

TO: THE UNIT TRUST MANAGERS, INVESTMENT MANAGERS, UNLISTED INVESTMENT MANAGERS, SPECIAL PURPOSE VEHICLES, STOCKBROKERS, MICROLENDERS, LONG-TERM INSURERS; LONG-TERM INSURANCE AGENTS; LONG-TERM INSURANCE BROKERS; NAMIBIA INSURANCE ASSOCIATION (NIA); NAMIBIA INSURANCE BROKERS ASSOCIATION (NIBA), NAMIBIA SAVINGS AND INVESTMENT ASSOCIATION (NaSIA), AND THE MICROLENDERS ASSOCIATION OF NAMIBIA (MLA)

CIRCULAR LETTER: MC/AML/1/2024

EFFECTIVE DATE: 16 MAY 2024

SUBJECT: NAMIBIA'S FATF GREY LISTING, IMPACT AND WAY FORWARD

1. BACKGROUND

- 1.1 The Namibia Financial Institutions Supervisory Authority ("NAMFISA") exists to supervise financial institutions and financial services and advise the Minister of Finance on matters relating to financial institutions and financial services in terms of the Namibia Financial Institutions Supervisory Authority Act, 2001 (No. 3 of 2001).
- 1.2 Furthermore, NAMFISA's mandate as a supervisory body is to supervise, monitor and enforce compliance with obligations in terms of the Financial Intelligence Act No. 13 of 2012 as amended ("FIA"), the Prevention and Combating of Terrorist and Proliferation Activities Act No. 4 of 2014 as amended ("PACOTPAA"), and subordinate instruments by Accountable Institutions ("AIs") under its purview.

- 1.3 This circular is issued subsequent to Namibia's grey listing by the Financial Action Task Force ("FATF") on 23 February 2024 to inform AIs under NAMFISA's purview on what grey listing entails, the impact, and the way forward.
- 1.4 The grey listing was preceded by a 12-month observation period, which started in September 2022 and ended in October 2023 (after the conclusion of Namibia's Mutual Evaluation and the adoption of the Mutual Evaluation report during September 2022).
- 1.5 Although Namibia made significant progress, 13 of the 72 recommended actions were still outstanding. The 13 outstanding Mutual Evaluation recommended actions formed the basis of Namibia's grey listing. This entails increased monitoring of the execution of the outstanding recommended actions within specific timelines, but not later than January 2026.
- 1.6 Out of the above-mentioned 13 outstanding recommended actions, only two (2) are relevant to NAMFISA and AIs under its purview. These are:
- Imposition of proportionate and dissuasive administrative sanctions where non-compliance is detected and follow-ups on the application of remedial actions to ensure that all the identified deficiencies are addressed timely; and
 - Enhancing the application of preventive measures through inspections and outreach to ensure that AIs:
 - a) apply enhanced due diligence measures [including Beneficial Ownership (BO), and Prominent Influential Persons (PIPs) obligations]; and
 - b) effectively apply targeted financial sanctions related to Terrorist Financing (TF) and Proliferation Financing (PF), without delay. This requires AIs to screen their clients against the United Nations Security Council (UNSC) sanctions lists without delay.

- 1.5 All the 13 outstanding recommended actions must be adequately and timely executed for Namibia to exit the grey list.

2. IMPACT OF GREY LISTING

- 2.1 The FATF in its statement released on 23 February 2024 called for the application of a risk-based approach, by taking into consideration grey listing information when assessing ML/TF risks emerging from grey listed countries. It is however important to note that the FATF did not call for automatic application of enhanced measures against countries placed on the grey list, or de-risking or cutting off entire classes of customers. As such, the emphasis is rather on adopting a risk-based approach.
- 2.2 The Financial Intelligence Centre (FIC) in its media release published on 23 February 2024 in the advent of the grey listing, gave assurance that Namibia's financial system remains sound, stable, and well-capitalized. Given the robust due diligence measures in place, transactions between Namibia and the global community will continue to be safeguarded.
- 2.3 NAMFISA hereby echoes the FIC's assurance above mentioned. Therefore, businesses and citizens can proceed with confidence in conducting transactions locally, regionally, and internationally.

3. WAY FORWARD

- 3.1 Moving forward, NAMFISA remains resolute in its commitment to closing the identified gaps, taking cues from neighboring countries that have effectively exited the grey list. Therefore, we remain positive about the future of Namibia's financial system.
- 3.2 Further, at the national level, a National Action Plan was developed post the grey listing, setting out the granular activities to be carried out by various implementing agencies including NAMFISA. Progress on execution will be

closely monitored by the National Focal Committee to ensure that Namibia speedily exits the grey list.

3.3 Treasury has made budgetary provisions in the 2024/25 financial year towards this cause. This is to ensure the execution of the outstanding action items in order for Namibia to exit the grey list in the shortest time possible.

3.4 At the sector level, NAMFISA has incorporated the two outstanding recommended actions that are relevant to NAMFISA in its day-to-day scope of Anti-Money Laundering (“AML”), Combating the Financing of Terrorism (“CFT”) and Combating Proliferation Financing (“CPF”) supervision to ensure effective execution.

3.5 Given the above, NAMFISA calls upon all AIs to ensure that they adopt and implement the necessary measures to comply with their obligations in terms of the FIA, PACOTPAA, and subordinate instruments.

3.6 In cases of non-compliance NAMFISA is obliged to impose proportionate and dissuasive administrative sanctions. Furthermore, in such cases, AIs will be directed to institute corrective/remedial measures to address any non-compliance in a timely manner. The application of corrective/remedial actions will be monitored through the assessment of progress reports to ensure that they are executed within determined timelines.

3.7 In terms of the National Action Plan, NAMFISA will carry out the following activities to enhance the application of preventative measures by AIs:

- a) conduct quarterly outreach activities to promote the understanding of obligations pertaining to BO, PIPs and TFS; and
- b) conduct inspections to test compliance with obligations related to BO, PIPs and TFS, amongst others.

3.8 In conclusion, NAMFISA remains open for engagement with all stakeholders and AIs are encouraged to approach NAMFISA should they require any further guidance in addition to the guidelines and directives issued by

NAMFISA and the FIC. NAMFISA further urges AIs to ensure that they attend all industry engagement sessions where pertinent AML/CFT/CPF compliance related issues are discussed and addressed.

For further information or clarification with regard to the above, please do not hesitate to contact Mr. Vilho Nkandi at the telephone number (061) 290 5223 or via e-mail at vnkandi@namfisa.com.na.

Yours sincerely,

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