, financial establishments, decentralized financial system, etc.) which are placed under the supervision authority or a specified supervisory.

Some of the non financial profession (notaries, lawyers, experts and accountants, in particular) can constitute potentially useful channels for financial offenders in the case of complex financial arrangements. The absence of a legal and institutional framework for identifying, managing and storing information concerning the beneficial owners of legal persons, makes it a high-risk sector. Ultimately, the main risk areas are:

- money transfer;
- foreign exchange;
- electronic money;
- the hotel sector;
- the real estate sector;
- the legal professions and accountant.

Here is an illustrated summary below of the risks of money laundering by sector



II.2 The risks of terrorism financing (TF)

Senegal borders of four (04) countries, some of which are confronted with the terrorism phenomenon.

Border crossings are not always equipped with high-performance equipment allowing them to be more effective in controlling migratory flows and in detecting illicit traffic in general and, above all, that of weapons or explosives.

In addition, the porosity of borders in the ECOWAS region makes it easier to move the threat from one country to another. Today, Niger and Burkina are more than ever threatened.

There is also the proximity to high-risk countries north of the Sahel (Libya, Algeria).

In addition, the existence of the fundamentalist movements of Salafist persuasion and the proliferation of Islamic associations and NGOs is a real risk factor.

Even in the absence of proven cases of terrorist financing through NGOs operating in Senegal, the risks identified in the various studies carried out in the sub-region show a high level of vulnerability.

In addition, the typologies report of terrorist financing in West and Central Africa, published in October 2016, highlights financial transactions, carried out through various channels, which could be linked to terrorist activities carried out outside Senegal.

One of the main vulnerabilities to TF relates to the unavailability of information relating to potential real authorizing officers and beneficial owners of money transfers.

Likewise, the absence of a national mechanism for the designation of persons and entities linked to terrorism and for the freezing, seizure or confiscation constitutes a major limitation.

II.3 Risks associated with financial inclusion products

There are no specific texts relating to financial inclusion in Senegal or in the West African Economic and Monetary Union (WAEMU). The texts in force are those relating to the control and supervision of the products used in the context of financial inclusion.

These texts apply to financial institutions of a banking nature, to microfinance institutions, to insurance companies.

At the present stage, Senegal has not yet decided to lighten the AML / CFT vigilance measures concerning one or more financial inclusion products.

Such a decision could be taken at the end of the work already underway for the adoption of a national financial inclusion strategy which will be a variation of the sub-regional strategy, developed on the initiative of the BCEAO.

II.4 The “global” mapping of ML / FT risks in Senegal

The analysis of threats and vulnerabilities, on a global scale and at the level of the different activity sectors, made it possible to draw a representation of the ML / FT risks to which Senegal is exposed. Here, below, the illustrative diagram

H	M	M	MH	H	H
MH	M	M	MH	MH	H
M	ML	M	M	MH ★	MH
ML	ML	ML	M	M	M
L	L	ML	ML	M	M
	L	ML	M	MH	H

- Legend :
 L : Low
 ML : Medium Low
 M : Medium
 MH : Medium High
 H : High

General conclusion:

The national assessment of risks of money laundering and terrorist financing made it possible to review several aspects related to the security of Senegal. The different variables of the tool used made it possible to detect the points of vulnerabilities,

which when faced with various types of threats, constitute some risks for the economy and, consequently, for Senegal's security in general.

The exercise mobilizing through an inclusive approach was materialized by a record participation of all AML / CFT actors in more than one way because having enabled its various contributors to revisit the entire national system for combating crimes, to detect their flaws and to propose reinforcement or correction actions whenever necessary.

Security issues in general have highlighted the problem of borders in a regional context where the dynamics of integration guarantee the free movement of people and goods. Criminal groups in particular, terrorist groups, take advantage of this to ensure wide possibilities for the mobility of their funds and their troops made up of preachers, fundraisers and combatants.

Vulnerabilities have been analyzed at both national and sectoral levels, revealing strong correlations. This is also the reason why this study was also an opportunity for the actors involved in AML / CFT to realize the flaws in one or more sectors of activity and which could be exploited by criminals.

Taking into account the various points of vulnerability identified motivated the development of an action plan whose execution should last thirty (30) months (from September 2017 to December 2019). This plan includes three (03) priority measures which are:

- Updating a comprehensive AML / CFT legal framework;
- The establishment of an operational system for freezing, seizing, confiscating and managing illicit assets;
- The development of an efficient framework for national cooperation and coordination in the area of AML / CFT.

Ten others measures at second-level as well as a monitoring-evaluation mechanism are also linked to priority actions.