



Anti-money laundering and counter-terrosist financing measures **Republic of Chad**



Mutual Evaluation Report July 2023



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LIST OF ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ANIF	National Agency for Financial Investigation
ASTROLAB	Questionnaire on Assistance to Surveillance, Treatment and Organization of Anti-Money Laundering
AU	African Union
AUDCG	Uniform Act Relating to General Commercial Law
BEAC	Bank of Central African States
BNI	Bearer Negotiable Instrument
BVMAC	Central African Stock Exchange
C	Compliant
CAC	African Conference of Financial Intelligence Units
CAR	Central African Republic
CCPAC	Central African Police Chiefs' Committee
CDD	Customer Due Diligence
CEMAC	Economic and Monetary Community of Central African States
CIMA	Inter-African Conference on Insurance Markets
COBAC	Central African Banking Commission
COSUMAF	Central African Financial Market Supervisory Commission
DGI	General Directorate of Taxation
DNA	General Directorate for Insurance
DNFBP	Designated Non-Financial Businesses and Professions
ECCAS	Economic Community of Central African States
EIG	Economic Interest Group
FATF	Financial Action Task Force
FI	Financial Institution
FIUs	Financial Intelligence Units

FP	Financing of Proliferation
FSRB	FATF-style Regional Body
GABAC	Task Force on Anti-Money Laundering in Central Africa
GDP	Gross Domestic Product
GP	General Partnership
IGE	General State Inspectorate
HC	High Court
IMF	International Monetary Fund
INTERPOL/NCB	Interpol National Central Bureau
IO	Immediate Outcome
JPO	de Judicial Police Officer
KYC	Know Your Customer
LC	Largely Compliant
LC	Limited Company
LLC	Limited Liability Company
LP	Limited Partnership
MER	Mutual Evaluation Report
MFI	Microfinance Institution
MFSP:	Mobile Financial Service Provider
ML	Money Laundering
MTC :	Money Transfer Company
NC	Non-compliant
NC	Non- compliant
ND	National Directorate
NGO	Non-Governmental Organization
NPO:	Non-Profit Organization
NRA	National Risk Assessment

OECD:	Organization for Economic Cooperation and Development
OHADA	Organization for the Harmonization of Business Law in Africa
PC	Partially Compliant
PEP	Politically Exposed Person
R	Recommendation
SRB:	Self-Regulation Body
STR:	Suspicious Transaction Report(ing)
TF	Terrorist Financing
TFS	Targeted Financial Sanction
TPPCR	Trade and Personal Property Credit Register
UMAC	Central African Monetary Union
UNO	United Nations Organization
UNODC	United Nations Office on Drugs and Crime
UNPD	United Nations Development Program
UNSCR	United Nations Security Council Resolution
USD	United States Dollars
VA	Virtual Assets
VASP	Virtual Asset Service Provider
WAMU	West African Monetary Union
WCO	World Customs Organization

PREAMBLE

The Task Force on Anti-Money Laundering in Central Africa (GABAC) is a specialized institution of the Central African Economic and Monetary Community (CEMAC) and a FATF-style Regional Body (FSRB) that promotes norms, instruments and standards for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction, as well as other threats, including related methods and trends, in order to ensure the integrity of the financial system of member and associated States.

States under GABAC's jurisdiction have formally recognized the FATF standards as the benchmark for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction.

GABAC was admitted as an FSRB in 2015. Its duties include evaluating the anti-money laundering and combating the financing of terrorism (AML/CFT) systems of the States under its jurisdiction in order to assess their compliance with international standards and the effectiveness of the measures taken.

Having successfully conducted the first round of mutual evaluations of its member States and having started its second round with the evaluation of the system of the Democratic Republic of Congo, GABAC is continuing with the evaluation of Chad's AML/CFT system.

This report, together with any data and maps it may contain, is without prejudice to the status of any territory, the sovereignty over such territory, the delimitation of international boundaries and limits, and the name of any territory, city or region. It has been prepared based on the 2013 FATF Methodology updated in November 2020 and the GABAC Round 2 Mutual Evaluation Procedures Manual. It incorporates the new requirements introduced in the 2012 revision of the FATF Recommendations and contains provisions on technical compliance and effectiveness.

The report was reviewed by the FATF Secretariat,

The Evaluation Report was adopted by the 15th Plenary session of the GABAC Technical Commission on April 2023 at Libreville in Gabon

EXECUTIVE SUMMARY

1. This document presents a summary of the AML/CFT measures in place in Chad at the time of the on-site visit, from 9 to 27 May 2022. It analyses the level of compliance with the 40 Recommendations of FATF and the effectiveness of Chad's AML/CFT system, and sets out priority recommendations for strengthening the system.

A- KEY FINDINGS

- (a) Understanding of ML/TF risks in Chad is low. The NRA is being finalized and no sector ML/TF risk assessment has been conducted. However, some supervision authorities, namely COBAC, CIMA and BEAC have a better understanding of the ML/TF risks their reporting entities are facing.
- (b) Chad does not have a national AML/CFT policies coordination authority.
- (c) Chad's ANIF receives a relatively low number of suspicious transaction reports mainly from financial sector reporting entities. It carries out operational analyses and submits resulting findings to judicial authorities and the Directorate General of Taxation. There is no feedback on the quality of reports from judicial authorities. In contrast, the DGI greatly appreciated them and proceeded to make tax adjustments based on information received.
- (d) Most financial investigations result from complaints filed by the IGE on embezzlement of public funds. However, the money laundering component is not looked into by investigating authorities which, moreover, are not aware of the conduct of parallel investigations. Such shortcoming stems from lack of training in the conduct of ML/TF investigation and insufficient material, financial and logistic resources, especially computer hardware and systems.
- (e) While seizure of predicate offence-related proceeds of crime and instrumentalities is effective, confiscation is so to a lesser extent. On the whole, temporary ML/TF measures and confiscations are not carried out, with the exception of an ML seizure case. Statistics on seizures and confiscations are not regularly kept in most cases. The few existing data are manually kept in a dispersed manner;
- (f) The government agency responsible for administering seized and confiscated property has not yet been set up. As a result, property seized are not properly administered, which negatively impacts future confiscations that become irrelevant as they are either stolen or emptied of their content during the procedure;
- (g) The customs administration carries out seizures at the borders and share information with its counterparts. It collaborates with ANIF, but has not yet transmitted to it information on seizures of cash and BNIs;
- (h) Since 2015 Chad has been experiencing acts of terrorism the perpetrators of which are prosecuted. However, the country has not pronounced any TF conviction. This situation stems from the fact that the competent authorities are facing difficulties in identifying, investigating and prosecuting cases of TF. The staff of existing specialized services are not sufficiently trained and equipped in TF, and have no knowledge of parallel financial investigations in a country where the informal financial sector is predominant;
- (i) Chad is yet to lay down the procedures and mechanisms for processing the lists

established under United Nations Resolutions 1267 and 1373. There is no national terrorist list and no freezing measures have been taken to deprive terrorists of their resources. Similarly, the country has not assessed NPO sector risks in order to identify those organizations that are vulnerable to TF;

- (j) Financial institutions have a better understanding of their AML/CFT risks and obligations. Such understanding is higher in banking institutions than in other financial institutions. The risk map and the action plan for mitigating such risks have been diversely prepared and implemented by financial institutions. Customer due diligence is not satisfactorily implemented owing to difficulties faced in collecting information on beneficial owners. DNFBPs have limited knowledge of their obligations and do not implement AML/CFT customer due diligence.
- (k) Some competent authorities responsible for approving financial institutions in Chad, namely the Ministry of Finance, COBAC, BEAC, CIMA and the DGI carry out some actions to prevent criminals and their associates from holding substantial shares in these institutions, or occupying management positions therein. However, due diligence is not implemented by COSUMAF and in the DNFBP sector. Consequently, the absence of measures to combat the illegal exercise of activities in some high-risk sectors such as real estate, money transfer and informal currency exchange, and lack of due diligence in identifying beneficial owners in all sectors are hampering the actions of competent authorities to achieve this objective.
- (l) Understanding of ML/TF by supervision authorities is still embryonic, although some of them, including COBAC, CIMA and BEAC have a better perception of the ML/TF risks facing their reporting entities. Such perception is non-existent in the DNFBP sector. As a result, the risk-based approach is not applied in all sectors (financial and DNFBPs).
- (m) National and community supervision authorities apply few corrective actions.
- (n) There are few guidelines, which do not enable FIs to have better understanding of their AML/CFT obligations.
- (o) VASPs are currently not regulated or supervised in Chad despite the existence of a potential risk of them being used for ML/TF purposes.
- (p) Chad has a one-stop shop where information on the creation of legal persons governed by OHADA UAs are recorded. Chad does not have mechanisms for identifying and collecting of information on beneficial owners that are legal persons, and there is no information on BOs that are legal persons in the company register. The legal order in Chad does not recognize legal arrangements, trusts and fiduciaries. However, those constituted abroad are not forbidden to operate in the country.
- (q) Mutual legal assistance and extradition may be requested and provided. In practice however, they are only too rarely implemented, especially with regard to ML/TF. Competent and supervision authorities may cooperate with their foreign counterparts. However, with the exception of ANIF, few cooperation actions are documented on the whole, and those specific to ML/TF are limited.
- (r) Chad does not have clearly laid down procedures for the prioritization, timely treatment and monitoring of international cooperation requests.

B- RISKS AND GENERAL SITUATION

2. Chad is facing numerous money laundering and terrorist financing risks. The money laundering threat stems from the repeated commission of predicate offences of aggravated robbery, cattle rustling, corruption, embezzlement of public funds, breach of trust, fraud, forgery and use of forgery, counterfeiting, drug trafficking, arms trafficking, human trafficking, illegal exploitation of mineral resources and poaching-related environmental crimes.

3. Terrorist financing is a real threat in Chad and its risk high on account of the activism of the Boko Haram and ISWAP terrorist groups, as well as armed groups and gangs operating around the Lake Chad Basin, along the Sahelo-Saharan strip and on the borders of neighbouring countries. These actors of insecurity and violence carry out illegal activities, including cattle rustling, drug trafficking, poaching, smuggling, arms trafficking, illegal exploitation of mineral resources and kidnapping for ransom to supply their logistic, operational and financial bases.

4. The key vulnerability factors that compound Chad's exposure to ML/TF risks include the predominance of the informal sector resulting in high circulation of cash out of traditional financial channels, low financial inclusion and insufficient border controls fostering cross-border flow of funds from criminal and illegal activities.

5. In the absence of findings from the ongoing national risk assessment in Chad, which will enable the authorities to understand the overall ML/TF risks to which the country is exposed in order to formulate national policies and strategies to mitigate such risks, the assessment mission pointed out a number of sectors that are exposed to ML/TF risks, namely banks, microfinance institutions, money and value transfer companies, foreign exchange bureaus, the real estate sector and the sector of dealers in precious stones and metals.

C- OVERALL LEVEL OF EFFECTIVENESS AND TECHNICAL COMPLIANCE

6. Chad's ML/TF mechanism has made structural progress since the previous evaluation, especially with the building of ANIF's operational capacity through the provision of IT infrastructure, the improvement of the reporting system reflected by the growing number of STRs, the strengthening of the institutional framework to combat embezzlement of public funds by setting up the State Inspectorate General, among others. However, the overall level of effectiveness of the ML/TF system is still low and requires improvement owing to some strategic shortcomings, in particular the absence of: national AML/CFT policies and strategies, an AML/CFT coordination authority or mechanism, a formalized criminal policy for the repression of ML/TF, a national strategy to combat terrorism that incorporates TF, a designated authority to supervise DNFBPs with respect to AML/CFT, a mechanism for disseminating lists of sanctions to reporting entities for the immediate implementation of TFSs and the weak control of AML/CFT by control and supervision authorities.

7. Regarding technical compliance, the legal framework has undergone some updates after 2014, with the adoption of the new CEMAC Regulation on AML/CFT, laws and regulations

in order to align with international standards, especially FATF Recommendations. Shortcomings were noted notably concerning the production of statistics, the establishment of guidelines, the regulation and monitoring of DNFBPs and the monitoring of NPOs with regard to AML/CFT issues.

Risk assessment coordination and policy setting (Chapter 2 – IO.1; R.1, R.2, R.33)

8. Chad embarked on its national ML/TF risk assessment in 2021, in accordance with Order No. 99/PCMT/PMT/MFB/ANIF/2021 of 15 July 2021 to revise the commission responsible for conducting the national risk assessment (NRA) with respect to money laundering, terrorist financing and proliferation. The process is ongoing. However, some sectors, especially precious stone and metal dealers, mobile money payment service providers and casinos were not represented in the working groups during the on-site visit, which may affect the inclusiveness of the process.

9. Given the NRA is ongoing, Chad does not have national AML/CFT policies and strategies, and the understanding of ML/TF risks at the national level is low. Nonetheless, ANIF has a good understanding of money laundering and terrorist financing risks in Chad. Investigating and criminal prosecution authorities as well as the General State Inspectorate have a good AML/CFT approach.

10. COBAC and CIMA, respectively banking and insurance sector supervision and control authorities, have a good understanding of the ML/TF risks to which the sectors under their supervision are exposed. However, they do not organize theme-based missions on AML/CFT. Most of the missions are related to general supervision in which they at times incorporate ML/TF aspects. COSUMAF's understanding of the risks facing financial market players is quite limited.

11. Chad is still to have an efficient anti-money laundering and combatting the financing of terrorism and proliferation committee or mechanism. However, cooperation and coordination between the services involved in AML/CFT are ensured mainly by ANIF through its collaboration with the said services.

Financial intelligence, money laundering investigations, prosecutions and confiscation (Chapter 3 – IO.6-8; R.3, R.4, R.29-32)

12. Although the few intelligence files produced by ANIF are of good quality, they lay more emphasis on embezzlement of public funds than on money laundering.

13. Several factors substantially reduce ANIF's efficiency, namely the absence of reports on cross-border cash and BNI transportation, lack of STRs from DNFBPs, disconnection of this FIU from the website of the Edmont Group, thereby rendering international cooperation difficult in an area that concerns combatting cross-border offences. In addition, there are no strategic studies on threats and vulnerabilities in a cash-based economy that stands to benefit from identifying its own weaknesses.

14. Criminal prosecuting authorities have received a few files from ANIF that they have been unable to trace. Those from the IGE concerning embezzlement of public funds have been examined and have led to convictions. In contrast and despite the high number of pending prosecution files on predicate offences (embezzlement of public funds, drug

trafficking, trafficking in humans, etc.), only two ML prosecutions have been initiated and none has led to a conviction so far. Therefore, proportionate and dissuasive sanctions have not yet been imposed, and criminal prosecuting authorities are still unable to prioritize prosecutions or pronounce alternative sentences in the area of ML.

15. Investigating and prosecuting authorities have been implementing temporary measures. Proceeds of crime relating to prosecuted and tried predicate offences have been confiscated. Owing to lack of data however, the effective implementation of this measure was not corroborated. No confiscation has been ordered for ML/TF. Given that it is not provided for in instruments, confiscation without prior conviction cannot be implemented.

16. Mutual legal assistance is not used for confiscation of proceeds and instrumentalities of crime related to predicate offences committed abroad, and proceeds transferred to other countries.

17. The government agency responsible for administering seized and confiscated property provided for by the law on AML/CFT is still to be set up.

18. The customs administration indicated it has seized and confiscated foreign exchange, precious stones and metals, drogues, fake medicines and wildlife products. However, it was unable to produce related statistics due to lack of documentation on the actions undertaken. Moreover, although the customs administration shares information with ANIF, information collected as part of undeclared or falsely declared cross-border movements of cash and BNIs has not yet been submitted.

Terrorist financing and financing of proliferation (Chapter 4 – IO.9-1; R.5-8)

19. Chad is a fertile ground for TF due to its geographical position in an insecure area, which makes it an ideal place for terrorist and armed groups operating within the country and in neighbouring countries, and which carry out illegal activities such as smuggling, various forms of trafficking in arms, drugs, human beings and mineral resources, poaching, cattle rustling and kidnapping for ransom to supply their logistical, operational and financial resources. Moreover, TF is fostered by the predominance of the informal sector, leading to the circulation of cash, massive importation of goods, financial cash transactions, in addition to porous borders that facilitate physical cross-border transportation of cash, the closeness of conflict zones (Cameroon, Nigeria, Niger, Libya, Sudan, CAR), free movement of people and goods within the community space and its weak civil system for identifying citizens. However, TF risks and sources are yet to be clearly identified and understood by actors of the AML/CFT system that has been established, given that the NRA is ongoing.

20. Despite a few recorded convictions for terrorist acts, investigating and prosecuting authorities are still facing difficulties in detecting TF. Specialized operational entities are new and do not yet have expertise and human, technical, material and financial resources.

21. Chad has not yet established procedures and mechanisms for processing the lists established under UNSCRs 1267 and 1373, nor has it designated competent national authorities responsible for implementing these measures, despite the existence of a community legal framework for implementing TFSs. A mechanism for disseminating sanctions lists to reporting and entities, and communicating them to the general public has not

yet been put in place, although some banks have applications that enable them to receive updates on such lists in order to implement TFSs in their operations.

22. Chad's NPO sector is highly vulnerable to misuse for TF purposes, according to a GABAC study. Chad has not yet carried out a sector risk assessment to identify NPOs that are vulnerable to TF, nor has it carried out awareness-raising activities among them. Supervision bodies also do not monitor AML/CFT.

Preventive measures (Chapter 5 – IO.4; R.9-23)

23. Banks, especially subsidiaries of large foreign groups, established institutional risk assessment frameworks even before the current NRA. Large banks and microfinance institutions have a good understanding of their ML/TF risks and have taken steps to mitigate them. To that end, they have adopted a risk-based approach in implementing AML/CFT measures. However, subsidiaries of foreign banks are more rigorous in implementing risk mitigation measures. The understanding of AML/CFT risks is generally weak or non-existent in the other financial institutions and insurance companies, especially regarding approved manual foreign exchange operators.

24. Banking institutions generally understand their customer identification obligations using the risk-based approach (implementation of enhanced and simplified due diligence measures), and comply with information preservation requirements. They have appointed ANIF correspondents and Compliance Officers. In practice however, the implementation of CDD measures is lower in financial institutions, resulting in the near absence of STRs. At all levels, the identification of beneficial owners is a major challenge for all FIs.

25. Financial institutions, especially banks, have set up control systems that comply with regulatory requirements. However, these systems are more robust in the subsidiary banks of foreign groups.

26. DNFBPs do not have good knowledge of their AML/CFT obligations, and do not implement related due diligence.

Supervision (Chapter 6 – IO.3; R.26-28, R.34-35)

27. Apart from COSUMAF, the authorities in charge of approving FIs in Chad implement vigilance measures to prevent criminals and their associates from holding a significant share in these institutions, taking control of them during operation or occupying a management position. Such controls include the verification of the origin of funds and the criminal records of shareholders, directors and managers. However, this is not the case in the DNFBPs sector, where such due diligence is generally not observed.

28. In the absence of sector-based AML/CFT risk assessments and pending the finalization of the NRA, supervision authorities' understanding of AML/CFT risks remains marginal, even though COBAC, CIMA and BEAC have a better perception of the AML/CFT risks faced by their reporting entities. This is not the case for the DNFBP sector, which does not have designated AML/CFT authorities.

29. So far, only COBAC has embarked on the process of using an ML/TF risk-based control approach. In addition, it systematically incorporates the AML/CFT component during general

missions and theme-based missions on compliance with foreign exchange regulation. In the insurance sector, the AML/CFT issue is superficially taken into account during controls by CRCA or the Directorate General of Insurance. The Central African Financial Market Supervisory Commission (COSUMAF) is still to incorporate the AML/CFT component in its control mechanism.

30. Supervision authorities carry few corrective actions. Therefore, although there is a wide range of sanctions for breaches of AML/CFT obligations, it is difficult to conclude whether they are effective, proportionate and dissuasive.

31. Weak STRs, scarce on-site inspections and the absence of sanctions highlight the limited impact of the supervision authorities' actions on the level of compliance by FIs.

32. The establishment of guidelines by ANIF and CIMA, and the holding of annual meetings between the President of COBAC and the CEMAC banking and financial profession are actions aimed at enabling FIs to better understand their AML/CFTT.

33. Due to the absence of a legal framework for Virtual Assets and the conditions under which Virtual Asset Service Providers (VASPs) operate, no action has been taken in Chad to regulate and supervise VASPs, a situation which increases risks of crime inherent in such activities.

Transparency of legal persons and beneficial ownership (Chapter 7 – IO.5; R.24-25)

34. Legal persons, namely commercial companies, NGOs and associations are created in Chad respectively under AUDCG and AUSCGIE, and the regulations in force. They are subject to general transparency obligations, of which registration with the TPPCR would provide basic protection against their misuse for CB/TF purposes. The procedure for their creation is in accordance with Decree No. 1793/PR/PM/MECDT/2015 to lay down procedures for the creation, modification, dissolution or strike-off of companies. The procedure for NGOs and other types of legal persons also ensures transparent information on the founders, officials or managers. No sanctions for non-compliance with transparency obligations by legal persons were identified.

35. In Chad, there are no common law legal arrange such as trusts and other similar legal entities for asset management. Nevertheless, foreign trusts can operate in Chad and domestic professionals can provide services to foreign trusts

36. The identification and collection of information on beneficial owners of legal persons and legal arrangements is a crucial problem, despite the obligations imposed on reporting entities by the AML/CFT Regulation, which is implemented or complied with only by banks belonging to large international financial groups. Similarly, basic information contained in the TPPCR is not regularly updated.

37. Chad has not yet finalized its ML/FT National Risk Assessment (NRA). Consequently, no specific study on the risks of misuse of categories of legal persons for CB/FT purposes has yet been conducted.

International cooperation (Chapter 8 – IO.2; R.36-40)

38. Chad has an appropriate legal framework for mutual assistance and extradition. It uses informal international cooperation on the basis of reciprocity. However, the level of cooperation observed remains insufficient. Although it has not granted or requested mutual legal assistance or extradition in relation to ML/TF, the country has recorded cases of extradition requests in the prosecution of predicate offences.

39. Overall, competent authorities have the resources to cooperate with foreign counterparts, although data on actions already undertaken remain difficult to produce.

40. As member of the Egmont Group, ANIF has not shown proof of sufficient capacity to share intelligence with its foreign counterparts. Anyway, it can, as appropriate, use intelligence received from its foreign counterparts as part of its missions and act as intermediary to request information from reporting entities on their behalf.

41. Information on legal persons listed in the TPPCR may be shared with foreign counterparts upon request to the competent authority. However, the absence of a mechanism for collecting information from beneficial owners in the process of setting up companies limits the sharing of related information.

D- PRIORITY MEASURES

Based on these general conclusions, the following priority actions are recommended to the Chadian authorities:

- (a)** Finalize the NRA in order to identify and understand the ML/TF risks to which the country is exposed, and enable the country to apply the risk-based approach. The findings of the NRA should then be widely disseminated to all relevant AML/CFT stakeholders, with a view to achieving a consistent and continuous understanding of the country's ML/TF threats, vulnerabilities and risks. The NRA should also be regularly updated at defined intervals;
- (b)** Adopt a comprehensive AML/CFT strategy based on the findings of the NRA in order to establish national AML/CFT policies by prioritizing high risk sectors, and establish sector-based action plans;
- (c)** Establish a National Policy Coordination Committee to provide a platform for AML/CFT coordination and information sharing;
- (d)** Intensify awareness-raising activities for the most at-risk reporting entities (banks, MFIs, foreign exchange bureaus, payment institutions, real estate, MVTCs, dealers in precious stones and metals) on their AML/CFT obligations, where appropriate, with the participation of oversight and supervision authorities in order to increase their knowledge, and remind them of the sanctions incurred in the event of non-compliance;
- (e)** Sensitize the customs administration to submit information on cash and BNI seizures to ANIF and strengthen national cooperation between these two competent authorities as well as between ANIF, DGI, SIG and any other authority holding financial intelligence

so that the money laundering component is systematically examined when investigating predicate offences. Such cooperation should be extended to investigating and prosecuting authorities by opening concomitant or parallel investigations in all cases of embezzlement of public funds, drug trafficking and all other predicate offences.

- (f)** Provide specialized investigating units, the economic pool and other investigating and prosecuting authorities involved in the fight against financial crime with the necessary technical, material, human and financial resources, and continue to popularize CEMAC Regulations in order to build their capacity to conduct investigations, examine and try ML and TF cases;
- (g)** Train ANIF analysts to conduct their analysis not only on the predicate offence, but especially on ML/TF. Such training should be extended to all criminal prosecuting authorities and focus in particular on detecting cases of ML, conducting investigations and implementing international cooperation;
- (h)** Establish a central mechanism for collecting consolidated and up-to-date statistics on investigations, convictions, freezes, seizures and confiscations in relation to predicate offences and AML/CFT, thereby enabling the various entities to document their actions and thus have reliable quantitative data for measuring the effectiveness of the AML/CFT system;
- (i)** Establish the government agency responsible for administering seized and confiscated property in order to ease the difficulties faced by registries and other entities in the management and disposal of such property.
- (j)** Designate and ensure the operationality of the competent authorities in charge of implementing TFSs;
- (k)** Assess the NPO sector to identify those that are most vulnerable to misuse of AML/CFT by criminals, and provide their supervision bodies with the powers and resources to carry out AML/CFT controls and apply sanctions in cases of non-compliance;
- (l)** Establish a formal mechanism for identifying beneficial owners as part of the process of creating legal persons and in business relationships in order to provide information on beneficial owners of legal persons and to enable reporting entities to better comply with their obligation to identify and verify the beneficial owners of their business relationships.
- (m)** Designate an authority responsible for supervising DNFBPs with respect to AML/CFT, or extend the mandate of oversight authorities or SRBs to include AML/CFT due diligence;
- (n)** Build the capacity of FI and DNFBP control authorities by organizing specific training courses and providing tools for conducting sector and sub-sector specific ML/TF risk assessments to facilitate the effective implementation of risk-based control;
- (o)** Produce and disseminate guidance documents that explain the AML/CFT obligations of

the various categories of FIs and DNFBPs;

- (p)** Call on control authorities to apply effective, proportionate and dissuasive sanctions against reporting entities that do not comply with their AML/CFT obligations;
- (q)** Regulate the VASP sector by laying down conditions for use of virtual assets in Chad, in accordance with R.15;
- (r)** Raise awareness among competent authorities to make greater use of mutual legal assistance, extradition and other forms of cooperation to prosecute predicate offences and ML/TF with foreign connections, and to seize and confiscate criminal assets located abroad and proceeds transferred;
- (s)** Formalize procedures for managing and monitoring international cooperation requests, and establish a central mechanism for their archiving;
- (t)** Revive cooperation between the ANIF and its foreign counterparts.

Effectiveness and technical compliance ratings

Table 1. Level of effectiveness¹

RI 1	RI 2	RI 3	RI 4	RI 5	RI 6	RI 7	RI 8	RI 9	RI 10	RI 11
Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low

Table 2. Technical compliance level²

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
NC	NC	C	PC	LC	NC	NC	NC	PC	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	PC	LC	PC	NC	PC	LC	PC	PC	PC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	PC	PC	NC	PC	PC	LC	NC	LC	LC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
C	PC	NC	PC	PC	LC	LC	PC	C	LC

¹ The ratings for the level of effectiveness may be high, significant, moderate or low.

² Technical compliance ratings are C - compliant, LC - largely compliant, PC - partially compliant, NC - non-compliant or NA - not applicable.

MUTUAL EVALUATION REPORT OF THE REPUBLIC OF CHAD

Foreword

This report summarizes the AML/CFT measures in force in Chad on the date of the on-site visit (from 9 to 13 27 May 2022). It analyses the level of compliance with the 40 FATF Recommendations and the level of effectiveness of Chad's AML/CFT system, and makes recommendations for strengthening Chad's AML/CFT system

Based on the 2012 Financial Action Task Force Recommendations, this assessment was prepared using the 2013 Methodology (updated in November 2020). It was carried out on the basis of information provided by Chad and that obtained by the evaluation team during its on-site visit to Chad from 9 to 27 May 2021.

The assessment was carried out by a team composed of:

Legal experts:

NDJE Salomon (Cameroun)

AMONA Annick Valia (Congo);

LUKONGO LUTULA Félix (DRC);

TABU MELEKI Emmanuel (DRC);

Financial experts:

NANG ONDO Jean Justin (Gabon);

BALDE Mamadou Cire (Guinea);

DOMMSS KAMNDOMON Mobiyak Daudeska (CAR).

Prosecution authorities' expert:

EBESSA Virginie (Cameroon)

The team was backed by the Permanent Secretariat of GABAC represented by:

TOUNDA OUAMBA Frank-Regis, Director of Legal Affairs and Litigation;

LOCKO Angès-Maier, Head of Regulatory Division;

NGUENEDI Constantin Rodrigue, Head of the Combatting the Financing of Terrorism Division.

Chad was under assessment as part of the first round of mutual evaluations conducted by GABAC in 2014. Chad's MER, adopted in 2016, was published by GABAC and is available at the following address: www.spgabac.org

The Mutual Evaluation concluded that Chad was:

Largely Compliant (LC) for four (4) Recommendations relating to ML only, Partially Compliant (PC) four twenty-two (22) Recommendations, including twenty (20) relating to ML and two (2) relating to TF, Non- Compliant (NC) four twenty-two (22) Recommendations, including fifteen (15) relating to ML and seven (7) relating to TF and Not Applicable (NA) four one (1) Recommendation relating to ML.

After the adoption of its MER in 2014 and after presentation of its first report in September 2016, Chad was placed under the Enhanced Monitoring regime, requiring the country to submit a six-monthly report. Thus, throughout the first round, the country was kept under the enhanced monitoring regime up to March 2018, then under the regular monitoring regime in September 2018. Chad presented its 8th monitoring report in March 2021.

Chad was removed from the monitoring process in March 2021 to prepare for the second round assessment of its AML/CFT system. In October 2021, the GABAC plenary, after taking note of Chad's progress report, deemed that the Chadian authorities had implemented most of the recommendations made by the evaluation team for the improvement of its AML/CFT system.

CHAPTER 1: ML/TF RISKS AND CONTEXT

1. Chad is a land-locked Central African country with a surface area of 1 284 000 km². It is bordered to the north by Libya, to the north-east by Niger, to the south-west by Nigeria and Cameroon, to the south-east by the Central African Republic and to the east by Sudan.
2. Owing to its geographical location and its cultural situation, Chad is a crossing point between North Africa and sub-Saharan Africa as it is divided into three major geographical areas from north to south, namely: a desert region, a semi-arid zone and the Sudan savannah which gives it a dry tropical climate marked by two alternating dry and rainy seasons. Lake Chad is the country's main river system from which it derived its name.
3. The official languages are French and Arabic, and the most practiced religions are Islam (58.3%), Christianity (34.7%) and traditional religions (7.4%).
4. The territory of the unitary State of Chad is divided into 23 provinces, 95 divisions and 365 councils which are administrative units and autonomous communities. The capital N'Djamena is a special status province governed by a separate instrument.
5. Chad gained international sovereignty on 11 August 1960. In 2021 the country embarked on a political transition led by the Military Transitional Council chaired by Mahamat Idriss ITNO, following the death of Idriss DEBY ITNO, who had ruled the country since December 1990. The Constitution was suspended and replaced by the Transition Charter which expressly enshrined the traditional principle of separation of powers between the executive, the legislative and the judiciary. The independence of the judiciary and the equal rights and duties of citizens without distinction as to origin, race, sex, political opinion or social position are guaranteed by the Transition Charter.
6. Chad has a monist legal system. It is based on the principle of double degree of jurisdiction and justice is rendered in the name of the Chadian people. It comprises courts of first instance at the lower level, and five Courts of Appeal (N'Djamena, Moundou, Mongo, Abéché and Sarh) at the higher level. The Supreme Court is the highest jurisdiction and court of cassation in all matters except those governed by the OHADA law. The Constitutional Council rules on the constitutionality of international laws, treaties and agreements. It ensures the regularity and proclaims the results of referendums. It also settles conflicts of power between State institutions.
7. Chad is member of the African Union, the Economic Community of Central African States (ECCAS), the Lake Chad Basin Commission (LCBC), the G5 Sahel, the Community of Sahel-Saharan States and the Economic and Monetary Community of Central African States comprising Cameroon, the Central African Republic, Congo (Brazzaville), Gabon and Equatorial Guinea. All these countries share a common currency, namely the Central African Financial Cooperation Franc (CFA Franc), which has a fixed parity with the Euro. Chad is also member of the Task Force on Money Laundering in Central Africa (GABAC), the

Organization for the Harmonization of Business Law in Central Africa (OHADA) and the Inter-African Conference on Insurance Markets (CIMA).

1.1. ML/TF risks and Scoping of Higher Risk Issues

1.1.1. Overview of ML/TF risks

8. This part of the report summarizes the evaluation team's understanding of ML/TF risks in Chad. It is based on documents submitted by Chad, information from open sources and discussions with competent authorities and the private sector during the on-site visit.

9. Chad is exposed to real risks of proceeds of crimes committed on its territory being laundered. The main threats of exposure to ML risks are related to the recurrent commission of the underlying offences of aggravated robbery, cattle rustling, corruption, embezzlement of public funds, breach of trust, fraud, forgery and use of forgery; counterfeiting, drug trafficking, arms trafficking, human trafficking, illegal exploitation of mineral resources and poaching-related environmental crimes.

10. In Chad, the threat of terrorist financing is real and its risk is high owing to the activism of the Boko Haram terrorist group, which has carried out violent actions, the most extensive of them being the attack in the centre of N'Djamena in 2015, the ISWAP terrorist group as well as armed groups and gangs operating around the Lake Chad Basin, along the Sahelo-Saharan strip and on the borders with neighbouring countries. As pointed out by the various typologies highlighted in the study on terrorist financing carried out by GABAC in 2017, these actors of insecurity and violence carry out illegal activities (cattle rustling, drug trafficking, poaching, smuggling, arms trafficking, illegal exploitation of mineral resources, wildlife and fishery products, kidnapping for ransom, etc.), as well as legal activities such as traditional commercial activities to supply their logistic, operational and financial bases. This risk is almost permanent due to the presence of numerous armed groups operating in and around the country, particularly in the Central African Republic and Sudan, which sometimes, if not often, use Chadian territory as a fall-back position.

11. Chad's membership of a community space marked by the free movement of goods and people, the sharing of borders with Libya, Niger, Nigeria, Sudan, the Central African Republic and Cameroon, countries that are prey to criminal acts perpetrated either by terrorist groups or armed groups, the presence of criminal groups within the country, the very low rate of bank penetration, which leads to a strong preponderance of cash transactions, the post-conflict economic and social environment characterized by the large size of the informal sector, and the relatively low level of understanding of ML/TF risks by a large proportion of AML/CFT actors, are all factors that increase its vulnerability to money laundering and terrorist financing.

1.1.2- Country's risk assessment and scoping of higher risk issues

12. Chad launched its NRA on 15 November 2021 and was still in the data collection phase at the time of the on-site visit. Nevertheless, based on the analysis of the information

provided by Chadian authorities on technical compliance and effectiveness, and on reliable open sources, the following topics were given particular attention and discussed in-depth during the on-site visit:

13. Understanding of ML/TF risks and applying a risk-based approach: in the absence of the findings of the ongoing NRA, review the country's initiatives to identify and analyse its ML/TF risks, and the level of understanding of such risks achieved by the competent authorities; the quality of the mitigating measures for these risks and their impact on the national AML/CFT framework. In particular, the evaluation team also focused on the implementation components of the sector risk studies outside the NRA, the level of involvement of the key stakeholders concerned by these studies, the quality and relevance of their findings, including mitigation measures for the risks identified and the mechanisms for their dissemination.

14. Terrorist financing: in light of the terrorist acts perpetrated in the country by the Boko Haram terrorist group, the most extensive of which occurred in N'Djamena in 2015, the evaluators were particularly interested in the country's efforts to identify the financing mechanisms of this group in Chad, the channels used, investigation statistics and TF prosecutions, the implementation of measures to freeze, seize, confiscate and manage assets seized as part of judicial proceedings relating to TF offences, including outside of such proceedings.

15. Cash couriers: against the backdrop of the country's membership of a community space that advocates the free movement of people and goods, internal insecurity and the sharing of borders with five countries (Niger, Nigeria, Libya, Sudan, CAR and Cameroon) that are experiencing criminal acts perpetrated by terrorist groups and/or armed gangs, Chadian territory, which also harbours terrorist and armed groups, is a destination, if not a transit point, for all types of illicit financial flows carried out by cash couriers who take advantage of loopholes in CEMAC's free movement measures or the weak control of the Chad's porous borders. The evaluators looked at the measures the country has taken to thwart the actions of cash couriers in the illicit cross-border physical transportation of cash and other bearer negotiable instruments (NCIs).

16. NPO sector: a typology study conducted by GABAC revealed the use of NPOs for terrorist financing in Central Africa. NPOs established in Chad are no exception to this rule, which is further exacerbated by the country's complex security situation. This was an opportunity for the evaluation team to ensure that Chad has carried out a comprehensive assessment of the NPO sector in order to identify those whose vulnerability is likely to be used for criminal purposes, and that the control authorities as well as the various stakeholders have a good understanding of the risks to which the sector is exposed and are taking the required measures to mitigate them.

17. Financial sector and the risk-based approach: Chad's financial sector accounts for 12.6% of nominal GDP.³ And according to the 2020 "Banque de France" annual report with a

³ For comparison purposes, oil production accounts for 10.0% of nominal GDP (Banque de France annual report 2020).

projection on 2022, banks play a limited role in Chad's financial inclusion and the increase in bank penetration observed in recent years is primarily the result of the deployment of mobile financial services by two mobile telephone operators rather than a movement towards access to banking services by credit institutions (9% of the adult population). Following this observation and given the importance of the financial sector in Chad's economy, the evaluators had to determine the sector players' level of understanding of BC/FT risks, in particular the risks related to each of their products and services on the basis of their internal risk assessment program or BC/FT risk mapping, the mechanisms implemented with regard to the effectiveness of customer vigilance and, in particular, enhanced due diligence regarding PEPs and the identification of beneficial owners, to understand why Chadians are turning away from banks.

18. Risk-based supervision of financial institutions: emphasis was laid on the effectiveness of controls by COBAC and other supervisors with regard to the implementation of AML/CFT obligations on FIs, particularly the risk-based approach in the EMI, money and value transfer and foreign exchange sectors.

19. *Electronic money institutions (EMIs)*: discussions with these institutions revealed that they sign technical partnerships with banks that exempt them from any AML/CFT due diligence, even though a COBAC legal framework regulating this activity has existed since 2018 and 2019. They carry out e-money issuing activities without supervision, as the controls carried out by the partner banks do not cover AML/CFT due diligence. This situation is all the more worrying as these activities, especially that of "mobile money", are making steady progress in Chad, even if they are still among the weakest in CEMAC countries.

20. Money or value transfer: like e-money issuing institutions, money transfer companies are not authorized to carry out money or value transfer. They sign partnerships with banks or MFIs. Their financial partners are thus responsible for compliance with AML/CFT due diligence.

21. Foreign exchange bureaus and manual changers: approved foreign exchange bureaus in Chad operate with very limited knowledge of AML/CFT measures. They are faced with the chronic problem of lack of foreign exchange supplies from banks. The latter blame them for the poor quality of their foreign exchange clearance files, which often do not comply with AML/CFT requirements. Therefore, in this sector there is a very high risk of these entities turning to the informal sector. The evaluators examined the conditions for issuing licences to foreign exchange bureaus, the effectiveness of the quality and regularity of controls on the activity, the measures taken to prevent clandestine and, therefore, illegal exchange and the implementation of AML/CFT procedures by the various sector players.

22. Transparency of legal persons and beneficial owners: evaluators reviewed the mechanisms put in place to identify beneficial owners and the transparency of legal persons in Chad.

23. DNFBP sector: discussions enabled evaluators to ascertain the level of understanding of the risks and vulnerabilities and the implementation of AML/CFT prudential measures specific to each category of DNFBP, the designation of the supervisory authority responsible for the effective supervision of each category of actors in this sector, the extent of supervision exercised by the supervisory and self-regulation authorities in each sector and the issuing of guidelines, instructions or recommendations intended to help each actor to best manage the risks associated with its sector of activity.

24. Mining sector: the mission ensured that mining resources are not exploited illegally and that their exploitation is not used to finance criminal acts or that deposits do not constitute a point of attraction for armed gangs. It was also an opportunity for evaluators to ensure that mining sector actors implement ML/CFT due diligence as set out in the FATF Recommendations, and fulfil their reporting obligations in the event of suspicious transactions.

25. Suppression of ML/FT and predicate offences, and confiscation of proceeds of crime: the evaluation team's concern was how investigating and prosecuting authorities conduct proceedings in relation to ML/FT cases based on predicate offences, the use of parallel financial investigations, the management of proceedings with extraterritorial ramifications and the use of financial intelligence to lead to the conviction of criminals, the seizure of their assets, including assets of equivalent value following conviction or the confiscation of such assets without any prior conviction.

26. Implementation of targeted financial sanctions in relation to terrorist financing: in view of the terrorist threat facing Chad, emphasis was laid on the mechanisms for immediate freezing, seizure and confiscation by the competent authorities in accordance with the requirements of FATF Recommendation 6, the implementation of and statistics on such mechanisms, the management of seized, frozen or confiscated assets and related difficulties.

27. International cooperation: the main points on the agenda of discussions between the Chadian authorities and the evaluation team were the description of the procedures established for the timely execution of requests for cooperation in mutual legal assistance, extradition or information-sharing in the implementation of international, regional and national legal instruments at the disposal of Chad, including best practices for judicial and institutional cooperation, mechanisms for sharing confiscated assets with third party States, measures to protect the content of requests, statistics and the quality of such cooperation (received and delivered) at judicial level and between counterpart competent authorities.

1.2. Items of specific importance (*materiality*)

28. Chad has become the 4th largest economy in CEMAC, supplanting Equatorial Guinea, which has held this position for some time, according to the 2020 Bank of Central African States (BEAC) report.⁴ With a gross domestic product (GDP) of CFAF 6,334.6 billion, Chad accounts for 12.4% of the region's total GDP (estimated at CFAF 51,017.1 billion in 2020),

⁴ <https://www.beac.int/wp-content/uploads/2022/01/RAPPORT-ANNUEL-BEAC-2020>

compared with 11.7% in 2019. Chad's per capita GDP will amount to USD 743 in 2022, a figure that places the country at the 12th position in the ranking of the world's least wealthy nations.

29. Chad has experienced a significant decline in governance in recent years, as evidenced by the deterioration of its ranking in the Transparency International Index, from 147th position in 2015 to 162nd in 2019.

30. Although Chad has had a low number of Covid-19 cases, its economy has been affected by the global consequences of the pandemic. In 2020, real GDP declined by 0.6%, compared to a growth of 3% in 2019 and 2.4% in 2018. The Covid-19 pandemic has also dramatically changed Chad's macroeconomic outlook. The country relapsed into recession in 2020, with GDP estimated to have dropped by 0.9% compared to the pre-pandemic growth rate of 4.8%, and per capita GDP by 3.8%. The recession is mainly due to a temporary suspension of oil production, the main driver of the economy, and the closure of borders to contain the pandemic, which has caused a slowdown in trade.

31. The deteriorating security situation in neighbouring countries since the early 2010s is having a toll on economic activity. The actions of the Boko Haram sect in Nigeria and northern Cameroon, and its activism within the country around the Lake Chad basin have compounded the negative effects of the country's isolation, and the commitment of Chadian forces to numerous counter-terrorism operations is placing a heavy burden on the State budget, to the detriment of social spending and public investment in infrastructure and economic diversification. Chad also has to grapple with insecurity in the border regions with the Central African Republic and Libya.

32. An oil-producing country since 2003, Chad has become highly dependent on this resource, whereas the Chadian economy was previously based on agriculture. However, the sudden drop in oil prices in 2014 plunged the sector and the country's economy into a lasting crisis. This explains why the Chadian authorities, in addition to reviving the oil sector by creating new infrastructure, are banking on a strategy to diversify its economy through its National Development Plan.

33. The agricultural sector, mainly comprising cereal farming, livestock breeding and the collection of gum arabic, represents 43% of the Chadian economy. The development of these activities, which are highly vulnerable to climatic hazards, also depends on improved security conditions. The cotton sector has experienced an upturn since the takeover of the state-owned Coton Tchad by the Olam Group in 2018. Production reached 173,000 tonnes in 2019, close to the records set in the 1980s.

34. The tertiary sector (banks, trade, telecommunications) accounts for about 40% of GDP. Improvement of the business climate, which has deteriorated significantly since the outbreak of the commodity crisis, is another prerequisite for revitalizing economic activity.

35. Chad's major customers are: the United States (53.6%), UAE (10%), India (8.4%), China (6.2%) and France (6.0%) (2018). Its main suppliers are: France (20.1%), China (16%), Cameroon (15.2%), India (6.2%) and USA (5.4%) (2018). Its low per capita GDP (\$743) and its HDI index (187th/189) portray the economy's fragility. Chad's main resources are gold,

iron, bauxite, salt and natron - not to mention copper, tin, tungsten, graffiti and even diamonds, many of which are still mined on a small scale.

36. Chad's financial sector includes 10 commercial banks, 3 insurance companies, 22 insurance agents and brokers, 2 social security institutions and 13 microfinance institutions. Chad is one of the countries with the lowest access to banking services in sub-Saharan Africa, with a penetration rate of financial services among the adult population of only 9%.

37. With regard to electronic money activity in Chad, the 2020 BEAC report on electronic money payment services in CEMAC shows that the indicators for this sector have developed positively in all CEMAC countries, with the exception of Chad, where the value of transactions fell by 19.22%.

1.3. Structural elements

38. Chad has put in place a number of structural elements required for the deployment of a system to prevent and combat money laundering and terrorist financing. The establishment of ANIF and its central role in the country's AML/CFT system, and the creation of an Anti-Terrorist Judicial Pool, among others, reflect the authorities' desire to strengthen detection and suppression bodies. However, some lingering vulnerabilities are a challenge for the country, in particular internal and external insecurity, fuelled by the presence of criminal groups along the poorly controlled borders with many countries experiencing instability and providing a fertile ground for all types of illicit trafficking. Among the vulnerabilities that are a challenge to the country's AML/CFT system, there is also the absence of coordination and TFS implementation mechanisms, which constitute major shortcomings that weaken the efforts made by Chadian authorities.

39. Chad's AML/CFT system is based on a community legal framework defined by Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and terrorist financing and proliferation in Central Africa. This legal framework is supplemented at the national level by separate instruments adopted by the country's authorities, including Law No. 29/PR/2018 to combat money laundering and terrorist financing and proliferation, Law No. 003/PR/2020 of 20 May 2020 on the repression of acts of terrorism in the Republic of Chad and the Penal Code.⁵ However, the CEMAC Regulation and the Chadian Penal Code have different penalties for the repression of ML, but this does not refute the existence of a system that meets the criteria defined by the FATF.

1.4. Other background contextual factors

1.4.1. AML/CFT Strategy

40. Chad's national risk assessment began in November 2021 and was in the data collection phase at the time of the on-site visit. Therefore, in the absence of risk assessment findings to identify risks, threats and vulnerabilities to which the country is exposed, it is not

⁵ The new Laws Nos. 005 and 006 of 19 May 2022 transfer jurisdiction over acts of terrorism from civil to military courts. In the absence of the military courts' operational capacity, ordinary law courts remain competent in this area (Section 311 of Law No. 005 of 2022). The effectiveness of the system was therefore assessed on the basis of the former law (Law No. 003/PR/2020 on repression of acts of terrorism in Chad).

possible to establish an effective AML/CFT strategy. As a result, at the time of the on-site visit, Chad did not have a national AML/CFT strategy, apart from the disparate bodies responsible for anti-money laundering and combatting the financing of terrorism and proliferation, and more generally for predicate offences, without coordination due to the absence of the national AML/CFT policy coordination committee, which is the body that should be in charge of establishing this synergy between the various entities for greater effectiveness in the fight.

1.4.2. Legal and Institutional framework

41. The fight against money laundering and terrorist financing and proliferation in Chad is the prerogative of government services, entities and bodies that intervene on a primary or secondary basis, because they are involved either in the development of AML/CFT policies and strategies, in their implementation or in control or supervision. They include the following govern services and bodies:

42. Ministry of Finance and Budget: as the administrative supervisory authority of ANIF, this ministry is at the forefront of the national AML/CFT policy as it is responsible for formulating the financial policy implemented by the customs administration, the taxation administration and the treasury, the monetary policy, external financial relations and the approval of national financial institutions, their control or part of their supervision. It implements the legal framework and preventive measures against financial and economic crime.

43. Ministry of Justice in charge of Human Rights: this ministry formulates and implements the country's criminal policy through the public and State prosecutors' offices. It is also in charge of managing judicial cooperation (mutual legal assistance and extradition). It exercises supervisory authority, through the public prosecutor's office and the indictment chamber, over court officers (lawyers, notaries and bailiffs). The courts and tribunals are competent to hear ML and TF offences in Chad. The anti-terrorist judicial pool and the coordination of the judicial police are under the direct authority of the Ministry of Justice.

44. Ministry of Territorial Administration and Decentralization: the management of issues relating to NPOs and other associations is the responsibility of this ministry, which issues them approvals and monitors some of their activities.

45. Ministry of Foreign Affairs, African Integration and Chadians Abroad: in charge of diplomacy and international cooperation, this ministry manages foreign policy. As such, it is the entry and exit point for requests for mutual legal assistance. Also responsible for negotiating, signing and preserving international conventions to which Chad is party, the Department of Foreign Affairs is responsible for receiving and disseminating the UN sanctions list relating to Resolutions 1267 and 1373 on targeted financial sanctions, and for implementing the relevant UN conventions on organized crime.

46. Ministry of Public Security and Immigration: security throughout the country is the responsibility of this ministry. It directs the activities of the national police and coordinates

the activities of a number of bodies involved in the fight against crime, such as the National Security Agency (ANS).

47. Ministry of Economy, Development Planning and International Cooperation (SPONGAH): in December 2019, the regulations on foreign NGOs working in Chad were amended with the creation of the Permanent Secretariat for NGOs and Humanitarian Actions (SPONGAH) within the Ministry of Economy. This entity's main duty is to monitor NGOs, in particular the personnel and areas of intervention of NGOs, which must also submit their activity reports to the secretariat.

48. Ministry of Mines and Geology: its duty is to develop and implement the sector policy on the approval and exploitation of the country's mineral resources. It has a special unit made up of officers in charge of the upstream repression of all mining code violations that constitute ML and TF predicate offences.

49. Ministry of Environment, Fisheries and Sustainable Development: the environmental and fisheries sectors present vulnerabilities that attract criminals who use these sectors to commit criminal acts that are likely to involve ML/TF. This ministry is in charge of the policy to protect these sectors from being used for criminal purposes.

50. Ministry of Land Tenure: the real estate sector is one of the sectors where the ML/TF risk is highest in Chad. This ministry coordinates the formulation and implementation risk mitigation policies.

51. The General State Inspectorate: a higher control body in charge of moralizing public administration, the fight against corruption and the misappropriation of public funds, the IGE is now responsible for ensuring compliance with regulations, the legality of administrative ethics and code of conduct with the reform of the institution in 2021. The IGE is entrusted with a permanent control, investigation and study duty aimed at ensuring the sound and transparent management of public finances by all government services, public establishments, local authorities, the defence and security forces, the purely financial aspects of Parliament and legal persons governed by private law with respect to their financial obligations to the State. Directly attached to the Presidency of the Republic and with nationwide powers, the IGE also monitors the performance of the public administration.

52. The National Agency for Investment and Exports (ANIE): ANIE coordinates the activities of the one-stop shop for business formalities and ensures transparency of legal persons. Its duty is to encourage and promote industrial, commercial and craft activities through awareness-raising, information, assistance and advice to economic promoters to increase the competitiveness of their products.

53. The National Agency for Financial Investigation (ANIF): ANIF is Chad's FIU responsible for receiving, processing and disseminating suspicious transaction reports to the competent authorities. According to the presidential decree establishing the agency, ANIF is at the centre of Chad's AML/CFT system and, as such, has the power and competence to propose all necessary reforms to strengthen policies aimed at improving the said system. As part of international cooperation, Chad's ANIF has been a member of the Egmont Group since 2015.

54. Investigative and criminal prosecuting authorities: the ML offence in Chad falls within the jurisdiction of the investigating and prosecuting authorities responsible for economic and financial offences, grouped together under the coordination of the judicial police through its sub-directorate in charge of economic and financial affairs. The task of investigating and criminal prosecuting authorities is to establish the commission of ML offence, gather evidence and seek out the perpetrators in order to bring them before the competent courts for trial in accordance with the law. These actions are carried out at the behest of the Public Prosecutor's Office, represented by the Public Prosecutor in the first instance or the Attorney General in the second instance, in person or by their respective assistants. Other police and gendarmerie entities are also involved in anti-money laundering through the prosecution of predicate ML offences. The same applies to the Central Drug Control and Counterterrorism Office which, as its name indicates, is in charge of the fight against drug trafficking. The Counterterrorism Judicial Pool created on 18 August 2015 by presidential decree and placed under the coordination of the Minister of Justice is exclusively responsible for dealing with facts relating to terrorist financing. It is composed of the Public Prosecutor at the N'Djamena Court of First Instance, the 2nd and 4th Assistant Public Prosecutors, the 2nd, 3rd and 4th Investigating Chambers at the N'Djamena High Court, the Public Prosecutor and the Attorney General and the 2nd and 4th Assistant Attorneys General at the N'Djamena Court of Appeal and the Advisers of the Indictment Chamber of the N'Djamena Court of Appeal. The decree provides for the designation, by their respective services, of investigators and registrars to support the Counterterrorism Judicial Pool. It should also be noted that the law in Chad gives officials of some government services the power to establish breaches of the law, draw up a report thereof and refer perpetrators to the competent authorities for redress. They include officials from the customs, taxation, environment, mining and all other services concerned with financial, environmental, wildlife and mining crimes, etc.

1.4.3. Financial institutions, DNFBPs and virtual asset service providers (VASPs)

55. The Chadian economy is characterized, among other things, by a high predominance of cash transactions, reflecting the public's preference for cash, low financial inclusion and a large informal sector. The various sectors' size, importance with respect to manpower employment, weight in the Chadian economy and potential ML/TF risks were analysed in order to identify the highly, averagely and lowly rated weightings that served as basis for all the analyses in this assessment.

56. Thus, the analysis shows that the banking, microfinance and payment institutions, money and value transfer companies, foreign exchange bureaus, real estate and precious stones and metals dealers sectors were weighted as highly rated; the lawyers, notaries, certified accountants and chartered accountants sectors were weighted as averagely rated, while the insurance and securities sectors were weighted as lowly rated.

Highly rated weighting

Banking sector

57. In a context of economic recovery after years of all types of crises, the Chadian banking sector, composed of ten (10) banks in operation, with the opening in November 2021 of Attijariwafa Bank Chad (ABT) branches, plays a leading role. According to the 2021 APEC annual report, the total assets of banks operating in Chad amounted to CFAF 1,711.85 billion as at 31 December 2021. In relation to the country's GDP in 2021, estimated at CFAF 6,538 billion (source: Bercy), the banking sector represented approximately 26% of national wealth.

58. Indeed, with an aggregated balance sheet as presented above, the banking sector has boosted a dynamic marked by outstanding developments in the various items. Thus, with regard to banks' main asset item, cash position, which mainly comprises cash balances and assets at BEAC witnessed a sharp 25.1% increase to CFAF 179 billion. External assets also recorded a substantial 101% increase to CFAF 157 billion and domestic credit an 18.4% increase in to CFAF 1 182 billion.

59. These trends also affected the resources of Chadian banks, characterized by: a 13.7% annual increase in deposits to CFAF 1 130 billion as at end- December 2021; a significant 33.7% increase in external commitments to CFAF 109 billion at end-December 2021, owing to the rise in their short-, medium- and long-term commitments; a sharp 69.3% increase in BEAC loans to CFAF 121.8 billion over the same period, in connection with the increased needs of ailing banks; and an 11.4% increase in equity capital, which stood at CFAF 298.1 billion at end-December 2021, compared with CFAF 267.5 billion.

60. However, owing to the sharp increase in the volume of loans compared to deposits, the coverage rate dropped to 95.6% at end-December 2021, compared with 99.5% the previous year.

61. On the other hand, the prudential situation of the Chadian banking sector is not very encouraging. The report of the 4 March 2022 meeting of the National Economic and Financial Committee shows that, over the period from 31 December 2020 to 31 December 2021, almost all of Chad's banks did not apply the required prudential diligence with regard to the representation of minimum capital, the ratio of fixed assets to permanent resources, the core capital ratio below the 8 per cent minimum, the ratio of risk-weighted capital to net capital below the 10 per cent minimum and the overall limit on the monitoring of commitments for related parties. Overall, only one bank had sufficient equity capital to meet all prudential ratios based on this aggregate as at 31 December 2021.

62. This shortcoming, the weak AML/CFT thematic control of the sector by the supervisor, the speed of the sector's transformation, the ever-increasing interest of the population in new products developed by the players, the structure of this sector and its weight in the country's economy, and the volume of domestic and external transactions are all deciding factors in the weighting, as they make this sector vulnerable and, therefore, attractive to criminals who tend to use this channel to hide the proceeds of their crime.

Microfinance and payment institutions

63. The microfinance sector in Chad comprises 13 institutions, divided into six (6) category 1 institutions, four of which are in networks with 51 branches, 25 branches, 10 branches and seven branches respectively, and seven (7) category 2 institutions with a credit stock of approximately 18 billion CFA francs and a savings level of 12 billion CFA francs (2.8 and 1.9 per cent of GDP, respectively).

64. As an instrument for promoting financial inclusion, MFIs have developed specific mechanisms for managing their customers by, for example, adapting and accepting all types of collateral, including livestock, land or equipment.

65. This sector, which is one of the least developed in the CEMAC zone, has many weaknesses, including a limited territorial presence, weak governance, a very low overall level of knowledge of best practices and microfinance management methods, mostly manual information and management systems that produce unreliable, insufficient and late information, and a sector plagued by cases of network bankruptcy

66. The weighting of this sector is rated high because of all these factors which constitute ML/TF threats and vulnerabilities, given that the application of vigilance measures is cruelly lacking in this sector, while the volume of financial flows and the range of services offered to customers keep increasing.

Money and value transfer companies

67. In the absence of reliable information on the money or value transfer sector, it should simply be noted that these companies, which are backed by banking or microfinance institutions in their international transactions, do very little to implement AML/CFT due diligence, which they consider as the responsibility of their partners.

68. In addition to this factor, the development of a vast network of Hawala-type underground transfers is a major vulnerability that exposes this little controlled sector to all types of criminal trafficking likely to launder money and promote terrorist financing in Chad. This is why weighting here is rated very high.

Foreign exchange bureaus

69. Foreign exchange bureaus operating in Chad have been complying with Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on foreign exchange regulations in CEMAC since its entry into force. Unfortunately, information made available to the evaluation team is not sufficient to specify the number of foreign exchange bureaus complying with the COBAC Regulation, the value of currencies sold over a period of time, the weight of the sector in the Chadian economy, etc.

70. However, the informal sector that characterizes the Chadian economy, with a strong dominance of cash circulation, is particularly developed with respect to the manual exchange, while the few bureaux approved under the new regulations face difficulties in obtaining foreign currency from local banks. Illegal currency exchange is carried out openly in the centre of N'Djamena with total impunity.

71. Moreover, interviews with some foreign exchange bureaux during the on-site visit revealed that no controls have been carried out by the sector supervisor since the entry into force of the new Regulation on manual exchange in the CEMAC zone and compliance of some foreign exchange bureaux.

72. All these combined factors constitute vulnerabilities that make this sector very attractive to criminals who fearlessly using it to hide the proceeds of their crime or to finance criminal activities, including terrorism. The sector is therefore weighted as high.

Real estate sector

73. The real estate sector in Chad has not yet been liberalized by the State, which holds a monopoly. However, real estate agents have set up shop on the fringes of the law and carry out real estate brokerage activities.

74. Real estate is one of the ML/TF high-risk sectors in Chad, as evidenced by the number of disputes pending before the courts and the number of buildings under construction in N'Djamena. The instruments governing the sector do not fully take into account the AML/CFT diligence requirement, leaving the door wide open for all illicit activities to develop in total tranquillity.

Precious metals and stones dealers sector

75. The mining sector is governed by Ordinance No. 04/PR/2018 instituting the Mining Code of the Republic of Chad. Given the lack of sector quantitative data, it should be noted that of all the precious stones and metals mined in Chad, gold is by far the most coveted and is still mined on a small-scale.

76. There is a large amount of cash in circulation in this sector and no AML/CFT diligence is required of sector players who operate in complete freedom, without any controls, as soon as they obtain their approval. As a result, even criminals can be granted approval.

77. Furthermore, criminal groups, including Boko Haram operating around Lake Chad and in some remote parts of the country, illegally exploit gold, the sale of which enables them to obtain arms and ammunition. For this reason, the precious stones and metals sector is weighted as a high-risk sector.

High weighting

Lawyers, Notaries, Certified and Chartered Accountants sectors

78. These various professions are at the centre of many transactions involving significant financial flows. In some cases, their intervention is a requisite for the transaction to be valid.

It is for this reason that the evaluation team attaches particular importance to these various sectors. It is also because of the number of players involved and the level of understanding they have of the risks to which they are exposed in the exercise of their profession.

79. The evaluation mission noted that the instruments governing these various professions are outdated as they do not take into account the AML/CFT requirements to be implemented in these various sectors, there is little understanding of the role of these actors in the money laundering and terrorist financing prevention chain, and especially their obligations to report suspicious transactions of which they are aware.

80. All of these factors constitute significant vulnerabilities that make these professions high-risk sectors, and therefore of significant weight.

Low weighting

Insurance and securities sectors

81. Due to their small size and weight in Chad's economy, the insurance and securities sectors have been weighted low. Indeed, there is only one life insurance company in Chad (STAR- VIE) with a share capital of 2.6 billion in 2021 and which is carrying out the necessary due diligence to ensure that criminals do not use this sector to launder the proceeds of crime.

Preventives measures

82. Most of the preventive measures applicable to all those bound by AML/CFT obligations in Chad are contained in the basic instrument which is Regulation No. 01/CE/AC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and terrorist financing and proliferation in Central Africa. These measures relate, among other things, to the obligation for each category of reporting entity to assess the ML/TF risks inherent in its sector of activity, adopt a risk-based approach, know its customer, train its staff in the mastery of AML/CFT obligations, report suspicious transactions to ANIF, keep and preserve records for a certain period of time, etc.

83. With regard to some categories of reporting entities, in addition to the general framework provided by Regulation No. 01/CEMAC/UMAC/CM on the prevention and suppression of money laundering and terrorist financing and proliferation in Central Africa, the sector supervisors, who have been granted regulatory, supervisory and control powers by the instruments, have adopted instruments that supplement this framework, and regulate the activities of their respective reporting entities. Such is the case with COBAC for financial institutions, CIMA for insurance companies and COSUMAF for the financial market sector.

84. Thus, for the banking and microfinance sectors, COBAC has issued various instruments, including:

- COBAC Regulation R-2005/01 of 1 April 2005 on the diligence of reporting institutions with respect to the fight against money laundering and terrorist financing in Central Africa;

- Regulation No. 03/18/CEMAC/UMAC/CM of 21 December 2018 relating to the conditions for exercising, controlling and supervising the activity of credit information bureaus in CEMAC;
- COBAC EMF Regulation R-2017/06 of 24 October 2017 relating to internal control in microfinance institutions;
- COBAC Instruction I-2006/01 relating to information on the prevention of money laundering and terrorist financing;
- COBAC EMF Regulation R-2016/04 of 8 March 2016 relating to internal control in credit institutions and financial holding companies;
- Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 2018 relating to payment services in CEMAC;
- Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 to lay down foreign exchange regulations in CEMAC.

85. CIMA has adopted Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021 which lays down conditions for implementing regulatory mechanisms for combating money laundering and the financing of terrorism and the proliferation of weapons of mass destruction in the Member States of the Inter-African Conference on Insurance Markets.

86. The AML/CFT regulatory framework of the Central African Financial Market has been strengthened by the General Regulations of the supervisor, COSUMAF. However, it should be noted that the AML/CFT component is not very comprehensive in the COSUMAF General Regulations.

87. The DNFBP sector in Chad seriously lacks AML/CFT supervision. None of the categories of DNFBPs in Chad has a regulatory instrument that takes into account AML/CFT aspects outside the general framework established by the CEMAC Regulation. Thus, such instruments, which are obsolete, do not designate a control or supervisory authority for these reporting entities. The self-regulation bodies of some DNFBPs simply observe the traditional conditions for access to the professions based on the morality of candidates.

Legal persons and arrangements

Legal persons

88. The Organization for the Harmonization of Business Law in Africa (OHADA) was created to harmonize and modernize business law in Africa and ensure legal and judicial security for investors and companies in Member States. Today it comprises 17 States and has adopted ten uniform acts that have already entered into force in Member States, including the Republic of Chad. The Treaty was ratified by Chad on 13 April 1996 and entered into force on 2 July 1996. Since then, therefore, the legal framework for legal persons in Chad has been based on the OHADA Uniform Acts, in particular the revised Uniform Act on the Law of Commercial Companies and Economic Interest Groups.

89. In accordance with the above-mentioned Uniform Act, different types of companies can be created in Chad, including the various forms of companies, namely: the various forms of limited company (SA), limited liability company (SARL), general partnership (SNC),

limited partnership (SCS), simplified joint stock company, joint ventures, common interest groups (CIGs), etc.

90. To formalize these legal persons, Law No. 004/PR/2007 setting up the National Agency for Investments and Exports (ANIE) was passed. It brings together within a single entity the various services that must intervene in the formalities process. There is also Decree No. 745/PR/PM/MCI/2010 of 6 September 2010 to lay down the administrative procedures for business development in Chad. Among the government services that are expected to intervene in the process of creating a legal entity, there is the one-stop shop set up by Decree No. 037/PR/PM/MCI/2010 to set up the Business Development Formalities Centre (CFE). Its duties include centralizing, in a single place, the collection of documentation for the creation and administrative documents of the life of the business, checking the required documentation in accordance with legal requirements, ensuring diligence in file processing by the various services concerned and coordinating with all the other entities.

91. All the formalities for creating a legal person end with registration in the Trade and Personal Property Credit Register (TPPCR), the national database of which is kept by the registry of the Commercial Court of N'Djamena, which centralizes data from other local databases kept by the commercial court of the headquarter where each Court of Appeal is found. However, at the time of the on-site visit, the local databases were not yet operational due to lack of dedicated computer equipment.

92. In addition, it should be noted that no regional or national instrument on the formalities relating to the creation of a legal person in Chad makes the identification of the beneficial owner a requirement, which constitutes a major vulnerability with respect to anti-money laundering and combating the financing of terrorism and proliferation.

93. Furthermore, Ordinance No. 023/PR/2018 of 27 June 2018 on the rules and regulations governing associations in Chad, Decree No. 1917/PR/MEPD/2018 of 24 December 2018 on the status of Non-Governmental Organizations in the Republic of Chad and Decree No. 1918/PR/MEPD/2018 of 24 December 2018 to institute a standard memorandum of understanding for the establishing non-governmental organizations constitute the legal framework for the creation and exercise of the activities of these categories of legal persons. As with companies, these regulations do not contain any obligation relating to the identification of the beneficial owner, or any other specific AML/CFT obligation. Such situation paves the way for misuse of these entities for criminal purposes.

Legal arrangements

94. Chad's legislation on the creation of legal persons does not expressly lay down conditions for the existence of legal arrangements like trusts and fiduciaries such as stated in FATF Recommendation 25. In contrast, no provision prohibits their existence. As appropriate, the provisions of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 would fully apply.

Supervisory arrangements

Banking sector

95. As part of restructuring the banking system and reforming the mechanism for supervising credit institutions, Central African States on 16 October 1990 signed the Convention on the creation of a Central African Banking Commission (COBAC) which is a CEMAC body responsible for ensuring the integrity and resilience of the banking system, *"especially for ensuring compliance by credit institutions with the legislative and regulatory provisions enacted by the authorities, the Central Bank or the Bank itself (...) and punishing any breaches established"*.

96. On 13 April 2002, the powers of COBAC were extended to microfinance institutions by Regulation No. 01/02/CEMAC/UMAC/COBAC/CM of the Ministerial Committee of the Central African Monetary Union (UMAC). And since 27 March 2015, financial holding companies have been subject to COBAC supervision by Regulation No. 01/15/CEMAC/UMAC/COBAC/CM.

97. Thus, with regard to its reporting entities in Chad, COBAC has four fundamental powers, namely:

- **Regulatory:** issuing general and prudential regulations;
- **Administrative:** issuing of no-objection opinions binding on the national monetary authorities in approval procedures and authorization of significant changes in the legal situation of reporting entities;
- **Control:** on-site and document control with a report on their investigations to the national monetary authorities;
- **Disciplinary:** imposing the sanctions provided for in the event of established breaches, without prejudice to the sanctions that may be taken by the national authorities of Chad.

Financial market

98. In accordance with the legal provisions governing the Regional Financial Market and, therefore, in Chad, COSUMAF, created by Additional Act No. 03/01-CEMAC-CE 03 of 8 December 2001 within the framework of the Central African Monetary Union (UMAC), is the supervisory, regulatory and control authority of the financial market. To this end, it has three main duties which are to ensure the protection of savings invested in securities and other financial instruments issued as part of a public call for savings, inform investors and ensure proper functioning of the market.

99. As part of its duties, COSUMAF has very broad powers in the following areas:

- **Regulatory:** power to issue regulations, instructions, circulars, opinions, recommendations and communiqués;
- **Decision-making:** power to grant authorizations and approvals to market players and transactions admitted to the market, and take various individual measures;
- **Market supervision and control of players:** monitoring the functioning of the market with a view to detecting stock market offences and any suspicious behaviour;

- Injunction or sanction: ordering the perpetrator of a practice repugnant to the regulations to put an end thereto and a general power of sanction against any person placed under its supervision and control.

Insurance sector

100. Born of the ashes of the International Conference on Insurance Supervision (CICA), the Inter-African Conference on Insurance Markets (CIMA), whose founding treaty was signed on 10 July 1992, is the body responsible for supervising and controlling the insurance market in its Member States, including Chad. Its duty is to work towards the healthy and harmonious development of the insurance industry by ensuring the financial stability of economies and the protection of policyholders and beneficiaries.

101. With respect to insurance market reporting entities, CIMA has all the powers generally granted to an insurance supervisory body, such as approval of insurance companies and their managers, permanent solvency control and the power to issue injunctions and impose sanctions up to and including withdrawal of approval. It was very recently granted the power to control liquidation operations, which it shares with the supervising judge appointed by the competent court.

102. Furthermore, through the Council of Ministers, which is its supreme body, CIMA formulates the insurance sector policy, draws up the single legislation and interprets and amends it. It should be noted that Chadian authorities are responsible for supervising the activities of insurance intermediaries and insurance technical experts through the National Directorate of Insurance (DNA), which is under the supervisory authority of the Ministry of Finance and Budget.

Designated Non-financial Businesses and Professions

103. The various categories of DNFBPs in Chad do not yet have a designated supervisory authority in accordance with the FATF Recommendations.

International cooperation

104. ML/TF offences fall under organized crime that often involves foreign elements, requiring active international cooperation for effective control. Indeed, a pivotal country between North and Central Africa, and sharing porous borders with many countries confronted with all types of criminal acts, including Nigeria, Niger, Cameroon, which is grappling with the activism against the terrorist group Boko Haram, Sudan and the Central African Republic, which are facing violence from armed gangs, the Republic of Chad is exposed to the risk not only of proceeds of offences committed on its territory being laundered abroad, but also of illicit revenue made abroad being, to some extent, laundered in Chad.

105. Aware of all these vulnerability factors, Chadian authorities have put in place a legal framework for international cooperation that seeks to meet the requirements of ML/TF control. It includes the general framework established by CEMAC judicial cooperation and extradition agreements and specific frameworks consisting of membership of the various

Chadian government services in sub-regional, regional and international bodies that offer opportunities for information sharing in various areas and that ultimately contribute to the fight against organized crime in general, and money laundering and terrorist financing in particular.

106. Thus, the Chadian customs administration shares information with its foreign counterparts within the framework of the World Customs Organization (WCO) and the Washington Convention on the Protection of Protected Species, of which it is a member; the Directorate General of Taxation has access to foreign tax information that it can share at the national level, thanks to the platforms set up by the Organization for Economic Cooperation and Development (OECD), the "Inspection sans Frontières" and the "Centre de Rencontres et d'Etudes des Dirigeants des Administrations Fiscales" (Meeting and Studies Centre of Tax Administration Directors) (CREDAF), of which it is member; the Chadian police, through the National Central Bureau (NCB), uses information collected and disseminated by INTERPOL, of which it is a member; finally, as member of the Egmont Group, the Conference of Central African ANIFs and French-speaking FIUs, ANIF has easy access to information that it makes available to the competent authorities as part of AML/CFT. Furthermore, in order to strengthen its international cooperation, it has signed agreements with foreign FIUs, namely: the CENTIFs of Togo, Benin and Senegal, and the FIU of Germany.

CHAPTER 2: NATIONAL AML/CFT POLICIES AND COORDINATION

2.1. Key Findings and Recommendations

Key findings

(a) Chad started its national BC/FT risk assessment in 2021. The process is still being finalized. The order setting up the NRA Commission provides for the participation of both public and private sector actors. Private actors however do not include representatives of casinos, dealers in precious stones and metals and mobile phone companies.

(b) National understanding of money laundering and terrorist financing risks is still embryonic. Nevertheless, ANIF has a good understanding of money laundering and terrorist financing risks in Chad. Criminal investigating and prosecuting authorities and the General State Inspectorate have a good AML/CFT approach. As supervisory and control authorities of the banking and insurance sectors respectively, COBAC and CIMA have a good understanding of the ML/TF risks to which the sectors they supervise are exposed. Most of their missions are related to general supervision, which sometimes take money laundering and terrorist financing aspects into account. COSUMAF has rather a limited understanding of the risks to which financial market participants are exposed.

(c) Chad has not yet set up a committee to coordinate national anti-money laundering and combatting the financing of terrorism and proliferation policies. Nevertheless, cooperation and coordination between the services involved in AML/CFT is ensured mainly by ANIF through its collaboration with these government services.

(d) There are no national AML/CFT policies and strategies.

(e) Insufficient consolidated statistical data does not enable a better assessment of the effectiveness of Chad's AML/CFT system.

(f) The absence of measures to combat the effects of the informal economy as a major factor in the country's vulnerability to ML/TF.

Recommendations

The Chadian authorities should:

(a) Finalize the NRA in order to identify and understand the ML/TF risks to which the country is exposed, and enable the country to apply the risk-based approach. The findings of the NRA should then be widely disseminated to all relevant AML/CFT stakeholders, with a view to achieving a consistent and continuous understanding of the ML/TF threats, vulnerabilities and risks in the country. The NRA should also be regularly updated at defined intervals;

(b) Establish mechanisms for disseminating the NRA report to ensure wide dissemination of its findings to all stakeholders;

(c) Define national AML/CFT policies and strategies in terms of risk prioritization and resource allocation;

(d) Establish a national AML/CFT policy coordination committee to provide a platform for AML/CFT coordination and information sharing;

- (e) Encourage operational cooperation between competent authorities in order to improve information-sharing channels and facilitate the implementation of joint actions or measures;
- (f) Keep up-to-date statistics on all matters relating to investigations, prosecutions, convictions and frozen, seized or confiscated property in order to measure the system's effectiveness and relevance.
- (g) Use simplified measures or exemptions as provided for in the FATF standards to encourage financial inclusion in Chad.

107. The Immediate Outcome relevant to this chapter is IO.1. The Recommendations relevant to the assessment of effectiveness in this section are R.1, 2, 33 and 34 and some elements of R.15.

2.2. Immediate Outcome 1 (Risk, policy and coordination)

2.2.1 *Country's understanding of ML/TF risks*

108. Chad began its national assessment of ML/TF risks in 2021, in accordance with Order No. 99/PCMT/PMT/MFB/ANIF/2021 of 15 July 2021 to revise the commission responsible for conducting the national risk assessment (NRA) with respect to money laundering, terrorist financing and proliferation. The process is still being finalized. The above-mentioned order provides for the participation of both public and private sector actors. It is however worth noting that private sector actors do not include representatives of casinos, dealers in precious stones and metals and mobile phone companies, which could call into question the inclusive nature of this evaluation and, therefore, discredit the findings.

109. National understanding of money laundering and terrorist financing risks still seems to be embryonic. However, ANIF has a good understanding of money laundering and terrorist financing risks in Chad. It coordinates some activities relating to specific AML/CFT issues by bringing together all the actors concerned. The same applies to some competent authorities such as the Ministry of the Economy, Planning and Development Cooperation and the Ministry of Foreign Affairs, criminal investigating and prosecuting authorities and the General State Inspectorate. The various control bodies have not carried out assessments of the ML/TF risks to which the sectors under their supervision are exposed and, thus, have not adopted a risk-based approach to supervision. Nevertheless, COBA and CIMA have demonstrated a good understanding of the ML/TF risks inherent in the sectors they supervise, which is not the case for COSUMAF, whose understanding of the risks faced by financial market players is still quite limited (see IO 3 Q.e 3.2)

110. Chadian authorities recognize TF risks due to the terrorist attacks carried out in 2015. However, it should be noted that the issue of the risk of terrorist financing is not yet a concern for Chadian authorities. No typology of terrorist financing has yet been identified. The same is true for the typology of money laundering.

111. Due to the absence of an assessment, the country is unable to identify and understand

the real threats and vulnerabilities to which it is exposed in order to take mitigating measures and, thus, make the system appropriate. So it is with the lack of consolidated statistics to measure the effectiveness and performance of the AML/CFT system. Vulnerabilities include the predominance of cash in financial transactions and the low level of financial inclusion.

2.2.2 *National policies to address identified ML/TF risks*

112. Given that the NRA was ongoing at the time of the on-the-site visit, Chadian authorities had not yet defined national AML/CFT policies and strategies to address the risks identified. The national risk assessment currently being finalized will help the country to define policies and strategies to address the risks identified.

113. The evaluation mission noted that despite the absence of a national AML/CFT strategy to address the risks to which the country is exposed, Chad has a good approach in guiding AML/CFT decisions. This approach demonstrates the political will to combat ML/TF in the country. It is in this spirit that the country has set up numerous entities as part of the implementation of its international commitments or its national security and criminal policy, in particular the Judicial Pool in charge of the repression of economic and financial offences, the National Security Agency, which includes the Directorate of Financial Investigations and the Counterterrorism Directorate, the Central Drug Control and Counterterrorism Office, the General Directorate of Forestry and Wildlife Protection, and the General State Inspectorate.

114. The Minister of Defence, the Minister of Public Security and Immigration, the Minister of Justice, the Minister of Territorial Administration, the Chief of General Staff of the Armed Forces, the National Director of ANIF, the Director General of the Police, the Director General of Intelligence and Investigations, the Director General of Military Intelligence, the Director General of the National Gendarmerie, the State General Inspector, the Commander of the Nomadic Guard and the Prosecutor of the Republic of N'Djamena meet every Friday to discuss issues relating to the risks of terrorism and its financing. Held at the Ministry of Defence, these meetings are intended to boost coordination of strategies. However, Chadian authorities have not yet adopted measures to combat the predominance of the informal sector as a major factor of vulnerability to CB/FT.

115. Chad takes particular interest in AML/CFT at both the national and international levels. To this end, Chadian authorities have taken several steps, including the signing of Law No. 006/PR/2015 to set up the National Agency for Computer Security and Electronic Certification, Decree No. 1077/PR/2018 of 30 April 2018 to establish a judicial pool responsible for repressing economic and financial offences, Law No. 29/PR/2018 of 22 November 2018 to combat money laundering and the financing and proliferation of terrorism, Law No. 003/PR/2021 of 20 May 2021 to lay down the establishment, organization and functioning of a judicial pool specialized in the repression of acts of terrorism and related offences, the new anti-terrorism Law No. 003/PR/2020 of 15 June 2020, the establishment of a joint commission of internal security forces (police, gendarmerie, municipal guard, nomadic guard) and the establishment of an anti-terrorism unit within the army (PSI). At the regional level, Chad's active participation in G5 Sahel, an institutional framework for coordination and regional cooperation on development and security policy created on 16 February 2014, is

noteworthy. The country has set up a number of entities to combat the financing of terrorism, including the National Agency for Financial Investigations (ANIF), the General Directorate for Intelligence and Investigations and the National Security Agency. To date, the operationalization of all these entities remains the greatest challenge.

2.2.3 Exemptions, enhanced and simplified measures

116. No derogation from due diligence measures in high-risk and low-risk scenarios has been applied by the authorities on the basis of the risk assessments, given that the NRA is still being finalized.

2.2.4 Objectives and activities of competent authorities

117. Chad's NRA is not yet complete. Therefore, it cannot impact the operational activities of competent authorities. Nevertheless, the country had taken measures to address ML/TF risks prior to the conduct of the NRA. At the institutional level, they include: the setting up of ANIF, which processes suspicious transaction reports from reporting entities and transmits them to prosecuting authorities; economic and financial crime is investigated by the Judicial Pool in charge of the repression of economic and financial offences; the National Security Agency includes the Directorate of Financial Investigations and the Anti-Terrorism Directorate, which deal respectively with economic and financial crime and terrorism and its financing; trafficking in narcotics and psychotropic substances is pursued by the Central Drug Control and Counterterrorism Office; the Directorate of Forestry and Wildlife Protection investigates the illegal exploitation of wildlife and wood products; and the General State Inspectorate handles cases of embezzlement of public funds and other related offences before they are referred to the courts.

2.2.5 National coordination and cooperation

118. Although Chad is yet to have a national AML/CFT policy coordination committee, it does have several financial crime fighting institutions, including the Judicial Pool for the Repression of Economic and Financial Offences, the Directorate of Financial Investigations, the General State Inspectorate and the Prosecutor's Office at the N'Djamena High Court. They are coordinated by their respective heads. The Prosecutor's Office in N'Djamena receives all cases transmitted by the other above-mentioned entities, although there is no feedback.

119. As part of the management of some AML/CFT cases that require inter-ministerial involvement, ANIF often coordinates some activities by inviting all AML/CFT actors to take part in meetings it organizes on a specific issue. ANIF only has correspondents in banks, whereas this network should be extended to all government services involved in AML/CFT in order to facilitate information sharing. Such cooperation is also undermined by the difficulty it faces in sharing information with regulatory and supervisory authorities.

120. Regarding terrorism and its financing, there is a non-formalized coordination that meets every Friday, bringing together the Minister of Defence, the Minister of Public Security

and Immigration, the Minister of Justice, the Minister of Territorial Administration, the Army Chief of Staff, the National Director of ANIF, the Director General of the Police, the Director General of Intelligence and Investigations, the Director General of Military Intelligence, the Director General of the National Gendarmerie, the State Inspector General, the Commander of the Nomadic Guard and the Prosecutor of N'Djamena. Focus is more on the fight against terrorism than on its financing. Issues relating to the financing of terrorism are only dealt with incidentally.

121. The country does not have a coordination mechanism for the fight against proliferation financing. This situation does not enable Chad to have a clearly defined policy on the issue.

2.2.6 Private sector's awareness of risks

122. The ongoing NRA involves both public and private sector AML/CFT actors, with the exception of representatives of casinos, dealers in precious stones and metals and mobile phone companies. Bringing together more or less all the actors involved in AML/CFT, the NRA enables them to identify the risks to which each sector is exposed and to better understand them in order to adopt a risk-based approach.

123. Private sector actors are generally aware of and informed about AML/CFT issues, including banks and notaries, the Bar Association, accountants and tax advisers, and some major microfinance institutions. Awareness-raising is generally carried out by ANIF. In November and December 2021, for example, ANIF organized a training course under the patronage of UNODC. However, the assessment mission found that unlike financial institutions, other reporting entities, including most DNFBPs, are not well informed about the ML/TF risks to which they are exposed.

Overall Conclusion on IO 1

Chad has not yet validated its NRA. The process is being finalized.

The country's overall understanding of ML/TF risks is still in its infancy.

The ongoing national risk assessment will enable the country to identify and understand the actual risks to which it is exposed. Furthermore, it was revealed that no sector assessment has been conducted.

Chadian authorities have not yet adopted the risk-based approach due to lack of risk assessments. As a result, no exemptions from vigilance measures in high and low risk scenarios have been made by the authorities.

The lack of a mechanism or authority to coordinate national AML/CFT policies is a major weakness of the Chadian AML/CFT system that affects actions taken at the national level. In addition, there are no coordinated and proven AML/CFT actions

Chad is rated as having a low level of effectiveness for IO 1.

CHAPTER 3: LEGAL SYSTEM AND OPERATIONAL ISSUES

3.1. Key findings and Recommendations

Key findings

Immediate Outcome 6

- (a) ANIF receives few STRs from reporting entities. It has received a few STRs from banks relating only to money laundering. Apart from one STR by a lawyer, DNFBPs do not transmit STRs to ANIF and do not seem to be aware of AML/CFT.
- (b) ANIF has disseminated other financial information to tax authorities which has resulted in tax adjustments. No information is available on the final fate of those referred to the courts.
- (c) Declarations of cross-border transportation of cash and bearer negotiable instruments are not transmitted to ANIF by the Customs Administration.
- (d) ANIF has not carried out any policy analysis. However, it has issued guidelines for reporting entities to detect suspicious transactions. This document has not been sufficiently disseminated, as those to whom it is intended do not seem to be aware of it.
- (e) By reading copies of the two the reports produced by ANIF and sent to court, the evaluation team was able to assess their quality. It was noted, however, that the facts set out in the report concern the predicate offence of misappropriation of public funds and not ML.
- (f) Cooperation between ANIF and other national public administrations is satisfactory as the latter react to requests for information from ANIF. Conversely, cooperation between ANIF and the supervisory authorities needs to be improved.

Immediate Outcome 7

- (g) Chadian prosecuting authorities do not adequately or sufficiently prosecute ML. They do not identify ML offences relating to predicate offences. They link ML only to the files forwarded by ANIF. The very principle of parallel investigations by authorities other than those investigating the predicate offence seems unknown. Moreover, they do not have IT tools to facilitate online search for intelligence and keeping statistics. Lack of training and investigative equipment is an obstacle and explains the low number of ML investigations.
- (h) No conviction for ML was produced to the mission. However, two cases of corruption identified on the basis of the IGE's complaints are being examined by an investigating office and the Supreme Court respectively.
- (i) The statistics provided lead to the conclusion that the predicate offences prosecuted are not consistent with the country's CB risks, although it has not yet completed the NRA.
- (j) The effectiveness, proportionality and dissuasiveness of the sanctions regime have not been assessed due to the lack of production of a single court decision.

- (k) The community service penalty, which is the alternative to prosecution, has not yet been implemented in an ML case.

Immediate Outcome 8

- (a) Investigating and prosecuting authorities implement seizure and, to a lesser extent, confiscation. Both measures are limited to predicate offences.
- (b) Seizure measures are not appropriately monitored, which has a negative impact on subsequent confiscations that become irrelevant as the seized property is either stolen or emptied of their content in the course of proceedings.
- (c) Most entities do not document actions taken. The few existing statistics are kept manually and in a dispersed manner. Hence the difficulty in producing them.
- (d) The customs administration carries out seizures at the borders and share information with their counterparts. It collaborates with the ANIF, but has not yet transmitted information on cash and BNI seizures.
- (e) Chadian authorities do not use international cooperation in cases of confiscation of proceeds and instrumentalities of crime in relation to predicate offences committed abroad and proceeds transferred to other countries.
- (f) There is no central body or mechanism for managing seized and confiscated property.

Recommendations

Immediate Outcome 6

Chad should:

- (a) Undertake a major awareness-raising campaign on STR obligations among reporting entities and any other government service holding financial intelligence.
- (b) Strengthen cooperation between ANIF and the IGE so that cases investigated by this governance body are automatically forwarded to ANIF to enable the FIU to investigate the money laundering aspect.
- (c) Increase the operational skills of ANIF's analysts through training to enable them to analyze not only the predicate offence, but especially money laundering falling under their jurisdiction. Such training should also include strategic analyses on important issues.
- (d) Establish greater cooperation between ANIF and the DGD by forwarding to ANIF files on cross-border transportation of cash or bearer negotiable instruments;
- (e) Strengthen cooperation and information sharing between ANIF and AML/CFT control and supervisory authorities;
- (f) Broaden the scope of cooperation by appointing ANIF correspondents in the relevant government services, as provided for by the CEMAC Regulation.

Immediate Outcome 7

Chad should:

- (a) Train criminal prosecuting authorities on AML/CFT detection, financial analysis, investigation and prosecution techniques. Such training should include the largest

possible number of actors from the judicial police, the judicial pool, the gendarmerie, all the branches of the special judicial police and ANIF, then be incorporated into initial and continuing training programs in dedicated schools.

- (b) Equip entities combatting economic and financial crime with IT tools that help to search for information online, keep statistics and communicate with counterpart services in real time.
- (c) Require criminal prosecuting authorities to systematically conduct parallel ML investigations whenever an investigation into any revenue-generating crime is initiated.
- (d) Equip border staff with material resources to detect cash and other prohibited goods, including scanners and other electronic devices.
- (e) Institute a bonus for AML/CFT staff that would be based on the recovery made at the end of a case. Part of the funds recovered would also be used to build the operational capacity of AML/CFT entities

Immediate Outcome 8

- (a) Implement protective measures and confiscation according to the risks identified;
- (b) Build the expert capacity of investigating and prosecuting authorities to properly identify, seize and confiscate the proceeds and instrumentalities of crime;
- (c) Keep relevant and clear statistics on seizures and confiscations made in relation to predicate offences and ML/TF;
- (d) Raise Customs Administration's awareness of the need to transmit information on cash and BNI seizures to ANIF;
- (e) Use mutual legal assistance to seize and confiscate goods and instrumentalities of crime located abroad and the proceeds transferred;
- (f) Establish and operationalize the government agency responsible for administering seized and confiscated property.

124. The Immediate Outcomes relevant to the analysis in this chapter are IO.6, IO.7 and IO.8. The Recommendations relevant to the assessment of effectiveness in this chapter are R3, R4, R29, R30, R31 and R32.

3.2. Effectiveness: Immediate Outcome 6 (financial intelligence ML/TF)

3.2.1. Use of financial intelligence and other information

ANIF, customs and tax authorities provide financial intelligence used by prosecuting authorities in their investigations.

126. ANIF receives financial intelligence from reporting institutions and professions. It analyses them and, in the event of proven suspicion, transmits them to the competent judicial authorities. Chad's ANIF may receive any information it needs for its analyses through the

right of communication enshrined in the CEMAC Regulation and its establishment decree. These instruments enable ANIF to request any information from any public or private entity, as professional secrecy is not applicable. Such financial information is obtained firstly from the suspicious transaction reports submitted by reporting companies and professions, and then, when it starts to beef up the file, from any other public or private entity required to provide it with intelligence.

127. ANIF also has a database containing all financial transactions worth CFAF five million or more. It includes transfers of funds to foreign countries for importation of goods. Although ANIF does not have direct access to the databases of other government services, it can obtain any useful information thanks to the extended right of communication it enjoys. All the same, such restriction somewhat increases the time required to process files. ANIF does not have correspondents in the services with which it interacts regularly, although its establishment instrument and the CEMAC Regulation provide for such correspondents.

128. ANIF has been a member of the Egmont Group since 2015. However, it was disconnected from the Group's website after the change of leadership in this FIU in July 2021. Therefore, it cannot use this channel to send requests for information to or receive same from its counterparts. However, its members continue to participate in the Group's meetings.⁶

129. The judicial police access financial intelligence through files transmitted by ANIF to the Prosecutor of the N'Djamena High Court, who doubles as Prosecutor of the Judicial Pool. Criminal prosecuting authorities obtain financial information from credit institutions through ANIF. Thus, the General State Inspectorate requests access to financial intelligence held by financial institutions from ANIF. Police authorities obtain the same information at the request of the Prosecutor.

130. From 2017 to 2022, only two ML offence files were transmitted to prosecuting authorities. The first file originated from the intelligence service and concerned a cross-border transportation of cash, while the second originated from ANIF and concerned an alleged financial fraud using bitcoins, and is still pending trial, an arrest warrant having been issued for the alleged perpetrator.

131. It seemed to the evaluation team that the judicial police and public prosecutors and examining magistrates consider that an ML/TF file cannot be opened or examined unless it comes from ANIF. They consider this entity as having exclusive jurisdiction over this particular offence and do not think of opening files on predicate offences, such as those of the IGE, that are submitted to them. Also, those interviewed think Chad is vulnerable to ML/TF. Statistics show that there are many predicate offences that could have been prosecuted for money laundering. Similarly, the IGE has forwarded cases of embezzlement of public funds and corruption, all of which could have led to concomitant or parallel money laundering prosecutions.

132. The customs administration has information on cross-border transportation of cash and bearer bonds, cross-border currency transportation, exportation and importation of goods,

⁶ During the face-to-face meeting on 13 and 14 October 2022, it was noted that Chad's ANIF had been reconnected to the Egmont Group website since 16 August 2022. It can therefore resume exchanges with its counterpart FIUs via this channel.

especially using false import declarations. It states, however, that many of these border transactions are not always documented by the Directorate General. The customs administration also has information on a few cases of currency and drug trafficking, particularly Tramadol. It shares information with the countries from which most of the goods come, namely: Cameroon, Libya and Sudan. As a member of WCO, the Washington Convention on the Protection of Protected Species and CEMAC, the customs administration has a lot of financial intelligence that can be useful for its own activities and those of other State entities. Officials interviewed noted that the customs administration cooperates with other government services, but deplored the lack of coordination, as each of them tends to operate in isolation.

133. Cooperation between ANIF and the customs administration was only recently established. It is reflected by three requests for information submitted by ANIF as part of its analyses. In addition, three customs officials are participating in the NRA currently underway in the country. The officials we met regretted that customs services were not sufficiently aware of the AML/CFT component and hoped that ANIF would provide them with greater support in this regard.

134. The General Directorate of Taxation receives financial intelligence from ANIF spontaneously or on request. It has made tax adjustments on this basis, which has helped to replenish the State coffers. As a member of OECD, "Inspection sans Frontières" and CREDAF, the DGI has access to tax information from abroad that can be shared locally. It indicated that it also works in collaboration with the customs services, but did not provide any evidence of positive results from such cooperation.

3.2.2. Reports received and requested by the competent authorities

135. Between 2017 and 2022, Chad's ANIF received 159 suspicious transaction reports and denunciations from reporting entities, particularly banks. They are transmitted manually and received against a receipt in a sealed envelope by the National Director of ANIF.

Table .3.1. STRs and tipping-off received by ANIF according to reporting entity

Entity / Year	2017	2018	2019	2020	2021	2022 Jan. to April	Total
Banks	16	12	26	54	19	18	145
DGDDI	1	0	0	0	0	0	1
SG/MFB	1	0	0	0	0	0	1
DGI	0	1	0	0	0	0	1
SG/PR	0	2	0	0	0	0	2
ANS	0	0	2	0	0	0	2
MEPD	0	0	2	0	0	0	2
IGE	0	0	2	0	0	0	2
Lawyers	0	0	0	0	0	1	1
Treasury	1	1	0	0	0	0	2
Total	19	16	32	54	19	19	159

136. As can be seen from the table above, almost all STRs come from credit institutions, particularly international banks whose employees undergo continuing training. The fact that one credit institution reported that it sent its last STR in 2019 shows the urgency of awareness-raising and training seminars for all actors in the AML/CFT chain. DNFBPs rarely produce STRs. They do not seem to incorporate AML/CFT into their activities. The table above also shows that the Treasury, Customs, IGE, MEPS and SG/PR have also transmitted denunciations.

137. STRs received from reporting entities are of good quality. They are largely carried out by banks but they do not indicate the offences targeted, which does not allow them to be compared with the country's risk profile.

138. During interviews, ANIF officials attributed the low number of STRs received from regulated entities to the virtual absence of COBAC controls on banks. However, ANIF has the power to sanction reporting companies or professions that do not comply with AML/CFT requirements. This power is provided for in Order No. 208/PR/MFB/ANIF/2018 of 1 August 2018 of the Minister of Finance and Budget establishing AML/CFT/FP administrative sanctions. Such violations would still have to be recorded. Article 2 of the order allows ANIF to have any supervisory authority assess the extent of breach of the national AML/CFT framework. This FIU did not provide the mission with any document on control carried out and no supervisory authority reported any request from the ANIF to this effect.

139. ANIF does not provide feedback to reporting entities that submit STRs, nor does it receive any from the Public Prosecutor. In contrast, the DGI always provides feedback on the use of intelligence provided within the framework of tax adjustment.

140. ANIF also receives automatic declarations from reporting entities on all transactions with a value of CFAF 5 million or more.

141. Currency declarations for cross-border transportation of cash or bearer negotiable instruments are made to Customs, which does not transmit them to ANIF. A project to install ANIF services at the Ndjamena Airport was finally abandoned.

STR analysis

142. ANIF brings in sufficient human resources to handle STRs. It has four members, namely: the National Director, the Director of Police Investigations, who is a judicial police officer, the Director of Legal Affairs and International Cooperation, who is a magistrate and the Director of Financial Investigations, who is a customs inspector. They are assisted by 3 administrative staff, 26 analysts, 26 support staff and 14 security officers. The procedure for processing STRs is set out in Decision No. 005/ANIF/DN/SE/2021 of 14 June 2021 of the National Director of ANIF establishing the protocol for processing STRs at the National Agency for Financial Investigation. It traces the progress of an STR from its receipt at ANIF to its beefing up by analysts which consists in requesting additional information from all public or private administrations, given that professional secrecy is not applicable. ANIF officials maintain that responses to requests for information are submitted within an acceptable timeframe and that they have not had to follow up with reporting entities. Then

comes the validation of investigation files by the Review Board and any transmission of a report to the courts. This protocol provides for a shorter procedure in case of urgency, without clearly defining what constitutes urgency and what could have constituted a prioritization. ANIF states that it has been in negotiations since 16 March 2022 with UNODC to acquire the go-AML software for reporting STRs by reporting entities and analysis within ANIF.

Releases

143. ANIF releases its analysis findings to the Public Prosecutor of the Ndjamen High Court, who is also the Prosecutor of the judicial pool. It also transmits information to the State Inspectorate, the General Directorate of Customs and the General Directorate of Taxation. At the time of the mission, sixteen cases were being analysed.

3.2.3. Consistency of FIU analyses with the operational needs of competent authorities

144. ANIF presented the mission with two reports on the release of judicial files. The offences in the first file concerned identity theft, forgery and fraud, and in the second file participation and complicity in corruption, embezzlement of public funds. While these cases meet the operational needs of the judicial authorities, fraud and embezzlement of public funds being among the most targeted offences by the prosecuting authorities, no ML case has been referred to the courts by ANIF, hence the urgent need for training in operational and strategic analysis.

145. From 2017 to 2022, ANIF released six files to the judicial authorities according to the table below:

Table 3.2. ANIF releases from 2017 to 2021

Year	Number of files released	Number of files processed	Number of files pending
2017	00	00	00
2018	01	01	00
2019	03	01	00
2020	00	00	00
2021	02	05	03

146. This table confirms the low number of cases referred to court. Compared to Table 3.1, which shows that 159 STRs and denunciations were received between 2017 and 2021, there is reason to question the reliability of Chad's AML/CFT system. The judicial authorities met at the Ndjamen Prosecutor's office, the investigating Magistrate's office and the trial court reported 'approximately' five (05) AML cases received over the past five years and one ruling rendered. They admit that they deal with cases of misappropriation of public funds, mostly

from the IGE. Another ANIF file was found at the judicial police, released by the Public Prosecutor. It dealt with the facts below:

The head of a public institution put together a file for the purchase, on behalf of its entity, of 2,054 m² of land divided into 4 lots. The notary called in a legal expert who evaluated the property at 600 million. A transfer order for 592 million was issued and the bank issued an STR to ANIF, which first opposed the transaction, then conducted investigations and referred the case to the courts.

The decision on this attempted misappropriation of public funds was not made available to the mission.

147. ANIF gets feedback through its members representing the entities managing the cases: the member from the Magistracy ensures relations with the Justice system, the member from the Judicial Police with his police colleagues, the member from the Customs Administration with customs and the National Director with the DGI. Feedback from the DGI is more formal, with a report on the adjustment made sent to ANIF. The other entities we met said they were willing to collaborate with ANIF, but they requested training for their respective staff in AML/CFT.

Strategic studies

148. ANIF has not conducted any strategic studies. However, on 18 December 2018 it issued guidelines on economic and financial crime warning indicators. They include indicators of financial malpractice in public procurement and services, those relating to the recipient of unjustified wealth or income and those relating to beneficial owners. The document, prepared with other FIUs that are members of the Egmont Group, was prefaced in Chad by the Minister of Finance and Budget to ensure its wide dissemination to the competent services. In the same vein, taking into account its establishment instrument that requires it to issue an opinion on government's AML/CFT policy, ANIF on 25 April 2022 alerted the Ministers of Finance and Budget, Health and National Solidarity, Trade and Industry and the Director General of the National Security Agency (ANS) on the existence of goods or products that are illicit or unfit for human consumption reportedly being trafficked in the sub-region, namely: ivory tusks and pangolin scales, sardines in vegetable oil, fake quinine and 20% drops. In doing so, it passed on the alert issued by the Regional Intelligence Liaison Office for Central Africa and the Great Lakes (RILO-CA). These studies seem insufficient in view of the risks involved. There are always issues in an economy described as informal and where the use of cash is dominant.

149. A study could be conducted on how to run an FIU in a cash-dominated economy. The pattern as defined by the FATF Recommendations presupposes placement, layering and integration. However, in an economy with a particularly low level of access to banking

services and limited financial inclusion, the system should be reviewed to adapt it to such environment. Waiting for the files of reporting entities has shown its limits.

Autonomy and independence

150. ANIF did not receive its budget for 2017. From 2018 to 2020, the budget was constant at the sum of CFAF 450 million. It tripled in 2021 to CFAF 1,350 billion. This exponential growth corresponds to the change in ANIF leadership and coincides with the revival of activities perceived by reporting entities and finance authorities, notably through the launch of the NRA and capacity building through various UNODC-organized seminars. However, it is regrettable that such funds were not fully released, as budget release can be used as a means of pressure to obtain the submission of managers. This impacts the autonomy of the entity.

Table 3.3. ANIF's budget from 2017 to 2021

Year	Amount	Special fund	Remarks
2017	0	0	No budget
2018	450 000 000	45 000 000	
2019	450 000 000	45 000 000	
2020	450 000 000	35 000 000	
2021	450 000 000 900 000 000	35 000 000 65 000 000	Budget amended in the second half of 2021

151. The special fund which corresponded to 10% of the budget is used to finance the search for intelligence.

3.2.4. Cooperation and exchange of financial information and financial intelligence

152. ANIF cooperates with all government services involved in the prevention and detection of financial crimes or that hold information useful for beefing up STRs. It has formally signed cooperation agreements with four national bodies, namely: the IGE, the National Agency for Secure Documents (ANATS), the National Agency for Computer Security and Electronic Certification (ANSICE) and the Interpol National Bureau. The IGE mentioned that it sometimes involves ANIF in its audit missions and benefits from its expertise. The DGI and the Customs Administration respond promptly to ANIF's requests for information, as these three entities are under the supervision of the Ministry of Finance and Budget. There was the same ease at ANIE. In contrast, apart from the finance administrations and the IGE, the other entities do not seem to solicit ANIF as part of their own activities, given that BC/FT is not widely popularized. The cooperation mechanism is operated through

letters to the officials of the service concerned, who also reply by ordinary mail, possibly accompanied by the documents requested.

153. Cooperation between ANIF and the Directorate General of Taxation seems to be fruitful. Thanks to information provided by ANIF on 21 March 2022, the DGI was able to proceed with the tax adjustment of a company for an amount of CFAF 136,250,288, in addition to CFAF 27,250,058 in penalties.

154. The scope of ANIF's national cooperation could be broadened. The CEMAC Regulation (Art. 68) has in fact provided for ANIF correspondents in some government services, notably the police, the gendarmerie, the judiciary and customs, and any other public service whose assistance is deemed necessary within the framework of AML/CFT/FP. At the time of the mission, no correspondent had yet been appointed.

155. The DGI and DGD stated that they both cooperate in their respective activities. They did not produce any documents that could corroborate their statements.

Collaboration with supervisory bodies

156. Exchanges between ANIF and COBAC seem very limited, the former considering that the latter does not carry out enough controls on the credit institutions it supervises, the latter maintaining that controls are dependent on the risks identified in the country and that ANIF has not drawn attention to a possible increase in risks which might have made it possible to rectify the situation. Similarly, ANIF has not demonstrated any collaboration with other supervisory authorities such as COSUMAF and CIMA.

157. ANIF seems to collaborate more with the Chadian Bar Association, the National Association of Professional Accountants of Chad and the National Directorate of Insurance, particularly since the launch of the NRA. Interviews with these supervisory authorities revealed that while some are well aware of AML/CFT, others still require more awareness-raising and training on the issue, which they consider to be new and technical.

158. Through its members from the DGI, Justice, the Customs Administration and the Judicial Police, ANIF also maintains informal cooperation with these services, which sometimes facilitate exchanges.

Information security

159. Chad's ANIF occupies a building under the protection of an armed guard and with a video surveillance system. Access to the premises is well screened and visitors are identified. ANIF receives suspicious transaction reports manually in sealed envelopes that can only be opened by the entity's highest ranking official, the National Director. He and the other three members take an oath to keep confidential the information collected during the discharge of their duties and even after leaving office. The other staff members subscribe to the agency's code of ethics, which provides for disciplinary sanctions and possible criminal prosecution in the event of non-compliance. Computer security is provided by ANIF's Computer, Documentation and Archiving Centre. The computer system is based on a classic Microsoft architecture. A server room has been set up to ensure the security of the information hosted on

three servers, three switches and a router with an authentication portal. Among these servers is a domain controller that centrally manages access to users and their associated resources. Each user has restricted rights on his or her workstation, allowing him or her to carry out only the tasks that are specific to that user. ANIF also has a website <https://www.anif-tchad.td>. The machines are located in a locked room accessible only to ANIF members and to the Head of the Computer, Documentation and Archiving Centre. Computers are not widely used in Chad. Key services such as the judicial police and the justice system do not have them. Information sharing therefore continues to be done manually, which, according to the Chadian authorities, ensures the greatest security. These transmission channels seem to us to be secure and protected, and the existence of a single liaison officer and an entire documentation and archiving centre responsible for managing the mail is in itself a guarantee of confidentiality.

Overall Conclusion on IO 6

Chad has several sources of financial intelligence that can be used by ANIF and criminal investigating and prosecuting authorities. However, such intelligence is not fully used due to insufficient awareness and training of actors, and the weak involvement of supervisory authorities in monitoring the activities of reporting entities.

STRs are submitted almost exclusively by banks. The other DNFBPs do not seem to have incorporated AML/CFT into their activities. The DGD does not transmit declarations of cross-border transportation of cash or bearer negotiable instruments to ANIF.

The few releases made by ANIF are in line with the operational needs of prosecuting authorities, but their small number - six releases in five years - does not really influence the functioning of the judicial system.

ANIF does not communicate much with the supervisory authorities of reporting entities due to the small number of STRs.

Chad is rated as having a low level of effectiveness for IO 6.

3.3. Immediate Outcome 7 (ML investigations and prosecutions)

3.3.1. ML identification and investigations

160. Chad has specialized institutions for combating financial crime. In addition to the judicial police with general powers, Chad has set up a coordination of the judicial police created by decree on 22 January 2021, which includes the Directorate of Judicial Police, made up of three sub-directorates, including the sub-directorate of economic and financial affairs responsible for carrying out ML investigations. Such specialization continues up to the judicial authorities, within which a judicial pool has been created, responsible for the repression of economic and financial offences, composed of the Public Prosecutor at the N'Djamena High Court and the 1st Assistant Prosecutor responsible for prosecution, the 1st and 2nd Investigating Chambers in charge of judicial inquiry, the President of the above-mentioned High Court and the 1st Judge in charge of judgment, the Public Prosecutor and the 1st Deputy Public Prosecutor for prosecution at the Court of Appeal, the President of the

Indictment Chamber and two advisers for the review on appeal of the acts of the investigating Judges, and the President of the N'Djamena Court of Appeal and two advisers for the review at the second instance of the judgments rendered in first instance. These institutions constitute a complete judicial system for investigating, prosecuting and judging cases of ML/TF. Chad also has a General State Inspectorate, a supreme administrative control body whose main duties concern good governance, the fight against corruption, embezzlement of public funds and other economic and financial offences. The Directorate General of Forestry and Wildlife Protection deals with environmental crimes, while the Central Drug Control and Counterterrorism Office is specialized in the issues stated in its name. The Chadian General Directorate of Customs and the General Directorate of Taxation deal with offences related to customs and tax fraud.

161. These bodies are large reservoirs of investigations into predicate offences that could have led to the opening of money laundering investigations. Data produced by the IGE on the situation of cases handled by this entity as part of economic and financial litigation, referred to the courts and still pending, are as follows:

Table 3.4. IGE complaints pending before the N'Djamena Public Prosecutor's Office

Number of files	Type of offence
3	Breach of trust
1	Breach of trust and fraud
2	Embezzlement of public funds
6	Embezzlement of public funds and forgery and use of forgery
2	Embezzlement of public funds and fraud
4	Use of forgery
1	Attempted embezzlement of public funds, abuse of office, swindling and use of forgery
Total: 19	

Table 3.5. IGE files pending in the Examining Magistrate's Office

Number of files	Type of offence
2	Abuse of office, use of State property, illicit enrichment, corruption in public procurement, overvaluation, forgery and use of forgery, embezzlement of public funds
1	Breach of trust and embezzlement of public funds
1	Breach of trust
1	<i>Money laundering and embezzlement of public funds</i>
19	Embezzlement of public funds and forgery and use of forgery, and related offences
1	Forgery and use of forgery, complicity in fraud
Total 25	

Table 3.6. IGE files pending in the Magistrate's court

Number of files	Type of offence
1	Abuse of office, fraud and complicity, forgery and use of forgery, embezzlement of public funds
1	Embezzlement of public funds
4	Embezzlement of public funds and forgery and use of forgery
1	Attempted corruption and complicity
Total: 7	

Table 3.7. Files pending before the Court of Appeal

Number of files	Type of offence
1	Corruption, influence peddling and concussion
7	Embezzlement of public funds
1	Embezzlement of public funds and forgery and use of forgery
1	Embezzlement of public funds, forgery and use of forgery, concussion and related offences
2	Embezzlement of public funds and complicity
Total 12	

Table 3.8. Files pending before the Criminal Court

Number of files	Type of offence
1	Forgery and use of falsified documents, and embezzlement of public funds
4	Embezzlement of public funds
Total 5	

Table 3.9. Files pending before the Supreme Court

Number of files	Type of offence
1	Forgery and use of forgery, complicity in terrorism and mercenaryism, unlawful acts against civil aviation, <i>complicity in money laundering</i>
1	Embezzlement of public funds, forgery and use of forgery
1	Embezzlement of public funds, forgery of official documents and related offences
1	Embezzlement of public funds, abuse of office, illegal use of State property, illicit enrichment, corruption and forgery and use of forgery
Total :5	

162. These tables, which do not contain information on the years or amounts involved, show two pending cases on money laundering, one under investigation, the other at the Supreme Court. The mission was not informed of the facts examined by these judicial authorities. A large proportion of the cases referred by the IGE to the courts could have been prosecuted for ML. The prosecution authorities interviewed stated that they do not prioritize money laundering offences, which are marginal due to a lack of files. They, in fact, link AML/CFT cases to ANIF. Those that receive corruption and related offences or drug trafficking cases prosecute only those offences, and not money laundering. At the same time, where a case is forwarded by ANIF, it is considered a money laundering case, and do not see the need to examine the facts to verify whether they actually correspond to the material elements of the offence.

A case was reported of a Chadian arrested by the “Renseignements Généraux” (Intelligence Services) at the border with Cameroon carrying CFAF 50 million. He was prosecuted by the public prosecutor's office for money laundering and the funds seized were entrusted to the custody of ANIF. As the investigation was conducted by the Intelligence Services, the court requested, by way of an interlocutory ruling, that the file be beefed up with a report from ANIF. In the absence of any reaction from the FIU, the court acquitted the defendant and ordered that the seized funds be returned to him.

163. To solve this problem, the IGE and ANIF on 5 December 2019 signed a cooperation agreement whose purpose is to "assist each other in dealing with suspected cases of ML, tax fraud, tax evasion, embezzlement of public funds, corruption, illicit enrichment or any other offences similar to economic and financial crime, through information sharing that may lead to investigations, disciplinary sanctions and/or prosecution". The effects of this recent agreement are not yet visible.

164. The Directorate General of Forestry and Wildlife Protection conducts investigations into environmental offences. Officials interviewed said that most crimes take place in the conflict zone on the border with Sudan or Libya, which is beyond the control of their elements. The only statistics available from this special judicial police force are those for the third quarter of 2021, during which two offences were recorded, namely the slaughter of animals and the possession of weapons of war, and the illegal transportation of forest products. In the first case, the perpetrator was apprehended and brought to justice, while in the second case, the four perpetrators fled, abandoning their booty and their vehicles.

165. Statistics from the Directorate of Public Security for the second quarter of 2021 are as follows:

Table 3.10. Statistics from the Directorate of Public Security for the second quarter

Type	April 2021	May 2021	June 2021
Assassination		4	3
Assault and battery	7	4	6
Aggravated assault and battery	14	17	11
Murder	6	20	16
Criminal conspiracy	13	8	13
Forgery and use of forgery	8	10	8
Child maltreatment	3	2	0

166. The above table covers a very short period and does not give a global view of crime in Chad. It does, however, give an idea of common offences in this police unit.

167. Data provided by the 1st Investigating Chamber of the Economic and Financial Judicial Pool for the period from 2017 to 2022 are as follows:

Table 3.11. Statistics from the 1st Investigating Chamber of the Economic and Financial Judicial Pool for the period from 2017 to 2022

Year	Number of files	ANIF files	Orders
2018	7	1	6, including 4 referrals to the criminal court, 1 non-suit and 1 transmission of documents
2019	6	0	6, including 3 transmission orders and 3 referrals to the criminal court
2020	2	0	1 referral to the criminal court
2021	1	0	0
2022	2	0	0

168. This investigating office has therefore only received 18 files on economic and financial matters in over four years. The second investigating office investigated 20 files on the same offences between 2014 and 2022. Two of them examined in 2019 concerned embezzlement and money laundering. The decisions rendered were not made known to the mission.

Parallel investigations

169. Prosecuting authorities indicated that they are not aware of parallel investigations in their judicial practice. They concentrate on the predicate offences for which they have already acquired expertise. Money laundering is considered a new offence that, to be properly investigated, requires enough training which they are still to undergo. Thus, the judicial police stated that they have conducted several investigations into embezzlement of public funds, corruption and conflict of interest following complaints from the General State Inspectorate. It did not examine the money laundering aspect because it was not seized of the facts. The Central Drug Control and Counterterrorism Office conducts investigations into the possession and use of drugs, but does not investigate the financing of this traffic or the laundering of the proceeds of such activity. Similarly, the Directorate General of Forestry and Wildlife Protection conducted a few investigations related to environmental crimes, but the money laundering aspect was not addressed at the same time, nor was it transmitted to another competent authority. The same is true of the Directorate General of Taxation and the Directorate General of Customs. However, following a recent ANIF-organized awareness-raising campaign on the issue, these two entities intend to remedy this state of affairs by henceforth entrusting the money laundering aspect of their investigations to ANIF.

170. UNODC organized four training sessions for magistrates from 15 to 18 November 2021 on financial analysis and the processing of STRs, from 29 November to 2 December 2021 on anti-money laundering and combatting the financing of terrorism, from 6 to 9 December 2021 on anti-money laundering and combatting the financing of terrorism reporting professions and from 7 to 10 March 2022 on the implementation of the United Nations Convention against Corruption. Placed under the aegis of ANIF, these training sessions

brought together 25 participants per session, made up of analysts, magistrates, judicial police officers, gendarmes, customs officers and reporting entities. The JPOs and magistrates we met were not invited, which reflects the limits of such training given the scale of demand. Police officers of the judicial police and forestry and wildlife protection, the magistrate of the public prosecutor's office, the examining magistrate and magistrates interviewed all stressed inadequate, if not lack of AML/CFT training, which they consider to be complex, in addition to insufficient working materials, in particular computers.

3.3.2. Consistency of ML investigations and prosecutions with threats and country risk profile, and AML policies

171. ML financial investigations and prosecutions conducted by competent authorities are few and not in line with the risk profile. Chad has not yet published an NRA that would enable it to identify the main financial crime threats facing the country. Those identified by the Directorate of Judicial Police include embezzlement of public funds, corruption in public procurement, forgery and use of forgery.

172. The Directorate of Legislation and Agreements Monitoring of the Ministry of Justice and Human Rights has produced a collection of statistics on judicial activities during 2017. The main prosecutions before Chad's High Court are presented in the table below:

Table 3.12. Statistics on judicial activities for 2017

Offence	Total
Theft and fencing	2641
Swindling/Breach of trust	1332
Assault and battery	968
Aggravated assault and battery	422
Child kidnapping/corruption of minor	208
Drug-related offences	170
Forgery and use of forgery	134
Criminal conspiracy	131
Embezzlement of public property and funds	49
Illegal possession of weapons	36
Damage to fauna, flora and fishery resources	15
Acts of terrorism	15

173. The table includes categories of designated offences as listed in Article 1 of Regulation 01/CEMAC that could have been prosecuted for money laundering, either concurrently or in parallel, which would have deprived the criminals of the proceeds of their crimes and, consequently, reduced financial crime in the country somewhat.

3.3.3. Types of ML cases pursued (prosecution)

174. The judicial authorities met by the mission do not prosecute or convict the various ML cases, including autonomous laundering, self-laundering and third-party laundering. They did not remember having prosecuted or convicted in relation to ML. They, however, identified two cases of ML, the first of which was investigated by the intelligence services and concerned a cross-border transportation of cash.

In 2021, a senior manager in a bank in a neighbouring country gave his cousin CFAF 50 million and asked him to deposit CFAF 24 million in a bank account in N'Djamena and CFAF 26 million in the accounts of his friends in Kousseri, Cameroon, in order to buy bitcoins. The individual concerned was arrested at the Chad-Cameroon border post in possession of this cash and prosecuted for money laundering, together with a second individual who intervened to obtain his release and is being prosecuted for corruption.

175. This case did not result in a conviction so that it could be assessed. The decision produced to the mission shows that the offences targeted by this prosecution were “money laundering, corruption and complicity”. The operative part of this decision is as follows:

The Court

After due deliberation in accordance with the law:

In matters of criminal and simple offence, and as a court of first instance, ruling in open court after full hearing of the parties;

Finds..., ... and... not guilty of the charges brought against them; dismisses and acquits them for not having committed the elements of the offence; orders the return of the sum of 50,000, 000 CFA francs impounded at ANIF, Slip No. at.....;

Orders the release of a ... vehicle impounded at the Prosecutor's Office;

Declares that the Treasury shall bear the cost.

176. The second file submitted by ANIF this time around, concerning a bitcoin-related scam, had not yet been closed at the time of the mission.

3.3.4. Effectiveness, proportionality and dissuasiveness of sanctions applied for ML

177. Article 114 of the CEMAC Regulation and Section 228 of the Chadian Penal Code both provide for penalties ranging from 5 to 10 years' imprisonment against an individual found guilty of ML, making this a serious offence in light of the penalties typically imposed in the country.

178. On the other hand, in the CEMAC Regulation, the fines are ten times the amounts involved, but not less than 10 (ten) million CFA francs, whereas the Chadian Penal Code limits them to three times the value of the goods involved. Similarly, Article 126 of the CEMAC Regulation provides for penalties for legal persons equal to five times the penalties imposed on natural persons, plus additional penalties up to the closure of the establishment used to commit the offences, while Article 231 of the Chadian Penal Code provides for a fine equal to twice the penalties imposed on natural persons, but not less than one million CFA francs (about 1,524 euros). For judicial authorities, the Criminal Procedure Code is the applicable instrument and there is no conflict of laws. However, the conflicting provisions of the two instruments should be harmonized. These penalties are proportionate and dissuasive in relation to the Chadian legal arsenal. In the absence of sentencing decisions, it was not possible to determine whether the sentences would have been proportional and dissuasive.

3.3.5. Use of alternative measures

179. Alternative measures do not appear to exist in the Chadian legal and judicial arsenal. Prosecution for ML leads to imprisonment, fines and additional penalties. Sections 25 and 26 of the Criminal Code provide for alternative penalties if a person is found guilty and sentenced to imprisonment for up to one year. It may substitute community service for a limited period for the benefit of an association or a legal person governed by public law (Art. 26) or a daily fine consisting in the payment by the offender of a sum of money for a number of days determined by the decision (Art. 25). However, there are no alternative measures for avoiding prosecution for ML. Customs and taxation services provide for settlement as a means of terminating prosecution, however, this measure does not apply to ML. No alternative measure was presented or even mentioned to the mission during the visit.

Overall Conclusion on IO 7

Prosecution authorities do not adequately investigate and prosecute ML cases. No convictions were reported to the mission, as prosecutions are rare and vague. Parallel investigations are rare in practice, and even when they are carried out in connection with the predicate offence, the money laundering aspect is generally overlooked. In the absence of sentences, it was impossible to establish whether they would have been proportionate and dissuasive. Alternative measures have not been implemented and appear to be ignored. Since Chad had not conducted a NRA, it was not possible to objectively identify the risks involved. However, the fact remains that the prosecution of predicate offences alone does not address the concerns recognized by the mission and judicial authorities.

Chad is rated as having a low effectiveness level for IO 7.

3.4. Effectiveness: Immediate Outcome 8 (Confiscation)

3.4.1. Confiscation of the proceeds, instrumentalities and property of equivalent value as a policy objective

180. Chadian legislation provides the competent authorities with the means to effectively prosecute BC/FT and predicate offences, particularly by confiscating the proceeds and instrumentalities of crime, as well as property of equivalent value. The country's legislation allows for the impounding of cash and property under investigation, as well as the freezing of funds, as a temporary remedy. The authorized authorities may also determine the identity of such property. However, in practice, these measures are not prioritized as they are not sufficiently owned at the operational level and are limited to proceeds of predicate offences. As a result, there is no confiscation regarding CB/FT.

181. In the event of conviction for ML, terrorism and its financing, misappropriation of public property, corruption, bribery, influence peddling, similar offences and other predicate offences, the courts order the confiscation of the proceeds of crime as an additional penalty. In case of breach of the regulations, some entities such as the customs and taxation authorities and the General Directorate of Forestry and Wildlife Protection may have recourse to provisional measures and confiscation (particularly customs authorities). Investigating authorities (Judicial Police and National Gendarmerie), the General Directorate of Forestry and Wildlife Protection, and customs authorities reported carrying out confiscations as part of legal proceedings and within the scope of their responsibilities. The taxation authorities carried out tax collections. Except for the customs authorities which, by virtue of its responsibilities, carry out confiscation without prior conviction, confiscation can only be ordered in the event of a conviction.

182. The CEMAC AML/CFT Regulation provides for the application of precautionary measures (freezing and seizure) with a view to confiscation. To this end, the Chadian AML/CFT law provides for the opening of a deposit and consignment account managed by a public body under the joint supervision of the Ministry of Justice and the Ministry of Finance for the management of seized and confiscated assets. At the time of the mission, this entity had not yet been established. Seized property is managed by court registries, with the limitations that this entails, while confiscated assets are transferred to the Treasury.

3.4.2. Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

183. The legal framework allows for the confiscation of the proceeds of ML and TF, as well as the proceeds of predicate offences or their equivalent value, both domestically and abroad. Proceeds from a predicate offence committed abroad can be identified, traced and confiscated on the basis of a request for mutual legal assistance.

Confiscation of Proceeds of Predicate Offences Committed in Chad

184. Judicial authorities may order confiscation in the context of the prosecution of predicate offences and ML/TF in the event of a conviction. To this end, confiscations have been ordered in connection with the prosecution of predicate offences. The relevant data are as follows:

Table 3.13. Orders for Seizure Issued by Judicial Authorities (2019-2021)

Years	2019	2020	2021
Convicted offences	Trafficking in psychotropic substances	Ivory trafficking Animal mistreatment Drug trafficking and complicity in drug trafficking, and money laundering Overvaluation of supplies	Misappropriation of public funds
Confiscations ordered	Illicit products	Ivory 17 tusks of elephants killed Vehicle AKM weapons, pistol 600,000,000 CFA francs 100,000,000 CFA francs of the overvalued amount	Movable property up to the amount embezzled Movable and immovable property as security for the payment of sums imposed on the convicted person Movable and immovable property as security up to the amount embezzled

185. Chad provided 8 (eight) court decisions concerning confiscation. Regarding the period under consideration (2017-2021), examples of cases of confiscation are few. Furthermore, there was no indication of whether the confiscations were actually enforced. This does not clearly indicate the effectiveness of confiscation procedures, especially regarding activities that are highly vulnerable to ML/TF risks.

186. Chad has a Directorate of Statistics and Information placed under the Ministry of Justice. It is responsible for collecting all judicial data, including petitions, reports, decisions on all matters, court records, decisions of court registrars, annual reports on the activities of the Supreme Court and the register of seals. However, the authorities indicated that this entity has not been operational since 2017. Court clerks who are responsible for collecting judicial data no longer do so due to a lack of equipment and financial resources, and because they have not capitalized on the training already received in this area. As a result, statistics are fragmentary and compiled manually. Due to the lack of aggregation and centralization, the vast majority of judicial data is virtually inaccessible.

Confiscations of proceeds located in foreign countries

187. Cooperation and assistance in confiscation matters have not yet been implemented. There is no case of seizure or confiscation of assets abroad, repatriation of confiscated assets abroad to Chad, expatriation of confiscated assets abroad to Chad or even distribution/sharing of confiscated assets between several countries involved in confiscation. Furthermore, there is no case of confiscation of assets of equivalent value.

Provisional measures

188. The National Gendarmerie seized drugs within the framework of its responsibilities. The following data were made available to the evaluation team:

Table 3.14. *Seizure of drugs in 2020, 2021 and 2022*

Years	2020	2021	2022
Narcotics			
Drugs	- 67 balls - 2 bags	- 13 bags - 32 balls	- 1 half a bag of drugs - 8 balls of drugs
Tramadol	- 254 tablets - 18 packets - 9 boxes	57 boxes	- 89 boxes - 108 tablets
Adulterated drinks	- 5 bags - 19 cartons		
Visa	31 sachets		
Banned products			7 bags and 6 cartons of banned products

189. The seized items are handed over to the judicial authorities, together with the arrested perpetrators. However, information on the outcome of these seizures was not made available to the evaluation mission.

190. The General Directorate of Forestry and Wildlife Protection has an anti-poaching unit responsible for the prevention and repression of poaching. Investigations into poaching are carried out by judicial police officers who, after arresting and interrogating the poachers, forward the reports to the judicial authorities along with the items confiscated. The Prosecutor's Office manages confiscated goods and, where appropriate, destroys or sells them at public auction. In some cases, it is also authorized to carry out transactions on behalf of the Treasury. From July to September 2021, the Directorate of Forestry and Wildlife Protection carried out the following seizures within the framework of its missions:

Table 3.15. Anti-poaching and Anti-deforestation Activities (3rd Quarter of 2021)

Period	May-June	August	September
Arrests		One person arrested by the anti-poaching sector for slaughtering animals and illegal possession of firearms. The suspect was questioned and handed over to the judicial authorities.	Seven people arrested for illegal transportation of forest products and placed at the disposal of the judicial authorities.
Equipment	2 hunting rifles Buryat (toxic product used to kill birds)	3 items comprising 1 gun and 2 calibres of ammunition 6 vehicles containing bags of charcoal and firewood	5 vehicles 2 mini buses containing bags of charcoal 8 carts containing charcoal 5 horses 4 ivories

191. The Central Drug Control and Counterterrorism Office (OCLDT) is an entity attached to the General Directorate of the National Police that combats drug trafficking and terrorist activities. Its tasks include coordinating operations to suppress the production, trafficking and illicit use of drugs and chemical precursors on the national territory, and maintaining international cooperation in the fight against drugs and terrorism. In cooperation with the Police, National Gendarmerie and customs services, the perpetrators of drug-related offences are tracked down, arrested and brought to justice. The OCLDT seized drugs in 2017, 2018, 2019 and 2021, as shown in the table below:

Table 3.16. Narcotics seized in 2017, 2018, 2019 and 2021

Year	2017	2018	2019	2021
Narcotics seized	66 kg of cannabis 669,345 tablets of tramadol	56 kg of cannabis 912.153 tablets of tramadol	54 kg of cannabis 669.345 tablets of tramadol	1 tonne and 399 kg of cannabis weed + more than 4 tonnes and 522 kg of psychotropic substances 79 kg of fake medication 109 kg of cannabis 40,000 tablets of diazepam (benzodiazepine) 1,870 tablets of tramadol (painkiller) 1,000 tablets of exol 2 boxes containing various aphrodisiacs (viagra) weighing 8kg

192. The main mission of the General State Inspectorate (IGE) is to promote good governance, combat corruption, the misappropriation of public funds and other economic and financial crimes. Besides its inspection missions, it seeks to recover sums owed the State through transactional agreement or civil action in court. To this end, from 2019 to 2021, it reportedly carried out precautionary seizures of debts, as well as recoveries and adjustments within the framework of the prosecution of civil matters.

193. The statistics are as follows:

Table 3.17. Status of Enforcement of Civil Cases

Year Item	2019	2020	2021
Seizure	1	0	0
Order of seizure of debt	5	3	8
Payment of the Ndjamen City Council's debt	2	0	0
Payment of fees	1	0	0

Table 3.18. Collection and recovery

Year	2016	2017	2018	2019	2020	2021
Recovery amount	54 880 412 817 CFAF	46 761 826 249 CFAF	40 000 000 000 CFAF	46 710 486 633 CFAF	17 140 121 142 CFAF	37 004 586 003 CFAF
Adjustment Amount	89 681 345 328 CFAF	124 746 740 987 CFAF	92 556 667 000 CFAF	82 199 072 501 CFAF	113 985 868 103 CFAF	113 985 868 103 CFAF

194. Customs officials have the power to seize cash and other ML/TF-related goods at the point of entry and exit. They indicated that they regularly carry out seizures. Once the seizure has been carried out and before the goods are disposed of, a confiscation request is submitted to the competent public prosecutor against an acknowledgement of receipt. Depending on the nature of the seized goods, they are sent to the competent services for disposal, in accordance with the law. Seized drugs, fake medicines and wildlife products are incinerated. Precious metals and stones are auctioned, and cash is confiscated and transferred to the Treasury. Chadian customs authorities reported seizures of currency, drugs and fake medicines. However, no statistics were provided.

195. The Tax Administration has a department that is responsible for coordinating tax collection. If the Investigation and Research Service detects irregularities in the payment of taxes by companies, fines and other penalties are imposed in accordance with the law. Tax collection is carried out by the Treasury. The irregularities identified include failure to file tax returns and concealment of turnover. The authorities indicated that the tax offences identified are not prosecuted, but treated as consequences relating to taxes and duties. Although the tax

authorities claimed to have recovered taxes, no statistics were provided to the mission on the fines imposed for the fraudulent activities that generated them and the recoveries made.

Cases of restitution of seized goods

196. In 2022, the Prosecutor's Office of the N'Djamena High Court opened a case of money laundering, corruption, and complicity, which resulted in the dismissal of all charges. This case had led to the seizure of CFAF 50,000,000 and a vehicle. The Court therefore ordered the return of the seized funds and property. An extract from the judgment was presented to evaluation team.

Prior opposition

197. Regarding provisional measures, ANIF may, based on serious, substantiated and reliable information in its possession, oppose the execution of a transaction that has been the subject of a suspicious transaction report for a period of not more than 48 (forty-eight) hours in order to prevent any risk of diversion of funds suspected of being of illegal origin. During the on-site visit, ANIF stated that it makes use of this prerogative, but provided only one case from 2022 in which it stopped the execution of transactions on a bank account as part of its investigations opened on suspicion of economic and financial crime.

198. Chad does not have a central body or mechanism responsible for managing seized and confiscated property or funds. Property seized in the course of legal proceedings constitutes seals, which are subject to inventory and are deposited in the registry of the competent court. They are managed by registrars according to their nature. These items are returned in accordance with the law. However, the authorities indicated that they face difficulties in managing some of these items which often depreciate, are lost or destroyed. In addition, the premises and legal instruments available to court registrars are inadequate. If the confiscated property is movable, the provision varies depending on the nature of the property (incineration of poaching products, fake medicines, counterfeit banknotes, transfer of confiscated vehicles to the police, transfer of weapons to the Ministry of Defence, etc.). The Ministry in charge of State property is responsible for the disposal of confiscated property, which is auctioned on behalf of the State. Chad therefore has no central body or mechanism for managing seized and confiscated property or funds. As a result, seized and confiscated assets are not adequately managed.

3.4.3. Confiscation of falsely or undeclared cross-border transaction currency/BNIs

199. The legal framework provides for a cash declaration system when entering or leaving Chadian territory. Any amount of CFAF 5 million or more, or its equivalent in foreign currency, must be declared (on a form) to the customs authorities. Illegal cross-border movement of cash and bearer negotiable instruments (BNIs) is punishable by seizure and, where appropriate, confiscation. Customs officials are therefore mandated to seize cash and other property related to ML, TF and predicate offences during border controls.

200. The seizure of cash and BNIs is carried out in accordance with the provisions of the CEMAC Regulation on AML/CFT, the CEMAC Foreign Exchange Regulations, and the Community Customs Code. The cash and BNIs thus seized are the subject of a request for confiscation addressed to the Public Prosecutor by customs authorities against an

acknowledgement of receipt, and are confiscated on behalf of the Treasury. Chadian customs authorities stated in this regard that they had confiscated foreign currency for non-declaration. However, no data on this issue were provided. This makes it difficult to assess the proportionality and deterrent effect of any penalties imposed.

201. During discussions, the authorities indicated that there is a high level of illegal money circulation between Chad and its neighbours (Niger, Nigeria, Sudan, Cameroon, and Libya). However, because illegal cross-border movements are rarely intercepted, they are not subject to seizure or confiscation.

202. Customs authorities collaborate and share information with ANIF. However, ANIF is not the addressee of information collected regarding the cross-border movement of cash and BNIs that are subject to false declarations/undeclared or false reporting because, according to Chadian authorities, they began to collaborate only recently.

3.4.4. Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

203. Chad is currently conducting its NRA. However, discussions with the relevant authorities show that the risks of ML/TF are high and are fuelled by threats, especially fraud, breach of trust, poaching, corruption, embezzlement of public funds and drug trafficking. The country has established a legal framework to combat these offences and to confiscate the resulting proceeds and instrumentalities as well as property of equivalent value.

204. Although the criminal justice system applies a policy of confiscation to some extent, the measures taken remain very weak. There are no centralised, relevant and clear statistics on seizures and confiscations in Chad and possibly abroad, or on the illegal cross-border transport of cash and BNIs. It is therefore difficult to assess the results achieved in this area.

205. The lack of ML/TF confiscations undermines and renders inconsistent the policy and priorities of Chadian authorities in this area. It is therefore necessary to effectively implement the national AML/CFT confiscation policy in order to align confiscation results with ML/TF risks.

Overall Conclusion on IO 8

Seizures and confiscations are carried out on a limited scale and mainly concern predicate offences. Investigating and prosecuting authorities lack the expertise to implement these measures properly. No data were provided on the illegal cross-border movement of seized species, making it impossible to assess their existence and significance. The country has no central body or mechanism for managing seized and confiscated assets.

Chad is rated as having a low level of effectiveness for IO 18.

CHAPTER 4: TERRORIST FINANCING AND PROLIFERATION FINANCING

4.1. Key findings and recommendations

Key findings

Immediate Outcome 9

(a) Chad's geographical location places it in a complex zone of insecurity, making it a prime location for terrorist and armed groups operating within the country and in neighbouring countries, who use illegal activities such as smuggling, various forms of trafficking in arms, drugs, human beings and mineral resources, poaching, cattle rustling and kidnapping for ransom to strengthen their logistical, operational and financial resources. However, as the NRA is still being carried out, cases of TF are not yet clearly identified and understood by the actors of the AML/CFT mechanism put in place.

(b) Since 2015, Chad has experienced terrorist attacks perpetrated by the Boko Haram terrorist group. TF is facilitated in the country by the predominance of the informal sector which favours the circulation of cash, the massive importation of goods, financial transactions in cash coupled with porous borders that facilitate the physical cross-border transportation of cash, closeness to conflict zones (Cameroon, Nigeria, Niger, Libya, Sudan and CAR), the free movement of people and goods within the Community space, and a weak civil identification system.

(c) Investigating and prosecuting authorities have difficulties in detecting TF in both terrorism cases and predicate ML/TF offences. This is due to the fact that the majority of the specialized operational units have only recently become operational and, thus, lack TF expertise and technical means. In addition, a high level of training and sensitization of investigating and prosecuting authorities on AML/CFT, as well as insufficient human, financial and material resources were noted.

(d) Chad has set up, within the N'Djamena High Court and Court of Appeal, a judicial pool specialized in the prosecution of acts of terrorism and related offences. This entity has exclusive jurisdiction over acts of terrorism. However, there is no policy for prioritizing cases and parallel financial investigations are not carried out when investigating offences that may generate income used to finance terrorism.

(e) Chad did not provide statistics on TF investigations, prosecutions and convictions.

(f) The Chadian Government has set up a Joint Security Commission for the City of N'Djamena comprising senior officials from government security services, which meets weekly to share information and intelligence. This commission, whose tasks are not specified in its establishment instrument, only focuses on security issues concerning N'Djamena. It does not include ANIF which centralizes and analyses financial data.

(g) The financing of the trips of foreign terrorist fighters is not criminalized in Chad.

(h) The absence of any conviction of a natural or legal person for TF shows that Chad has not been able to implement the application of effective, proportionate and dissuasive sanctions. The same applies to the implementation of other measures aimed at disrupting TF activities, reflecting inadequate ownership of the CEMAC Regulation on AML/CFT.

Immediate Outcome 10

(a) Chad has not yet laid down procedures and mechanisms for dealing with the lists established under UNSCR 1267 and subsequent resolutions and UNSCR 1373, nor has it designated the competent national authorities responsible for implementing these measures, despite the existence of a community legal framework for the implementation of TFSs.

(b) Chad does not have a mechanism for disseminating sanctions lists to reporting entities or to the general public. However, it should be noted that some banks have applications that allow them to receive updates of such lists for the purpose of implementing the TFS in their transactions.

(c) The national terrorist list mandated by Resolution 1373 is yet to be compiled. The authority responsible for designating individuals or entities in the UN 1267 Sanctions Committee has not been identified. Chad has also not received a request from a third-party country.

(d) According to the typology study carried out by GABAC, the NPO sector in Chad is highly vulnerable to misuse for TF purposes. Despite this finding, Chad, which has approximately 3,000 associations and 250 NGOs, has not yet conducted a risk assessment of the sector to identify NPOs vulnerable to TF, nor has it carried out any activity to raise their awareness.

(e) Supervisory bodies monitor and evaluate projects. However, the Ministry of Territorial Administration, in the case of associations, and SPONGAH, in the case of NGOs, limit their monitoring to administrative aspects and do not focus on aspects related to AML/CFT.

(f) In the absence of prosecutions for TF, measures to freeze assets related to the country's terrorism convictions have not been enforced. It should be noted that there are no procedures and mechanisms for identifying assets and designating the competent authority.

(g) Chad's actions are inconsistent with the country's TF risk profile, as the UN 1267 Sanctions Committee has listed several individuals and entities associated with the Boko Haram terrorist group operating in Chad.

Immediate Outcome 11

(a) Chad has no mechanism for the timely implementation of TFSs on curbing and disrupting the proliferation of weapons of mass destruction.

(b) The relevant Chadian authorities and taxpayers have a poor understanding of the issues involved in combating the financing of proliferation. Only a few financial institutions appear to be aware of these obligations which stem from internal initiatives.

(c) There is no technical mechanism through which Chadian authorities monitor and ensure that FIs and DNFBPs comply with their targeted financial sanctions obligations regarding proliferation financing.

Recommendations

Immediate Outcome 9

Chadian authorities should:

- a) Train the staff of specialized investigating and prosecuting units in the domain of TF;
- b) Provide specialized units with human, financial, material and technical resources to enable them to deal successfully with TF cases;
- c) Ensure that law enforcement authorities systematically include parallel TF investigations in counter-terrorism investigations;
- d) Build the operational capacity of the Department of Judicial Statistics of the Ministry of Justice in order to improve the collection and centralization of judicial data in the courts;
- e) Broaden the mandate and scope of the Joint Security Commission at the national level to include TF and consider including ANIF as a member;
- f) Revise Chadian legislation to criminalize the financing of travel by foreign terrorist fighters and to include other assets in the prosecution of TF;
- g) Continue to disseminate the CEMAC Regulation to investigating and prosecuting authorities to enable them to effectively apply all measures to combat TF.

Immediate Outcome 10

Chadian authorities should:

- a) Designate competent authorities responsible for the prompt implementation of TFSs and establish a mechanism for disseminating lists of sanctions to reporting entities;
- b) Establish a mechanism to identify those to be sanctioned and use the national designation mechanism under UNSCR 1373;
- c) Assess the NPO sector to identify NPO sub-groups that, due to their activities or nature, are most vulnerable to the misuse of TFs and take targeted measures to mitigate the identified risks;
- d) Provide NPO supervisory bodies with expertise in AML/CFT to enable them to carry out controls using a risk-based approach and provide them with sufficient human and financial resources;
- e) Organize training and awareness-raising campaigns for NPOs on the AML/CFT risks to which they are exposed and their obligations, and sanction those that do not comply with their obligations;

- f) Establish a framework for cooperation, coordination and information sharing involving police officers to coordinate all actors involved in the process of establishing, maintaining and monitoring NPOs.

Immediate Outcome 11

Chadian authorities should:

- (a) Establish mechanisms for the effective implementation of targeted financial sanctions related to proliferation financing and maintain related statistics;
- (b) Organize sensitization campaigns on TFSs related to proliferation financing for the benefit of those subject to them and the competent authorities;

Ensure, through regular inspections, that reporting entities comply with their TFS obligations relating to PF.

206. The Immediate Outcomes relevant to this chapter are: IO.9, IO.10 and Io.11. The relevant recommendations for the assessment of technical compliance in this chapter are R.5, R.6, R.7 and R.8.

4.2. Effectiveness: Immediate Outcome 9 (TF investigations and prosecutions)

4.2.1 Prosecution/conviction of types of TF activity consistent with the country's risk profile

207. Chad is surrounded by hotbeds of conflict and crisis in a region that is characterized by the spread of terrorism, all kinds of illegal trafficking, including human trafficking linked to illegal immigration, and transnational organized crime. Since 2015, the country has suffered terrorist attacks perpetuated by the Boko Haram terrorist group which operates in the Lake Chad Basin in northern Cameroon, Nigeria and Niger. The country's borders with Sudan and Libya are also insecure areas where armed groups and traffickers operate in vast and dangerous territories that are not adequately covered by defence and security services.

208. Chad has not yet completed its NRA in order to assess the true level of threat posed by TF. However, judicial and security authorities have identified the main threats to the country in terms of crimes that could generate funds to finance terrorism. These are based on criminal activities such as cattle rustling, kidnapping for ransom, poaching and other wildlife and plant trafficking, drug, human and arms trafficking, and illegal exploitation of mineral resources. These activities are exacerbated by the country's porous borders, as well as the predominance of the informal sector in HAWALA-type money transfer activities, clandestine manual exchange, the use of cash in large-scale financial transactions, and the lack of an effective mechanism to control the physical cross-border transportation of cash.

209. The types of crime listed are being investigated, but none of them has led to prosecution for TF. The data provided by the Department of Judicial Police, the Central Drug

and Terrorism Control Authority and the General Directorate of Forestry and Wildlife Protection show that the offences related to some TF threats under investigation could have given rise to parallel financial investigation.

210. The Examining Judge of the Judicial Pool specialized in the suppression of terrorist acts and related offences reported the indictment of 200 persons for terrorist acts in 2020 and 40 cases pending in 2022. At the end of the mission, 5 cases were closed and ten were still pending. Five orders were issued concerning prosecutions and convictions for terrorist acts and complicity:

- 1- In June 2020, the General Directorate of Military Intelligence placed 8 individuals at the disposal of the National Criminal Investigation Section to initiate investigations for terrorist acts. They were interrogated as part of a preliminary investigation and then brought before the public prosecutor's office where a judicial investigation was opened against them for acts of terrorism and complicity. This procedure led to the partial dismissal of the case against 6 defendants and the prosecution of 2 others.
- 2- On the instructions of the State Counsel, the National Judicial Investigation Department interrogated 40 people on record and referred them to the Prosecutor's Office which opened a judicial investigation against them. They were brought before the examining magistrate for further questioning, charged with terrorist acts and remanded in custody. At the end of the proceedings, 4 were released and 36 were prosecuted for acts of terrorism.
- 3- On 4 April 2018, the Department of Military Intelligence intercepted phone calls between a woman and her son who was suspected of being a member of the Boko Haram sect. The latter was handed over to the Judicial Police for further investigation. After being interrogated on record, the respondent was brought before the Prosecutor's Office which opened a judicial investigation against her for complicity in a terrorist act. She was later released due to insufficient evidence.
- 4- On 14 June 2019, heavily armed men in many vehicles coming from Libya brutally attacked peaceful citizens in the town of Baou in Chad, destroying their property and public buildings. Their aim was to destabilize State institutions, spread terror among the population and create widespread insecurity. Out of the 350 defendants, 212 were found guilty of terrorist acts and complicity and sentenced to 10 years' imprisonment; 13 were found guilty of terrorist acts and recruitment of minors and sentenced to 20 years' imprisonment (6) and life imprisonment (7).
- 5- In 2016, following a series of terrorist attacks carried out in Chad, several people were arrested and brought before the Prosecutor's Office of the N'Djamena High Court. A judicial investigation was opened against them for acts of terrorism and complicity in acts of terrorism, based on information from specialized security services. Out of the 70 accused, 45 were found guilty of acts of terrorism and sentenced to 20 years' imprisonment. Twelve were found guilty of complicity in terrorist acts and sentenced to 10 years' imprisonment.

211. Regarding these 5 cases, no mention was made of the identification of possible sources of financing or prosecution of perpetrators for TF. Nonetheless, these cases could have been the subject of TF investigation, prosecution and conviction. According to the verdict in the case, some of the defendants colluded with the terrorists in such a subtle manner that it was difficult to detect at first sight, by supplying them with food and fuel. The perpetrators of these acts were charged and convicted of complicity in terrorist acts, raising the issue of prosecutorial specialization which has an impact on the characterization of evidence.

212. Chadian legislation does not criminalize the financing of travel by foreign terrorist fighters, indicating a weakness in its counter-TF measures as terrorist groups operating in neighbouring countries infiltrate its territory. This is largely facilitated by its porous borders.

4.2.2. TF cases identification and investigations

213. Specialized investigation units are unable to detect TF activities. The Chadian authorities established specialized anti-terrorist units whose activities have led to the prosecution of perpetrators of terrorist acts without, however, opening investigations into TF.

214. The Joint Security Commission for the City of N'Djamena was established by Order No. 050/CMT/PCMT/PMT/MSPI/SG/DGPN/2022 repealing the provisions of Orders No. 102/CMT/PCMT/PMT/MSPI/DGPN/2021 of 25 August 2021 and No. 045/PR/CMT/PM/MSPI/2021 of 8 May 2021. It comprises a supervision unit, a task force and an information unit. The Supervision Unit is made up of the Directors General of the National Police, the National Gendarmerie, Intelligence and Investigation, the National Security Agency, Military Intelligence, and the Security Services of State Institutions, as well as the Commander of the Special Anti-terrorism Unit, the General Armed Forces Headquarters and the Mayor of N'Djamena. The Task Force is composed of elements from these bodies. The Information Unit comprises staff from the General Directorates of Intelligence and Investigation, the National Security Agency and Military Intelligence. The Supervision Unit meets on Fridays and members of the Task Force are deployed by sector throughout the city of N'Djamena and its environs. This commission, as its name suggests, only deals with security issues in the city of N'Djamena and its environs, while some border areas are subject to terrorist attacks. Its duties are not explicitly stated in its establishment instrument. However, investigating authorities stated that it is a framework for sharing information between entities in charge of combating terrorism. In addition, ANIF, which is responsible for centralizing and analysing financial information, is not a member of the Commission, although its National Director participates in security meetings and discussions with Commission components on terrorism.

215. ANIF has not submitted any TF report to the relevant judicial authorities. The latter declared that they were not aware of any past or ongoing TF cases. The State Counsel stated that he had received some ANIF reports, but none pertaining to TF.

216. Chad has a legal arsenal and specialized units to combat terrorism and related crimes (CEMAC Regulation, Law No. 003, Law No. 29, Penal Code). Law No. 003/2021 creating a

judicial pool within the High Court of N'Djamena and the Court of Appeal of N'Djamena specializing in the suppression of terrorist acts and related offences. This Judicial Pool has jurisdiction over the entire national territory to deal with terrorist acts, terrorist financing, ML, human trafficking, arms trafficking, drug trafficking, and other offences incriminated by current national legislation. The State Counsel and two Deputy State Counsels make up the specialized section of the Prosecutor's Office. The Prosecutor's Office also has a judicial pool that is responsible for suppressing economic and financial offences. When its investigations reveal facts likely to concern the ML/TF, ANIF sends a report to the State Counsel who initiates proceedings. The General Directorate of Intelligence also provides financial intelligence.

217. By Decree No. 0112/PR/MJCDH/2021 of 22 January 2021, Chad reorganized the Judicial Police Corps by establishing a General Coordination of the Judicial Police comprising a Judicial Police Department in charge of criminal and terrorist matters, economic and financial affairs, and a National Directorate of Judicial Investigations in charge of investigations, intelligence and legal proceedings. The Central Drug Control and Counterterrorism Office, which is part of the General Directorate of the National Police, is responsible for coordinating operations to combat the production, trade, trafficking and illegal use of drugs and chemical precursors, as well as terrorism. It includes a Sub-department of Narcotics and a Counter-terrorism Unit. A Rapid Response Surveillance and Intervention Unit (GAR-SI) was also established within the National Gendarmerie by Order No. 070/PR/PM/MDPRCDNACVG/EMP/2018 of 14 February 2018 under the direct authority of the Director-General of the National Gendarmerie. It includes a pool of 9 judicial police officers and 9 intelligence officers responsible for securing and gathering information on border and counter-terrorism issues. The National Gendarmerie also has an anti-terrorist unit. The General Directorate of Forestry and Wildlife Protection combats factors that lead to the destruction of natural resources and forms of environmental degradation by carrying out control and anti-poaching operations.

218. The Department of Judicial Police and the National Directorate of Judicial Investigations conduct investigations, although no statistics were provided by these bodies. The General Directorate of Forestry and Wildlife Protection referred about 8 cases to the Prosecutor's Office, while the Central Drug Control and Counterterrorism Office referred 30 cases. These units also made significant seizures of weapons, vehicles, ivory, forest products for the former and drugs for the latter. However, no cases of TF were reported.

219. The National Gendarmerie deplored the lack of technical equipment to detect TF activities and provide evidence of such crime. Parallel financial investigations are not systematically carried out, making it difficult to trace the funds generated by the illegal activities investigated. This situation can be attributed to lack of training of investigators and magistrates in FT, lack of human, financial and material resources in specialized investigation and prosecution units, and lack of communication and sensitization by ANIF. The State Counsel, Prosecutor of the Judicial Pool, indicated that, in general, cases, except high-profile cases, are not prioritized.

4.2.3. TF investigations integrated with- and supportive of - national strategies

220. Chad does not yet have a national counter-terrorism strategy that includes TF investigations.

221. The judicial anti-terrorism pool has exclusive jurisdiction over terrorist acts for which no parallel financial investigation is being conducted. The same applies to the specialized services of the Police and the National Gendarmerie.

4.2.4. Effectiveness, proportionality and dissuasiveness of sanctions applied

222. There have been no convictions for TF in Chad. The lack of sanctions therefore makes it impossible to assess their effectiveness, proportionality and dissuasiveness.

4.2.5. Alternative measures used where TF conviction is not possible

223. Alternative measures are not implemented in Chad.

Overall Conclusion on IO 9

Since 2015, Chad has convicted a few individuals for terrorism and complicity in terrorist acts, but none for TF, an offence that still appears to be largely unknown. This reflects the inability of the competent authorities to identify, investigate and prosecute the perpetrators of TF. Although specialized services have been established and made operational, staff are not properly trained and equipped to deal with TF issues, are not aware of the need to systematically open parallel financial investigations and lack adequate resources. In addition, alternative TF measures are not implemented. Since NRA findings are not published, the identification of TF cases by criminal justice actors is limited. This explains why the crimes investigated and prosecuted are not those likely to generate TF.

Chad is rated as having a low level of effectiveness for IO 9.

4.3. Effectiveness: Immediate Outcome 10 (TF preventive measures and financial sanctions)

4.3.1. Implementation of targeted financial sanctions for TF without delay

224. Chad has a legal framework that enables it to implement the TFSs of UN Security Council Resolutions 1267 et seq. and Resolutions 1373 et seq. The CEMAC Regulation provides that competent authorities shall order, in writing, the application TFS against the persons, entities or terrorist organizations designated by the UN Security Council. However, there are no mechanisms or procedures for designation, let alone national competent authorities responsible for its application without prior notification and without delay.

225. The Ministry of Foreign Affairs receives the lists of designations from its Permanent Representation to the United Nations within a timeframe that was not communicated to the

assessment team. These lists are then forwarded to the Ministry of Justice and the Ministry of Finance. The lack of a mechanism for timely dissemination of sanctions lists to reporting entities limits the implementation of TFS.

226. Some banks that are subsidiaries of major banking groups have applications that enable them to receive updates of these lists in order to implement TFS in their operations. However, other reporting entities do not receive them and therefore do not apply TFS measures.

227. Despite the TF risks identified by AML/CFT stakeholders in Chad, the country has not established a mechanism for identifying individuals and entities to be designated, nor has it designated the competent entities authorized to propose the designation of individuals or entities to the 1267 Committee. The country has not prepared a national terrorist list in accordance with Resolution 1373.

4.3.2. Targeted approach, outreach and oversight of at-risk non-profit organizations

228. The GABAC report on NPOs in the sub-region recognizes the risk of misuse of NPOs for purposes of TF in Chad. Despite this finding, the country has not yet conducted a risk assessment of the sector to identify NPOs vulnerable to TF.

229. Chad has signed a number of headquarters agreements with various foreign NGOs whose main obligations are to honour the contracting parties' commitments. There are 86 international NGOs that have signed a memorandum of understanding with the Chadian Government, 167 approved national NGOs and about 3,000 associations operating in the areas of human rights, development, charity, religion, youth and women's issues.

230. According to Decree No. 1917/PR/MEDP/2018 of 24 December 2018 on the status of non-governmental organizations in Chad, the Ministry in charge of planning, which acts as the NGO Permanent Secretariat, has supervisory authority over NGOs. The Ministry of Territorial Administration has supervisory authority over associations. These bodies oversee and monitor the activities of non-governmental organisations and associations. However, controls are only administrative in nature and do not address AML/CFT issues. According to statistics obtained by the evaluation mission from the NGO supervisory authority, control was carried out in 1 out of the 86 international NGOs operating in the country. Furthermore, the activities of 6 projects were monitored between December 2018 and May 2022. This shortcoming is due to lack of financial, human and material resources.

231. There is no risk-based approach to the formation and operation of non-profit organizations. Character checks are conducted at the time of their establishment, and the organizations are monitored by intelligence, administrative and local authorities. Project beneficiaries are identified within an inter-ministerial framework comprising the Ministry of Justice, the Ministry of Security, the Ministry of Planning and Cooperation and the Ministry of Territorial Administration. Half-yearly progress reports, including financial statements, are provided to oversight bodies.

232. Oversight bodies notify NPOs of their obligation to declare their financing with ANIF. According to sector actors, this is not the case as ANIF only contacts them to collect information on suspicious financing. Furthermore, oversight authorities do not declare grants to ANIF. In addition, regulators and NPOs indicated that there are no awareness-raising campaigns on TF risks. NGO regulators hold regular meetings with the country directors of international NGOs, but these do not focus on TF issues.

233. Judicial police officials, in this case, intelligence service officials, have access to information related to the monitoring of NPO activities. However, there is no formal national collaboration, coordination and information-sharing mechanism involved in the establishment, life and control of NPOs.

4.3.3. Deprivation of TF assets and instrumentalities

234. Chad has no national authority with the power to order the implementation of freezing measures. As a result, no measures have been taken to freeze funds or assets under UN resolutions. The same applies to confiscations after conviction for terrorist acts.

4.3.4. Consistency of measures with overall TF risk profile

235. Chad has a legal arsenal and specialized services established to combat terrorism and its financing. Despite this, no conviction has been made against TF.

236. Chad has not designated competent national authorities or established a mechanism for TFS implementation, though individuals and entities linked to Boko Haram are listed by the 1267 Sanctions Committee. It has also not complied with Resolution 1373 by compiling a national terrorist list.

237. Despite their vulnerability to TF, NPOs are not subject to risk-based supervision and control.

Overall Conclusion on IO 10

Chad has not yet established procedures and mechanisms to deal with the lists drawn up under UN Resolutions 1267 et seq. and 1373. It has not carried out a risk assessment of the NPO sector to identify those at risk of TF. Supervisory authorities do not carry out risk-based supervision. There is no list of Chadian terrorists and no

measures have been taken to freeze the assets of terrorists. The measures taken are not linked to TF risks.

Chad was rated as having a low effectiveness level for IO 10.

4.4 Effectiveness: Immediate Outcome 11 (PF financial sanctions)

4.4.1 Implementation of targeted financial sanctions related to proliferation financing without delay

238. Chad does not implement TFSs related to PF. It has not established a mechanism for the immediate implementation of freezing measures in accordance with UNSCRs related to WMD proliferation financing.

Private sector reporting entities in Chad (FIs and DNFBPs), with the exception of banks belonging to large financial groups that have internal screening tools, do not receive UNSC designations under TFS-PF.

4.4.2 Identification of assets and funds held by designated persons/entities and prohibitions

239. The identification by the competent authorities of funds or other assets held by individuals and entities designated by the UN Security Council under the TFS-PF is not possible in Chad due to lack of an appropriate mechanism. In addition, during the evaluation period, no reporting entity, particularly banks, subsidiaries of large financial groups that have list screening tools, demonstrated that they had identified frozen assets or funds in Chad belonging to persons or entities designated under the UNSCRs in relation to FIs, nor had they applied freezing measures under TFS-PF.

4.4.3. FIs and DNFBPs understanding of and compliance with obligations

240. Understanding of and compliance with TFS-PF obligations is not uniform among FIs operating in Chad. On the whole, subsidiaries of large financial groups have a good understanding of and a higher rate of compliance with their freezing obligations. Such understanding is generally the result of internal initiatives and policies developed within the group. This level is low for other FIs. DNFBPs are not aware of their TFS-PF obligations and do not apply the relevant freezing measures.

241. Chadian authorities provided no evidence of training, awareness initiatives or guidelines to promote compliance with and understanding of the TFS-PF obligations among FIs and DNFBPs.

4.4.4. Competent authorities ensuring monitoring and compliance

242. As with the monitoring of other AML/CFT obligations, no authority in Chad monitors DNFBP compliance with their non-proliferation financing obligations.

243. Regarding the fight against proliferation financing in Chad, compliance by financial institutions with their obligations with respect to targeted financial sanctions is not subject to any specific control or monitoring by supervisory authorities, save for the general and ordinary control of compliance with prudential standards carried out by COBAC. Chad has not adopted any measures concerning compliance by DNFBPs and VASPs. Article 113 of the CEMAC Regulation provides for civil, administrative or criminal sanctions in the event of non-compliance with these laws and binding measures.

Overall Conclusion on IO 11

Lack of a mechanism for the effective implementation of TFS linked to the fight against the financing of WMD proliferation, as well as lack of awareness of their obligations in this regard by key private sector actors constitute major flaws in Chad's anti-proliferation financing system.

Chad is rated as having a low effectiveness level for IO 11

CHAPTER 5: PREVENTIVE MEASURES

5.1. Key findings and recommendations

Key findings

(a) Banks that are subsidiaries of large foreign groups and microfinance institutions have a good understanding of the ML/TF risks they face and have taken measures to mitigate them. In this respect, they have generally adopted a risk-based approach to the implementation of AML/CFT measures. The level of understanding of ML/TF risks among other financial institutions is generally low.

(b) Financial institutions, in particular banks, generally understand their customer due diligence obligations (including the application of enhanced and simplified CDD) and comply with record keeping requirements. They have appointed ANIF correspondents and AML/CFT compliance officers. At the level of non-bank financial institutions, CDD procedures are weak and STRs are weak or non-existent.

(d) Mobile money service providers are only responsible for customer identification due diligence. Other AML/CFT measures are the responsibility of the financial institutions on which they rely.

(e) The two mobile payment service providers do not have a good understanding of ML/TF risks. Banks assume responsibility for all AML/CFT due diligence under their partnership agreement.

(f) Measures are being adopted to enable banks to identify PEPs when formalizing business partnerships. However, no mechanism has been put in place to identify whether an existing customer has become a PEP.

(g) Identifying beneficial owners constitutes a major challenge for all FIs.

(h) Major banks and MFIs, unlike other financial institutions, have established internal control systems that meet regulatory requirements. However, they lack adequate human resources.

(i) Licenced currency exchange bureaus have a poor understanding of their AML/CFT requirements. As a result, they do not fully comply with their customer due diligence requirements.

(j) Designated non-financial businesses and professions (DNFBPs) include a range of activities and professionals such as lawyers, notaries, accountants and dealers in precious stones and metals who have very limited knowledge of the risks to which they are exposed. None of the professions has carried out an internal risk assessment.

(k) The activities of VASPs are not regulated in Chad.

Recommendations

Chadian authorities should:

- (a)** Improve the understanding of AML/CFT requirements by non-bank financial institutions through enhanced training, information and awareness-raising activities. These activities should focus on MFIs, foreign exchange bureaus, mobile money and money transfer operators.
- (b)** Supervisory authorities should focus their efforts on internal processes to ensure that all risk identification, assessment and mitigation due diligence is carried out effectively in banks and other regulated financial institutions.
- (c)** Chad should ensure that DNFBPs and microfinance institutions fully understand and comply with AML/CFT requirements. One solution proposed is to quickly designate regulatory and supervisory authorities for DNFBPs in terms of AML/CFT, taking the country's risk profile into account. In addition, ANIF should provide technical assistance to these designated authorities to facilitate the understanding of ML/TF risks. Special attention should be paid to the legal and accountancy professions, real estate agents and dealers in precious stones and metals as these are sectors where, according to preliminary NRA findings, the risk of ML/TF is high.
- (d)** Financial institutions, particularly non-banking institutions, should establish internal control systems to ensure enhanced customer due diligence and, where appropriate, submit quality suspicious transaction reports to ANIF.
- (e)** Designate a competent authority responsible for disseminating UN sanctions lists to financial institutions and other reporting entities.
- (f)** Strengthen the monitoring of approved currency exchange bureaus.
- (g)** Establish an entity or a mechanism for collecting and reporting information on beneficial owners and PEPs.
- (h)** Require all e-money operators to comply with Regulation No. 4/18/CEMAC/UMAC/COBAC on payment services and COBAC Regulation R-2019/01 on the authorization and modification of payment service providers' situations.
- (i)** Chadian authorities should establish a DNFBP self-regulation body with powers in AML/CFT matters to ensure that DNFBPs comply with AML/CFT obligations in their sector of activity.
- (j)** Regulate the activities of virtual asset service providers by establishing a formal framework for the competent authorities responsible for approving and supervising VASPs, as well as the obligation to report all attempted suspicious transactions relating to money laundering or terrorist and proliferation financing.

244. The immediate outcome relevant to this chapter is IO.4. The recommendations relevant for the evaluation of effectiveness in the context of this section are R.9 to 23 and some aspects of R.1, 6, 15 and 29.

245. The evaluation team deemed the implementation of preventive measures to be *very important* for the banking, microfinance and payment institutions, money and securities transfer businesses, currency exchange bureaus, real estate, and precious metals and stones trading sectors; important for lawyers, notaries, chartered accountants and public accountants, and *slightly important* for the insurance and securities sectors (see Chapter 1).

246. Since the last evaluation, Chad has strengthened its AML/CFT system by adopting the CEMAC Regulation. In addition, the various supervisory authorities, particularly COBAC, issued new circulars relating to governance, risk management, internal control, compliance, foreign exchange regulations and the performance of the duties of managers in banks.

5.2. Immediate Outcome 4 (Preventive measures)

5.2.1. Understanding of ML/TF risks and AML/CFT obligations by FIs, DNFBPs and VASPs

247. In Chad, the CEMAC Regulation is the legal framework that obliges financial institutions and DNFBPs to assess and understand the ML/TF risks to which they are exposed.

248. Prior to the conduct of the NRA, Chadian banks, particularly subsidiaries of major foreign banking groups and a major local bank, had carried out risk assessments and designed appropriate mitigation measures. All major banks, particularly those affiliated with major foreign banking groups, have conducted institutional risk assessments and demonstrated a thorough understanding of the ML/TF risks associated with their customers, products, distribution channels and geographical areas, and are in the process of implementing AML/CFT measures commensurate with the risk identified due to regional disparities. The evaluation team noted that banks generally adopt simplified customer due diligence measures in some rural areas based on information from community surveys or testimony from neighbourhood or village leaders.

249. In general, the FI sector has implemented risk mitigation measures. However, the implementation of such measures is uneven across the different categories of FIs. For their part, DNFBPs do implement these measures.

Financial institutions

250. Banking sector: banks have developed an AML/CFT program and implemented risk mitigation measures. This includes the organization of internal AML/CFT training and awareness programs for their staff. The opening of accounts by high-risk customers, particularly PEPs, is usually validated by the compliance department. Most have ML/TF risk maps and classify risks by nature and type of activity. They have a variety of profiling technologies that allow them to monitor accounts and terminate commercial partnerships as needed. Some banks have acquired databases on vulnerable people, which are used by employees whenever a customer comes into contact with them. Banks have routinely

designed action plans that enable them to implement the necessary remedial measures based on risk assessment and classification. This is especially obvious in international banks which often implement AML/CFT controls, policies, and processes throughout the group.

251. Microfinance institutions (MFIs): the meeting with sector stakeholders revealed that major MFIs (category 2) have established procedures to mitigate their risks and have developed a risk map for their operations. Clients are classified according to risk. In contrast, small MFIs (category 1) have not carried out any risk assessment and do not have a risk map of their activities.

252. Currency exchange bureaus: Manual currency exchange bureaus do not have a risk assessment framework and the internal procedures required to meet their risk assessment obligations. However, some franchise dealers stated that they rely on their experience when dealing with a customer.

253. Designated non-financial businesses and professions (DNFBPs) include many sectors of activity such as the legal professions, notaries, accountants and dealers in precious metals and stones. These professionals have very limited knowledge of the risks to which they are exposed. Lawyers, accountants, and notaries indicated a lack of risk awareness. Precious stone and metal dealers are ignorant of the dangers they face. No sector of activity has performed an internal risk assessment. Thus, the ongoing NRA will enable them to identify the risks they face and, eventually, implement procedures and programs to mitigate ML/TF risks.

254. For its part, the VASP sector has not yet been regulated and no studies have been carried out in the area.

5.2.2. Application of risk mitigation measures

255. Overall, the FI sector implements measures aimed at mitigating risks. However, there is a disparity in the level of implementation between the different categories of FIs. DNFBPs, for their part, are characterized by lack of implementation of such measures.

Financial institutions

256. Banking sector: banks have established an AML/CFT program and implemented measures to mitigate their risks. This includes internal AML/CFT training and awareness programs for their staff. The opening of accounts by high-risk customers, particularly PEPs, is usually validated by the compliance department. Most have ML/TF risk maps and classify risks by nature and type of activity. They have a variety of profiling technologies that allow them to monitor accounts and terminate commercial partnerships as needed. Some banks have acquired databases on vulnerable people, which are used by employees whenever a customer comes into contact with them. Banks have routinely designed action plans that enable them to implement the necessary remedial measures based on risk assessment and classification. This is especially obvious in international banks which often implement AML/CFT controls, policies, and processes throughout the group.

257. Microfinance institutions (MFIs): the meeting with sector stakeholders revealed that major MFIs (category 2) have established procedures to mitigate their risks and have developed a risk map for their operations. Clients are classified according to risk. In contrast, small MFIs (category 1) have not carried out any risk assessment and do not have a risk map of their activities.

258. Currency exchange bureaus: manual currency exchange bureaus do not have a risk assessment framework and the internal procedures required to meet their risk assessment obligations. However, some franchise dealers stated that they rely on their experience when dealing with a customer.

259. Money transfer operators (MTOs) and e-money operators are aware of their AML/CFT requirements. However, MTOs are subject to service level agreements with banks, which are responsible for implementing customer identification, risk and suspicious transaction reporting requirements. Technically, MTOs make their technical platforms available to banks and MFIs, the latter being the only entities authorized to carry out the fast transfer service and to sign contracts with sub-agents mandated to carry out this activity on their behalf and under their responsibility. Sub-agents are subject to AML/CFT regulations. At the end of each year, authorized intermediaries send to BEAC, the Banking Commission and the Ministry of Finance the list of their agents and the model sub-agent agreement to be signed with them. The supervisory authorities must be notified of any changes to the contractual agreement. The MTOs consulted did not indicate the risks they faced. However, the list of sanctions, high-risk countries and PEPs is available on some platforms. They are also aware of a number of incidents that have occurred among sub-agents due particularly to their negligence. MTOs do not disclose questionable transactions. This is the obligation of banks and MFIs. However, the platforms have made provisions for blocking transactions based on the nature of the customer, with individual and cumulative limits of CFAF 1, 000, 000 (one million) per week.

260. For their part, the e-money operators met operate as technical partners, providing banks with technological platforms approved by BEAC. The operators met are subsidiaries of mobile phone operators that execute AML/CFT and other regulations and standards. These operators are aware of their AML/CFT obligations. However, the implementation of these requirements is limited. These companies identify their customers using their telephone operators' SIM cards which clearly display the customer's phone number. To be valid, the telephone number must be confirmed by the Electronic Communications and Posts Regulatory Authority (ARCEP). In addition to the possession of an identified mobile phone number, the company carries out a second identification to open an electronic wallet.

261. Insurance sector: the life insurance company has, to a lesser extent, adopted a provision that can help to mitigate the risk of money laundering and terrorist financing by prohibiting the payment of insurance premiums in cash. However, it does not have internal AML/CFT training and awareness programs for its staff. It does not yet have a compliance officer and does not yet classify risks by nature and type of activity.

Designated non-financial businesses and professions

262. DNFBPs are generally characterized by lack of risk awareness which has a de facto impact on the implementation of proportionate risk mitigation measures due to lack of awareness of the risks they face and their AML/CFT obligations.

263. Lawyers have a limited understanding of the AML/CFT risks to which they are exposed. No internal risk assessment has been carried out. The Bar Association stated that it only began to collaborate with ANIF within the framework of the ongoing NRA. In the performance of their duties, lawyers carry out the incorporation of companies and real estate transactions, and manage client accounts, etc. When starting a business partnership with a customer, whether natural or legal, lawyers identify them by opening files and processing documents relating to the provision of counselling or assistance. This identification is used to access client files and does not take the AML/CFT component into account.

264. Notaries handle transfers of companies and private property, as well as registration, contract drafting, document authentication and incorporation. However, they do not implement customer due diligence measures. For example, it was noted that the majority of property transactions take place outside bank channels, that is cash is the most common method of payment. As a result, it is difficult to trace transactions and identify the origin of funds.

265. Chartered accountants: the National Order of Chartered Accountants of Chad (ONPCT) has ethical standards for the practice of the profession, but the sector has not yet adopted specific AML/CFT measures. The services generally provided by accountants to their clients fall under two categories: assistance and counselling, and control services. The former aim to support customers in organizing, producing and using their financial and accounting information. Control services enable the accountant to ensure that his client's systems for organizing, producing and using financial and accounting information are effective and efficient. However, the company's lack of understanding of the typology of risks and its AML/CFT obligations prevents it from developing methods to detect illegal transactions and reporting all suspicious transactions as required by the Community Regulation.

266. Real estate agents and developers: most real estate agents operate in the informal sector. Real estate transactions are regularly carried out without the slightest precaution against ML/TF risks. SOPROFIM, the only entity that the assessment team met, has taken some steps to mitigate ML/TF risks by establishing a partnership with commercial banks, unlike other real estate agents that conduct virtually all their transactions outside bank channels involving high ML risks. Real estate agents mainly operate in N'Djamena and some major towns in Chad without prior authorization. The entity visited has a minimal understanding of its AML/CFT obligations and is unaware of the ML/TF risks it faces. AML/CFT due diligence measures are not taken into account in its transactions.

267. Casinos and other games of chance: the gambling sector in Chad is represented by only one casino. However, the Ministry of Territorial Administration issues licences for the opening of casinos and games of chance. The evaluation team did not meet the casino service to assess whether it implements adequate ML/TF risk mitigation measures.

268. Mining and precious metals sector: the mining sector is governed by Ordinance No. 04/PR/2018 on the Mining Code and approvals to operate in the sector are granted by the Ministry of Mines. Dealers in precious stones and metals do not implement appropriate measures to mitigate sector risks. They claim that AML/CFT issues are not mainstreamed into the sales process and that the sector does not benefit from AML/CFT training and awareness. The majority of mining transactions between miners and collectors are cash-based. This type of transaction poses significant ML/TF risks.

5.2.3. Application of customer due diligence and record-keeping requirements

269. Banking sector: overall, banks have a good understanding of CDD measures. In this regard and in keeping with the provisions of AML/CFT laws and various sector regulations, they have adopted internal procedures and policies validated by their boards of directors or based on those of the group, for banks that are subsidiaries of multinational groups. However, the level of implementation or enforcement of CDD measures is higher in FIs that are subsidiaries of multinational groups than in others. Banks belonging to multinational network groups have implemented a risk-based CDD approach by customer category and product. Some of these banks apply Group rules that are often more stringent than national laws and regulations. It has been observed that banks applying more stringent CDD measures suffer customer flight to other, less stringent banks. In addition, some banks that are affiliates of multinational groups have indicated that they face challenges in obtaining information on some registered customers, in compliance with group rules. These difficulties are exacerbated by the absence of a body or mechanism for collecting and providing information on beneficial owners and PEPs. As part of the implementation of risk-based due diligence, some banks stated that they have not established business partnerships and have terminated customer relationships. Not all banks that have adopted simplified customer due diligence (CDD) measures have conducted research or analysis to support the adoption of simplified CDD.

270. Some financial institutions (FIs) have developed specific lower-risk products for which simplified CDD measures are applied to users, whereas some of the banks visited by the evaluation team do not consider any risk indicators or conduct any internal analysis that would serve as a foundation for applying simplified CDD measures.

Identification of beneficial owners (BO) and application of obligations with respect to BOs

271. The majority of banks polled are aware of the need to obtain beneficial owner (BO) information and ensure its proper collection. Some of them, however, stated that they face difficulties because customers are generally hesitant to provide specific useful information, particularly when some of the bank officials are foreigners. Lastly, one of the difficulties mentioned by the financial institutions polled is obtaining information on natural and legal

persons from registries. Banks have policies and procedures for archiving their data. The minimum retention period in Chad is 5 years or above. Generally, access to archives is monitored in order to ensure compliance. It should be noted that most of the customer losses mentioned by banking institutions were not the subject of STRs at the level of ANIF.

272. Microfinance institutions: MFIs that are part of large multilateral groups have, like banks, adopted precautionary measures with respect to customers, particularly when opening accounts. They implement KYC measures during account opening and throughout the duration of the business partnership. However, sometimes they fail to identify beneficial owners and lack the necessary tools to monitor customers' transactions. A business partnership or transaction may be rejected if the required documents (legal, procedure, due diligence and conditions for opening accounts) are not in conformity or not fulfilled and have an archiving policy that includes a retention period of more than 5 years. In addition, due diligence is observed through a dual transaction review process in order to minimize ML risks. However, such due diligence is not observed in MFIs.

273. Electronic currency exchange bureaus: manual currency exchange bureaus lack a risk assessment framework as well as the internal procedures required to meet their risk assessment commitments. They do not effectively implement KYC measures. These FIs rarely ask about the identity of customers when conducting transactions. There is no evidence that these FIs have refused clients or transactions due to incomplete CDD. In addition, they have established physical databases within their institutions due to their monthly reporting and archiving obligations. However, some of the approved institutions visited said that they rely on their experience in dealing with customers. Moreover, in view of their monthly reporting and archiving obligations, they have established physical databases in their institutions.

274. Money Transfer Operators and Electronic Money Operators: MT and mobile money platforms are quite secure. Transactions are subject to procedures and the use of the product requires user identification. They apply multi-level KYC measures to their customers and have transaction limits depending on the type of customer. These platforms facilitate the tracking of transactions. In the case of mobile money transfers, each transaction is always linked to a specific mobile phone number and the information on such transactions (sender's mobile phone number, recipient's mobile phone number, amount and date) is stored for more than 5 years. However, MTOs and EMOs do not yet have AML/CFT policies, compliance officers or AML/CFT training programs.

275. Insurance sector: local insurance companies have weak CDD measures. Insurance companies do not have an internal AML/CFT risk management system. They do not have internal KYC/CDD policies and procedures, particularly, the absence of a procedure for accepting or rejecting customers. Concerning risk management, they have not adopted measures commensurate with AML/CFT risks. At the end of the field visit, no insurance company had filed a suspicious transaction report with ANIF. During the field visit, the evaluation team observed that most local insurance companies do not properly check the identity of their customers, and even those that do use time-consuming manual methods. Insurance companies keep records in various formats (manual, electronic or both) for at least

5 years. However, weak customer due diligence measures that do not allow for the identification of the beneficial owner and the absence of a risk management system could affect the quantity and quality of records kept, especially by local insurance companies, and thus their ability to respond effectively to requests for information by competent authorities.

276. DNFBPs: as part of their AML/CFT obligations, DNFBPs are required to implement customer due diligence (CDD) measures to safeguard customer data and transactions. The sector risks are not well understood. None of the professions in the sector has conducted a risk assessment, making the implementation of CDD measures difficult. DNFBPs are not familiar with the concept of beneficial owners and, therefore, cannot perform due diligence to identify them, nor can they take steps to identify them. Despite a very limited understanding of the ML/FT risks faced by the sector and difficulties in applying CDD measures, some professions, such as lawyers, notaries and accountants, are still able to identify their clients, albeit unrelated to AML/CFT measures.

277. DNFBPs, especially lawyers and notaries, do not have a mechanism for the identifying the origin of funds and their beneficial owners, especially when acting within the framework of real estate transactions and during the setting up of companies.

278. Unlike other DNFBPs, accountants, notaries and lawyers have a professional interest in preserving documents relating to transactions with their clients.

279. Insurance sector: local insurance companies have weak CDD measures. They do not have an internal AML/CFT risk management system. These institutions also lack a procedure for accepting or rejecting customers. Regarding risk management, they have not adopted measures commensurate with AML/CFT risks. Up to the end of the field visit, no insurance company had submitted a suspicious transaction report to ANIF. During the field visit, the evaluation team observed that most local insurance companies do not properly check the identity of their customers, and even those that do use time-consuming manual methods. Insurance companies keep records in various formats (manual, electronic or both) for at least 5 years. However, their ability to respond effectively to requests for information from the competent authorities could be hampered by weak customer due diligence measures that do not allow the identification of the beneficial owner and by the lack of a risk management system, particularly for local insurance companies.

5.2.4. Application of enhanced due diligence measures

280. Of all the institutions visited, only banks apply enhanced due diligence measures depending on the nature of the risks. Transactions involving high-risk clients are generally validated by the compliance service. In the case of PEPs, they are subject to authorization by a senior officer.

281. Politically exposed persons: the banks visited indicated that they understand their due diligence obligations with respect to PEPs. Partnerships with this category of clients are validated by the Board of Directors (BoD) and major banks monitor these clients and their activities on a daily basis. Subsidiaries of foreign bank groups have compiled internal lists

which are regularly updated and supplemented by databases obtained from external service providers to which they are subscribed. The level of implementation of due diligence on PEPs varies across FIs. However, some banks reported significant constraints in identifying PEPs, in particular private individuals. This is a major challenge, especially as the requirements of the legal and regulatory framework in relation to PEPs leave much to be desired.

282. Correspondent banks: the banks interviewed stated that they implement enhanced due diligence measures when establishing business relationships with their customer financial institutions via correspondent banking services. However, no statistics relating to the rejection or termination of business partnerships were provided to the evaluation team to help to determine the effectiveness of this measure. Furthermore, legal and regulatory framework obligations were deemed to be consistent with FATF recommendations.

283. Targeted financial sanctions: major banks adopt specific measures to fulfil their financial sanctions obligations regarding terrorist financing. During discussions, one of the banks presented a case where a business partnership was rejected after consulting the sanctions list. The case was later reported to ANIF. Generally, the lists are obtained from the UN and sent to FIs through the DMC, but much remains to be done in this regard. The evaluation team observed relative lack of coordination among national enforcement authorities regarding the establishment of a centralized national sanctions list. On the whole, it is necessary to strengthen the application of targeted penalties in order to improve compliance in this domain.

284. New technologies: FIs did not show evidence of implementing enhanced due diligence requirements for new technologies.

285. Electronic transfers: large banks stated that they were aware of the electronic transfer due diligence requirements. They stated that they verify the sender's full name, account number, and address, as well as the name of the sender's financial institution, where applicable.

286. High-risk countries: the banks visited presented the countries that appear on the FATF's high-risk countries lists. However, Chad has no binding regulations requiring financial institutions to apply enhanced due diligence measures to business relationships with countries identified by the FATF as high-risk.

5.2.5. Reporting obligations and tipping-off

287. FIs are fully aware of their obligation to report suspicious transactions. However, banks comply with this requirement more strictly than other FIs.

288. Banks: they have automated tools for monitoring and reporting suspicious and other large-scale and unusual cash transactions. The effectiveness of these obligations as well as the volume of STRs, CTRs and other reports submitted to ANIF vary between banks (see table below). Foreign-owned banks have more effective and comprehensive monitoring measures than local banks and microfinance institutions.

Table 5.1. STRs submitted to ANIF (2017-2022)

FIs	2017	2018	2019	2020	2021	January-April 2022	Value in %
Foreign-owned banks	07	05	18	50	18	17	78 .8
Local banks	02	07	07	04	01	02	15 .8
Insurance companies	0	0	0	0	0	0	
MFIs	07	0	01	0	0	0	5 .4
Remittance service providers	0	0	0	0	0	0	0
Electronic money issuing operators	0	0	0	0	0	0	0
Manual currency exchange bureaus	0	0	0	0	0	0	0
TOTAL	16	12	26	54	19	19	100

289. Overall, and according to the figures presented to the evaluation team, the rate of submission of STRs to ANIF by FIs has been irregular. The rate of submission for all banks and microfinance institutions was 100%. However, other FIs have not submitted STRs to ANIF over the past 5 (five) years. The failure by many sector actors to submit STRs in Chad is a major concern as the country is in a region prone to various forms of trafficking and insurgent or terrorist acts. According to bank interviews, few STRs are submitted because money launderers avoid the banking sector, which is overregulated, in favour of other financial institutions or the informal sector, which is less strictly regulated.

290. Most FIs have developed either manual or electronic early warning systems to trigger alerts that provide the basis for classifying transactions as suspicious.

291. FIs are adopting measures to prevent the disclosure of information that has been the subject of an STRs.

292. Regarding DNFBPs, only one STR was submitted by a law firm between 2017 and 2022. The very low rate of STRs submitted by DNFBPs is the result of lack of understanding of the risks to which they are exposed and failure to implement customer due diligence obligations. This low rate of STRs could also be due to lack of training, awareness and a compliance mechanism. Some accounting firms and notaries claim that they are not familiar

with the procedure for submitting STRs to the competent authorities.

5.2.6. Internal controls and legal/regulatory requirements impeding implementation

293. CEMAC Regulation 01 of 2016, Law No. 029/PR/2018 and separate instruments require financial institutions to adopt internal controls and procedures. Banks and MFIs are subject to COBAC Guidelines on Internal Control Systems. The Guidelines require banking entities to implement suitable policies, procedures and internal controls that are commensurate not only with their size and complexity, but also with their risk profile, including the ML/TF risks faced. Banks and some major MFIs have internal control policies and procedures. In addition, in banks that are part of multinational groups, these procedures and policies are integrated with those of the group, sometimes with a business line directly attached to the relevant group entity. In this regard, information sharing within the group is unimpeded. COBAC, on the other hand, informed the evaluation team that its inspection reports identified limitations in the internal controls of some banks. These limitations mainly relate to weaknesses in their profiling tools, requirements for identifying and profiling customer risk and PEPs, and the list of targeted financial sanctions published by the UN Security Council.

294. In general, the implementation of internal controls in life insurance companies is not in line with regulatory provisions. The supervision carried out by CIMA and DNA does not specifically include AML/CFT components, making it difficult to identify internal control weaknesses in this sector.

295. Each FI, especially banks, usually appoints an AML/CFT officer who is responsible for implementing and coordinating AML/CFT programs and policies within the institution. This officer is often the compliance manager and focal point between the institution, the competent authorities and ANIF. The officer is also responsible for organizing training and awareness programs for the institution's staff. This is not the practice in life insurance companies. Most financial institutions offer AML/CFT training. According to some banks affiliated with foreign firms, these programs are ongoing and involve personnel up to and including the top management.

296. DNFBPs do not apply adequate procedures and internal controls to ensure the implementation of AML/CFT obligations. The controls conducted by the SRBs of legal professionals (lawyers and notaries) and accounting firms do not consider AML/CFT issues. They are concerned with monitoring compliance with the professional obligations of the various professional bodies.

Overall Conclusion on IO4

The banking sector, the largest and most significant in the financial services sector, has a good understanding of ML/TF risks and AML/CFT obligations, and implements ML/TF risk mitigation measures to a large extent.

In addition, compliance in the banking sector is also strengthened to a large extent by the fact that some Chadian banks are subsidiaries of major international groups and therefore apply AML/CFT measures based on group policies. The same applies to large MFIs (category 2) and, to a lesser extent, to MTOs and mobile money operators.

However, the level of risk awareness and understanding of ML/TF obligations remains low among insurance companies and currency exchange bureaus.

In Chad, all financial institutions face difficulties in implementing the beneficial ownership identification requirements. With the exception of large banks, the implementation of CDD and enhanced measures by non-bank FIs and DNFBPs is uneven and ranges from low to non-existent.

In terms of STRs, only banks and one second-tier microfinance institution comply with their reporting obligation to ANIF. Non-bank FIs and DNFBPs do not fulfil their reporting obligations.

Banks have well-resourced internal control policies and procedures, and conduct regular internal audits and training. This is not often the case for non-bank FIs and DNFBPs.

Chadian banks that are subsidiaries of large multinational groups are well versed with TFS. They have internal measures in place to enforce sanctions inherent in the group. Non-financial FIs and DNFBPs, on the other hand, have not demonstrated knowledge of this area.

Chad is rated as having a low effectiveness level for IO 4.

CHAPTER 6: SUPERVISION

6.1. Key findings and recommendations

Key findings

Immediate Outcome 3

Financial institutions

- (a) The authorities responsible for granting licences to financial institutions in Chad, i.e. the Ministry of Finance and Budget, COBAC, BEAC and CIMA, apply due diligence measures through the information they collect and process, both upon entry into the market and in the event of major changes in operations, in order to prevent criminals and their accomplices from holding a significant stake in the financial institutions they control, from controlling them or from holding a management position. This is not the case with COSUMAF, which does not address AML/CFT obligations in its process of licensing financial market operators. Moreover, lack of due diligence in the identification of beneficial owners in the financial sector as a whole reduces the expected impact of such measures.
- (b) Lack of strong measures against informal sector actors, particularly in the foreign exchange and remittance sectors, undermines the efforts of the various licensing authorities to prevent criminals from controlling or managing Chad's FIs.
- (c) Supervisors' understanding of ML/TF risks remains relatively low due to lack of sector-specific ML/TF risk assessments and the fact that the NRA has not yet been finalized. Although some of them, particularly COBAC, CIMA, and BEAC, have a better understanding of their clients' ML/TF risks, the other supervisors, especially COSUMAF and the Monetary Authority, do not.
- (d) Although AML/CFT supervision in the financial sector is effective, only COBAC has begun to use the risk-based approach. This authority has not yet organized a theme-based audit on AML/CFT in Chad, but systematically includes an AML/CFT component in its general and theme-based missions on compliance with foreign exchange regulations. The risk-based approach is yet to be implemented in the insurance sector. Inspections conducted by the CRCA or the National Directorate of Insurance do not prioritize AML/CFT issues. The Central African Financial Markets Supervisory Commission (CONSUMAF), for its part, is still to include the AML/CFT component in its control system.
- (e) Oversight authorities rarely take corrective action. As a result, while a wide range of sanctions are available for violations of AML/CFT obligations, it is difficult to determine whether they are effective, proportionate and dissuasive. This could be due to lack of cooperation between national and community supervisors.
- (f) The poor quality of STRs, coupled with the limited number of on-site inspections and the absence of sanctions highlights the limited impact of supervisors' actions on FI compliance levels.

- (g) The issuance of guidelines by the Ministry of Finance and Budget, ANIF and CIMA, and the holding of annual meetings between the Chairperson of COBAC and professionals of the banking and finance sector in CEMAC help to promote better understanding of AML/CFT obligations by FIs.

DNFBPs

- (a) In Chad, the DNFBP sector comprises several professions, including those considered to be very risky, such as the real estate sub-sector, the small-scale gold mining sub-sector and gambling establishments, most of which operate without authorization. Furthermore, some professionals, including lawyers and accountants, have been authorized to practise without following the normal procedure and have, therefore, not been admitted to their respective professional bodies.
- (b) Lack of robust measures against informal sector actors, particularly those in the real estate and mining sectors, undermines the efforts of the various licencing authorities to prevent criminals from controlling or managing a DNFBP in Chad.
- (c) In Chad, there are no designated authorities in charge of supervising DNFBPs in terms of AML/CFT. As a result, compliance with AML/CFT obligations, particularly risk-based obligations, is not monitored.
- (d) DNFBPs have no guidelines or handbooks to help them ensure proper implementation of their AML/CFT obligations, and no sanctions have been imposed on DNFBPs for failing to meet such obligations.

VASPs

- (a) The lack of a legal framework for virtual assets and the conditions in which virtual asset service providers (VASPs) operate increase the risk of crime associated with such activities. Despite this, the Chadian authorities have not taken any measures to ensure control of VASPs.

Recommendations

Chadian authorities should take the following steps to improve the effectiveness of their AML/CFT system.

Financial institutions

- (a) Encourage Community supervisory authorities (COBAC, BEAC, COSUMAF and CIMA) to build the capacity of the services responsible for ML/TF monitoring by providing them with tools and specific training in the identification, analysis and understanding of the ML/TF risks in each sector, and inspection missions to monitor the implementation of recommendations made by previous missions in order to ensure that the shortcomings initially identified are effectively addressed.

(b) Encourage FI community oversight authorities in Chad (COBAC, BEAC, COSUMAF and CIMA) to train and educate all entities placed under their supervision about ML/TF risks.

(c) Encourage oversight authorities (COBAC, BEAC, COSUMAF and CIMA) to organize, in collaboration with the Ministry of Finance and Budget, missions so as to monitor the implementation of recommendations made by previous missions in order to ensure that the shortcomings initially identified are effectively corrected and, where necessary, to apply effective, proportionate and dissuasive sanctions against reporting entities who do not comply with their AML/CFT obligations.

(d) Take the necessary measures to identify natural or legal persons providing foreign exchange and money or value transfer services without authorization or registration, and effectively implement the issuance of licences for market entry of operators providing such services, including large international money transfer firms.

(e) Take the necessary measures, particularly through awareness-raising and increased controls and repression to stop the activities of informal foreign exchange operators or those operating without authorization.

(f) Encourage regulatory authorities to issue guidelines or instructions to clarify some regulatory obligations, such as identifying BOs and PEPs, as well as the use of financial inclusion products.

DNFBPs

(a) Designate an authority responsible for supervising the DNFBPs identified as being high risk with respect to AML/CFT, and provide it with the requisite powers and resources, or broaden the mandate of oversight authorities or OARs to include AML/CFT due diligence in their responsibilities.

(b) Encourage the authorities responsible for authorizing various DNFBPs to comply with their authorization procedures, particularly with regard to the DNFBPs identified as high risk.

(c) Build the capacity of the services responsible for the authorization and supervision of DNFBPs considered to be at high risk of ML/TF by providing specific training on the identification and analysis of ML/TF risks in each sector and sub-sector.

(d) Allocate adequate resources to oversight authorities to facilitate the effective implementation of risk-based supervision.

(e) Take the necessary steps, especially increased controls and prosecution, to put an end to the activities of real estate and mining operators operating in the informal sector or without authorization.

(f) Prepare and distribute guidelines to explain the AML/CFT obligations of the various categories of DNFBPs.

(g) Encourage DNFBP oversight authorities to apply effective, proportionate and dissuasive sanctions against reporting entities who fail to comply with their AML/CFT obligations.

VASPs

(a) Regulate the VASP sector by defining the conditions for the use of virtual assets in Chad.

(b) Design and implement an AML/CFT supervision mechanism for VASPs, in accordance with R.15.

297. The relevant Immediate Outcome relevant to this chapter is IO.3. The relevant recommendations for the assessment of effectiveness in the context of this section are R.14, 15, 26-28, 34-35 and some items of R.1 and 40.

6.2. Immediate Outcome 3 (Supervision)

298. In this chapter, the analyses and findings of the evaluation team are based on interviews with various supervisory authorities and self-regulation bodies. They take into account the significance of the sectors and their ML/TF risk level in the context of the Republic of Chad, as established in Chapter 1. The Chadian economy is characterized, among other things, by a high predominance of cash transactions, low financial inclusion and a large informal sector. The combination of these factors makes it more vulnerable to ML/TF in view of the high ML/TF risks to which the banking, microfinance and payments, money or securities transfer sector, foreign exchange bureaus, real estate, precious metals and stones sectors are exposed. The evaluators therefore paid more attention to the above-mentioned sectors. The insurance and securities sectors, VASPs and other FIs are smaller in size and have a limited volume or number of transactions, which has a low impact on ML/TF risks.

Table 6.1: Authorities responsible for approving and supervising FIs and DNFBPs in Chad

Type of entity	Number	Licensing authorities	Prudential control authority	AML/TF supervisor
Financial institutions:				
Banks	10	Ministry of Finance / COBAC	COBAC	COBAC
Microfinance institutions	13	Ministry of Finance / COBAC	COBAC	COBAC
Securities companies	1	Ministry of Finance / COSUMAF	COSUMAF	COSUMAF
Insurance companies	3	Ministry of Finance / CRCA	CRCA et DNA	CRCA and DNA
Insurance agents and brokers	22	Ministry of Finance / DNA	DNA	DNA
Remittance companies		Ministry of Finance / COBAC	COBAC	COBAC
Currency exchange bureaux		Ministry of Finance / BEAC	BEAC	BEAC
Payment institutions		Ministry of Finance / COBAC	COBAC	COBAC
DNFBPs:				
Casinos		Ministry of Territorial Administration	Ministry of Territorial Administration	None
Real estate agents		Ministry of Urban Development	Ministry of Urban Development	None
Notaries		Ministry of Justice / Order of Notaries	Order of Notaries	None
Lawyers		Ministry of Justice / Bar Association	Bar Association	None
Chartered accountants		Professional Order of Chartered Accountants /CEMAC	Professional Order of Chartered Accountants	None
Dealers in precious metals and stones		Ministry of Mines and Geology	Ministry of Mines and Geology	None

299. As shown in the table, the powers to authorize and supervise FIs in Chad are shared between community (COBAC, BEAC, COSUMAF, and CIMA) and national authorities (Ministry of Finance), whereas the role is solely performed by national authorities and self-regulation bodies for DNFBPs.

6.2.1. Licensing, registration and controls preventing criminals and associates from entering the market

Financial institutions

300. The supervisory authorities of financial institutions in Chad, particularly the Monetary Authority, COBAC and CIMA, implement due diligence measures based on information collected and processed at the time of market entry and major changes in operations to prevent criminals and their accomplices from holding a significant stake in the financial institutions they control, acquiring control over them, or occupying a management position. However, the same due diligence measures are not applied in the financial market sector, where COSUMAF's access control does not cover AML/CFT obligations. Moreover, the absence of measures to combat illegal activities in some high-risk sectors such as money transfer companies and currency exchange bureaux, as well as the absence of due diligence in the financial sector as a whole, limit the actions of competent authorities in achieving this goal.

301. In addition, due diligence on the identification of beneficial owners is ineffective in the entire financial sector. Manual exchange bureaus and money transfer companies, for their part, face stiff competition from the informal sector, allowing financial criminals and their accomplices to freely enjoy the proceeds of their crimes.

302. In general, FI oversight authorities in Chad apply measures to check the origin of funds, the morality and repute of owners, board members and managers, in accordance with Articles 12 and 13 of the Annex to the Convention of 17 January 1992 on the Harmonization of Banking Regulations in Central African States; Part IV of Regulation No. 01/17/CEMAC/UMAC/COBAC on the conditions for exercising and controlling microfinance activities in CEMAC; Article 326 of the Insurance Code; Articles 6, 80, 91, 104, 149, 189, 190, 194, 195, 249 and 334 of the COSUMAF General Regulations of 15 January 2009; Article 82 of Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on regulation of currency exchange in the CEMAC. Before starting operations in Chad, all financial institutions must be duly authorized by an authority clearly designated in community or national instruments.

303. The provisions of the instruments regulating the various categories of FIs and EPNFDs also specify at various levels the minimum requirements to be fulfilled by applicants for authorization.

304. Regarding banks, microfinance and payment institutions, applications for the authorization of managers and auditors are submitted to the Directorate of Financial and Monetary Affairs of the Ministry of Finance. This entity verifies that the applications comply with the requirements set out in regulatory instruments and then forwards them to COBAC, which conducts an in-depth examination before granting its approval. The documents to which special attention is paid to ensure the good repute of applicants include a criminal record dated less than 3 months, for natural persons, and the composition of shareholdings and information provided on shareholders, for legal persons. Where shareholders and/or managers are from non-CEMAC Member States, COBAC requests additional information from the counterpart supervisory authorities with which it has concluded cooperation agreements. The Ministry of Finance, which issues the licence, is bound by COBAC's opinion. All these safeguards help to ensure that persons convicted of economic and financial crimes do not obtain a licence and infiltrate the financial sector.

Table 6.2: Summary of requests for approval by COBAC

Year	2019		2020	
Name	Number of files examined	Favourable opinion	Number of files examined	Favourable opinion
Assent granted to credit institution			2	1
Prior information on managers	30	28	17	17
Assent granted to managers	9	8	3	2
Prior authorization granted to auditor	9	3	3	2

Source: COBAC

305. For example, as shown in the table above for the 2019 and 2020 fiscal years, requests for approval, whether institutions of their board members, managers or auditors, were rejected. However, no specific case of rejection of a request for authorization was presented and the statistics provided did not indicate the reasons for rejection.

306. Currency exchange bureaus: the process of obtaining a license to exercise manual currency exchange activities in Chad begins with the submission of an application containing⁷ all the required documents to the Ministry of Finance. The ministry ensures that all the required documents are complete before forwarding them to BEAC for review. At BEAC, the file is sent to the Central Transfer Study and Foreign Exchange Regulations Monitoring Unit which is responsible for analysing the substance of the application. This analysis generally takes into account the quality of the promoters, the legality of the funds and the integrity of the managers. The Ministry of Finance issues the licence once BEAC has given its approval, as it is bound by this opinion. Furthermore, since the enactment of Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on foreign exchange regulations in CEMAC, files relating to the compliance of previously existing currency exchange bureaus have been reviewed.

307. In practice, however, unlicensed persons engage informally in manual exchange or money transfer activities. The accredited actors met deplored this situation, which constitutes a major risk factor for ML/TF and which, despite several denunciations, has not yet been addressed by the competent authorities.

308. Money transfer companies: in Chad, the money transfer business can be carried out by sub-agents who form partnerships with credit institutions and become service providers. They do not need to be licenced by the monetary authority under these conditions. Most credit institutions provide these money transfer services directly to their customers.

⁷ The information and documents that must be provided for approval applications are listed in Article 22 of Instruction No. 011/GR/2019 of 10 June 2019 on the terms and conditions the exercise of a manual currency exchange activity in CEMAC.

309. Furthermore, in order to prevent a person involved in financial malpractice from controlling a credit or payment institution, any change during the life of the institution that significantly affects its statutes (change in shareholding, change in share capital, change of company name, transfer of business, merger, demerger, transfer of significant shareholding, etc.) requires the prior authorization of COBAC and the Monetary Authority. The authorization, which is granted under the same conditions as a licence, enables oversight authorities to ensure that criminals or their accomplices cannot own a significant stake in, control or hold a senior management position in a financial institution during its lifetime.

310. The Minister of Finance approves insurance companies on the recommendation of the CRCA, following a review by the National Directorate of Insurance (DNA), in accordance with the conditions set out in the CIMA Code 42 and its implementing instruments. The other sector brokers (particularly brokers and general agents) are approved directly by the Minister of Finance.

311. Regarding the financial institutions supervised by COBAC and the CRCA, it is gratifying to note that despite the challenge of identifying BOs, the information collected and processed can help to ensure that criminals and/or their accomplices do not acquire significant holdings or hold management positions in the credit institutions and insurance companies operating in Chad.

312. Financial market operators in Chad where there is only one stock exchange which is the subsidiary of a local bank, CONSUMAF is responsible for examining the application files of financial market actors. COSUMAF, on the other hand, has not prioritized AML/CFT issues in relation to the verification of the origin of funds or the criminal records of promoters and managers when processing the application files of stock market operators. However, the only stock exchange operating in Chad is the subsidiary of a local bank, which limits the risk of its use for CB/FT purposes.

Designated Non-Financial Enterprises and Professionals

313. In Chad, the DNFBP sector comprises lawyers, notaries, chartered accountants and certified accountants, casinos and other gambling establishments, dealers in precious metals and property developers. The sector continues to face limited AML/CFT supervision. However, access to these various professional bodies is subject to minimum requirements in terms of moral standing and competence. However, the legal instruments governing them do not generally take into account AML/CFT obligations. This is because these instruments have not been revised to align them with the CEMAC Regulation 01/16 and the AML/CFT Regulation No. 29 /2018. These instruments lay down minimum requirements to be met by applicants for admission or authorization to these professions.

314. Most DNFBPs are required to obtain authorization or a licence before they can operate.

315. The real estate sector is under the supervisory authority of the Ministry of Land Tenure. There is only one real estate company, a semi-public body set up by presidential

decree in 2009 to provide the population with serviced plots of land and low-cost housing. To use its services, one must make a bank transfer. However, real estate agents are not required to register. They operate exclusively on an informal basis, which in the context of the country increases the risk of the real estate sector being used for ML/TF purposes.

316. With regard to dealers in precious stones and metals under the supervision of the Ministry of Mines and Geology, it should be noted that the due diligence carried out when granting exploration or development permits does not generally include measures to verify the origin of funds or the beneficial owners of the entities.

317. Concerning casinos, there is a conflict regarding which ministry should be responsible for granting them authorization. Although a 1962 law assigns this responsibility to the Ministry of the Interior, which in practise is limited to issuing licences for alcohol establishments without addressing the gambling aspect, another law, the one governing AML/CFT in Chad, assigns this responsibility to the Ministry of Finance. As this decree has not yet been issued, there is a legal vacuum regarding the procedure for market access. These loopholes have a negative impact on the gambling sector in Chad, significantly increasing its exposure to ML/TF risks.

318. In the case of notaries and lawyers, whose admission to the profession is granted by the Ministry of Justice after consultation with their professional bodies, which ensure that specific conditions are met, admission is based on the applicants' reputation and integrity. Verification is done through character survey and the presentation of a criminal record which is not yet computerized in Chad. Once lawyers have been authorized by the relevant government service, they must take an oath before they can practise. However, the mission learnt that at least four candidates who did not pass the bar exam were authorized by the Supreme Court to practise.

319. The above procedure is the same for chartered accountants who are approved at CEMAC level, after submitting an application to the National Order of Chartered Accountants, established in 2016 by Decrees Nos. 397 and 398. However, some aspiring accountants have submitted their applications directly to the Monetary Authority, in violation of the rules governing the profession.

Virtual asset service providers

320. Chad has not yet regulated access to its **market for virtual asset service providers**, although the mission was informed that bitcoin promoters from Nigeria have succeeded in scamming the Chadian population, particularly in N'Djamena, by offering them huge returns on investments in virtual assets (bitcoin).

321. Overall, no confirmed case of file rejection for ML/TF-related suspicion was noted during discussions with the various FI and DNFBP supervisory authorities during the on-site visit. However, officials of the Ministry of Finance indicated that files that do not meet all the

requirements are often completed before being transmitted to COBAC or CIMA or simply rejected. The conduct of activities without authorization or approval is detected either during inspection or through denunciations by entities operating legally.

6.2.2. Supervisors' understanding and identification of ML/TF risks

322. Chad has not yet completed its first national risk assessment, which was launched in November 2021. For their part, the various supervisors have not carried out assessments of the ML/TF risks of the sectors they supervise or adopted a risk-based approach to supervision.

323. COBAC, which supervises banks, microfinance institutions and payment institutions, introduced a risk assessment methodology through a service note issued in 2021. However, the application that allows for risk rating has not yet been implemented, so COBAC is unable to assess and rank the FIs it supervises in terms of ML/TF risks. BEAC, which is in charge of supervising currency exchange bureaus, lacks risk assessment tools and thus has a poor understanding of the risks, despite being aware of the threats and vulnerabilities that exist in the country. In its capacity as monetary authority, the Ministry of Finance and Budget handles all requests for authorization from FIs wishing to operate in Chad. However, since the publication of Regulation 01/17, its supervisory role has been limited to administrative control. Furthermore, the evaluation team noted lack of collaboration between the Monetary Authority and community authorities regarding the implementation of their supervisory activities, despite the fact that the latter are supposed to share with the former all reports of their missions in Chad.

324. Operationally, COBAC has established a permanent monitoring and self-assessment tool. The ASTROLAB questionnaire is used to assess the adequacy and implementation of the AML/CFT system in credit institutions. The CERBER *reporting* system is integrated into the self-assessment process to ensure regular monitoring of due diligence. However, this *reporting* system, which is a compliance check, does not allow COBAC to fully grasp and update the ML/TF risks in the banking sector. Furthermore, no mechanism exists to allow COBAC to continue to deepen its understanding of ML/TF risks in the microfinance and payments sector. COBAC's on-site controls are ineffective, preventing it from having a thorough understanding of ML/TF risks in the financial sector. Nonetheless, the Commission has already defined a framework for developing an ML/TF risk map in order to address this situation. At this point, it only needs to integrate the tool into its risk rating system.

325. In the insurance sector, the CRCA and the National Directorate of Insurance lack tools to ensure the continuous identification and understanding of insurance-related ML/TF risk. No ML/TF risk assessment approach has been implemented in the sector to help to understand such risks.

326. In the financial market sector, COSUMAF has not yet integrated AML/CFT concerns into its activities, and its staff has not been trained in this area. As a result, COSUMAF cannot identify or ensure that FIs continue to have a mastery of ML/TF risks in

the financial market sector. However, it should be noted that it is taking steps to address this shortcoming.

327. In Chad, no authority has been designated to ensure control of the DNFBP sector in terms of AML/CFT. In the absence of an AML/CFT supervisory authority, it is difficult to identify and understand the risks to which the various sector players are exposed.

328. There was no provision for the supervision of VASPs in Chad at the time of the mission, which justifies the lack of diligent action by a supervisory authority to identify and ensure an ongoing understanding of the risks to which VASPs are exposed if existing VASPs outside the country offer their services to the Chadian population.

6.2.3. Risk-based supervision of compliance with AML/CFT requirements

329. As part of its annual action plan, COBAC organizes annual inspection missions to institutions under its supervision. Based on the statistics provided to the mission, it can be concluded that there is a growing emphasis on AML/CFT issues. These inspections focus on the existence of AML/CFT procedures, the application of customer due diligence measures, the existence of formal suspicious transaction reporting procedures and the frequency with which they are updated, the existence of a compliance function and the training and sensitization of staff.

330. Furthermore, it should be noted that the documentary control of compliance by banking institutions with their obligations is carried out using the ASTROLAB form, which they complete and submit to COBAC every six months. This questionnaire, which includes information and data on the ANIF correspondent, the subsidiaries and branches of the reporting institution located outside the CEMAC zone, statistics on the declarations recorded and the training provided to staff during the last six months, internal procedures and the functioning of the preventive mechanism adopted by the reporting institution within the framework of the AML/CFT, can enable the supervisory authority to ensure that reporting institutions fulfil their obligations. However, the information collected does not appear to be adequate for a risk-based approach to supervision.

Table 6.3. Summary table of supervision missions carried out by COBAC over the last five years

Types of mission and categories of institutions	2017	2018	2019	2020	2021	Total
Thematic control with an AML/CFT component	0	3	4	2	2	10
Credit institution	0	3	4	2	2	10
Microfinance institution	0	0	0	0	0	0
General verification with an AML/CFT chapter	0	0	1	0	1	3
Credit institution	0	0	1	0	0	1
Microfinance institution	0	0	0	0	1	1
Number of missions addressing AML/CFT	0	3	5	2	3	13
Total number of missions carried out in Chad	6	7	11	2	3	29
Percentage of missions with at least one AML/CFT component	0%	43%	45%	100%	100%	45%

Source COBAC

331. As shown in the table, COBAC is increasingly incorporating AML/CFT issues in its supervisory missions. However, the number of missions is relatively small and mainly focused on banks with only one mission targeting MFIs over the last five years. In addition, according to COBAC, pandemic-related health measures contributed to reducing the number of field missions between 2020 and 2021.

332. At the national level, the Ministry of Finance and Budget has services responsible for monitoring the financial sector, with the capacity to conduct administrative controls. The Directorate of Financial and Monetary Affairs, which includes the MFI Supervision Division, and the National Directorate of Insurance oversee the activities of credit institutions, MFIs and insurance companies. The annual action plans of these entities invariably include control missions. However, the verifications carried out are generally administrative and have nothing to do with AML/CFT issues. They generally consist of checks to ensure that the institutions concerned are licensed, registered with the RCCM and members of their respective professional bodies. Furthermore, while officers of the DNA are involved in CRCA control missions, officers of the MFI Supervision Division are not involved in missions conducted by COBAC inspectors.

333. At the time of the on-site visit, CIMA had not yet carried out any AML/CFT- specific controls.

334. Prior to fielding any mission to control FIs under COBAC's supervision, a letter is sent to the Minister of Finance to inform him or her about the mission's scope and timeframe. At the end of each mission, a copy of the mission report is sent to the Ministry of Finance which is responsible for the administrative control of all FIs operating in Chad.

335. For its part, CONSUMAF, which is responsible for the supervision of the financial market, did not conduct any AML/CFT thematic control.

336. The DNFBP sector does not have a designated AML/CFT authority because respective DNFBP supervisory or self-regulation authorities do not have a mandate for AML/CFT. As a result, the verification of compliance with AML/CFT obligations, especially the adoption of the risk-based approach, is ineffective.

337. Regarding VASPs, no action has been taken in this sector due to the absence of a supervisory authority.

6.2.4. Remedial actions and effective, proportionate and dissuasive sanctions applied

338. Although supervisory authorities have the power to impose sanctions on reporting entities for non-compliance with AML/CFT due diligence obligations, as provided for in Articles 113 et seq. of the CEMAC Regulation, these authorities do not use this powerful tool of persuasion against natural or legal persons involved in ML/TF. Discussions with various supervisory authorities revealed that the level of implementation of sanctions for non-compliance with AML/CFT obligations is very low. COBAC, for example, frequently employs injunctions to compel institutions under its supervision to implement corrective measures within a specified time frame.

339. During the period under review, there were no sanctions for non-compliance with AML/CFT obligations in Chad. COBAC prioritizes the use of preventive measures such as injunctions, and its legal framework allows for the use of injunctions with penalties if the terms of the injunction are not met before the set deadline. Other FI and DNFBP supervisory authorities have not imposed any binding sanctions on the entities they supervise for failing to comply with their AML/CFT obligations. However, there is no evidence that the aforementioned injunctions have had the desired effect.

Table 6.4. COBAC injunction decisions against reporting institutions based in Chad with at least one AML/CFT violation between 2016 and 2021

References of AML/CFT-related decisions	Amount of penalty	Injunction date	End of injunction
COBAC D-2019/249		23/09/2019	31/12/2019
COBAC D-2019/038		25/04/2019	31/12/2019
COBAC D-2019/244		23/09/2019	31/12/2019
COBAC D-2019/261		23/09/2019	31/12/2019
COBAC D-2019/252		23/09/2019	31/12/2019
COBAC D-2019/253		23/09/2019	31/12/2019
COBAC D-2019/259	9.3 M		

Source COBAC

NB: The average timeframe for the institutions (those identified during the reference period) to pay the penalty is 3 months from the date the decision is signed.

The fine per day of delay is calculated based on the institution's net income. If the institution does not comply with the terms of the Banking Commission's order, it will be liquidated.

However, no information was provided on the outcome of the aforementioned injunctions or why they did not result in the imposition of sanctions for the violations that led to their issuance. It should be noted that no mission was fielded to Chad to verify the implementation of the recommendations of previous missions and to ensure that the shortcomings initially identified had been effectively addressed.

6.2.5. Impact of supervisory actions on compliance

340. On the whole, the impact of the actions of the supervisory authorities on the level of compliance of FIs and DNFBPs is marginal.

341. Nevertheless, it should be noted that banks and microfinance institutions are gradually stepping up their levels of compliance, mainly because of the requirements relating to their openness to the outside world, in particular the correspondent banking relations concerning banks, and their strong interrelationships with banks for MFIs.

342. The weak control over other financial institutions and the absence of supervision of DNFBPs have not made it possible to improve the level of AML/CFT compliance of these reporting entities.

343. Since there is no evidence of the existence of VASPs in Chad, the relevant sector authorities have not taken any action.

6.2.6. Promoting a clear understanding of AML/CFT obligations and ML/TF risks by FIs, DNFBPs and VASPs

344. In accordance with its mission, COBAC organized the 11th annual meeting between COBAC and EMAC banking and financial sector professionals on 25 July 2019 in N'Djamena. The meeting's theme was "Due diligence in the fight against money laundering and terrorist financing within the context of new foreign exchange regulations".

345. The Ministry of Finance and Budget also issued Order No. 208/PR/MFB/ANIF/2018 of 1 August 2018 on administrative sanctions against reporting entities in order to encourage them to scrupulously comply with their AML/CFT obligations. However, its implementation is hampered by the fact that national authorities such as the National Directorate of Insurance, the Directorate of Monetary and Financial Affairs and the Supervision of Credit and Microfinance Institutions do not have the powers to control financial institutions. These powers are delegated to community bodies such as COBAC and CIMA, which carry out controls in Chad but do not have recourse to the provisions of this decree to ensure that financial sector entities comply with their ML/TF obligations.

346. ANIF, for its part, has provided guidance to all FIs on how to detect various forms of money laundering and terrorist financing in the financial sector through Guideline No. 001/2018 and Guideline No. 002/2019 on early warning indicators for economic and financial crime and the blocking of suspicious transactions.

347. Similarly, CIMA issued Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021 laying down the terms and conditions for the implementation by insurance companies of statutory measures to combat money laundering and terrorist financing and the proliferation of weapons of mass destruction in Inter-African Conference of Insurance Markets (CIMA) Member States. This calls for the establishment, by insurance companies and organizations, of a system to identify, assess, manage and control ML/TF risks.

348. The evaluation mission observed that, apart from the entities mentioned above, the other FI and DNFBP supervisory authorities have not prepared and disseminated appropriate guidelines since the adoption of the new CEMAC Regulation on AML/CFT.

349. Since the virtual asset sector is not yet regulated, no action has been taken by the competent authorities to identify VASPs in order to ensure proper understanding of sector risks.

Overall Conclusion on IO 3

The absence of measures to address non-compliance with licencing or registration requirements in some high-risk sectors such as money transfer and informal currency exchange, real estate and mining, undermines the efforts of various competent licencing authorities to prevent criminals from controlling or managing financial institutions or DNFBPs in Chad.

Despite a number of shortcomings identified by COBAC inspection missions, no sanctions other than injunctions have yet been imposed.

Chad has not designated AML/CFT supervisory authorities for DNFBPs. Supervisory authorities and SRBs do not understand sector ML/TF risks, resulting in the poor implementation of their obligations as well as the non-declaration of STRs, which could possibly increase ML/TF risks.

Supervisory authorities are doing very little at all levels to help reporting entities better meet their obligations.

Furthermore, lack of coordination between community supervisory authorities and the competent authorities at the national level is a major challenge in improving the understanding of ML/TF risks by those exposed to them and coordinating actions to mitigate them. So far, there is no evidence of the existence of VASPs. Consequently, this sector is not included in Chad's national AML/CFT policies.

Chad is rated as having a low effectiveness level for IO 3.

CHAPTER 7: LEGAL PERSONS AND ARRANGEMENTS

7.1. Key findings and recommendations

Key findings

(a) The creation of legal persons in Chad is governed by the OHADA Uniform Acts on General Commercial Law and on Commercial Companies and Economic Interest Groups. These instruments require companies to register with the TPPCR. At the domestic level, Chadian authorities have enacted legislation to strengthen transparency obligations in the creation of legal persons. The basic information contained in the TPPCR is not directly accessible to the public and access is subject to prior authorization. Information and procedures relating to associations, particularly foundations, are set out in the relevant legal instruments mentioned above and published in the Official Gazette or can be consulted at the relevant supervisory authorities.

(b) Legal arrangements in Chad are not governed by a specific framework. However, no legal instrument forbids them. Chad has no foreign trusts or other similar legal arrangements.

(c) In his capacity as manager of the TPPCR central file, the Chief Registrar of the Commercial Court of N'Djamena is the custodian of information relating to the formation of legal persons. The accuracy of the information provided is verified based on the documents required for the incorporation of companies. The information is neither centralized nor stored in a computerized national file.

(d) Amending entries relating to the life of the company are made at the One-stop Shop which is an entity within the General Directorate of the National Investment and Export Agency (ANIE). It comprises services in charge of business development formalities.

(f) At the national level, the authorities have not yet assessed the risks of misuse of legal persons for ML/TF purposes. The same is true for ANIE, Chad's business development agency. Chadian authorities are unfamiliar with the ML/TF risks associated with various types of legal persons.

(g) The instruments governing the creation of legal persons in Chad do not require the identification of beneficial owners. In this regard, no mechanism has been established to collect relevant information on the identity of beneficial owners when legal persons are established. ANIE only has information on the identity of the project owner or his duly appointed representative at the time of completing registration formalities.

(h) Some inquiries are made within the framework of general investigations and for ML/TF, particularly concerning a request for information by ANIF.

(i) The instrument applicable to legal persons in Chad does not provide for sanctions in the event of non-compliance by legal persons with their disclosure obligations.

Recommendations

The Chadian authorities should:

- (a)** Establish the necessary mechanisms to provide the competent authorities direct access to basic information on all categories of registered legal persons.
- (b)** Establish clear mechanisms for identifying, collecting and retaining information on the identity of beneficial owners when legal persons are established or their articles of association are amended; ensure that these mechanisms are regularly updated and, where necessary, impose sanctions for failure to comply with this obligation.
- (c)** Assess the risks of misuse of legal persons and possibly legal arrangements operating in Chad for ML/TF purposes; disseminate the findings to all stakeholders to deepen their understanding of the risks and consider the definition and application of appropriate mitigation measures.
- (d)** Endow ANIE with the powers to verify the accuracy of information on legal persons registered in the TPPCR and to impose sanctions in the event of non-compliance.
- (e)** Provide the authorities responsible for the establishment of legal persons with tools (computerized system) to enable them to centralize statistics on all information concerning legal persons, economic beneficiaries and beneficial owners so as to ensure better storage and rapid communication of data concerning them.
- (f)** Provide training on ML/TF issues and legal arrangements to the relevant authorities, especially those responsible for formalities on the establishment of legal persons, in keeping with international standards.
- (g)** Ensure that legal persons effectively maintain an up-to-date register of their shareholders/partners/members/representatives and beneficial owners, including for companies with bearer shares, in order to verify the accuracy of information on legal ownership and beneficial owners, and make it accessible to the relevant authorities in a timely manner.

350. The relevant Immediate Outcome for this chapter is IO. 5. The relevant recommendations for the assessment of effectiveness under this section are R. 24, R. 25, and some elements of R.1, R.10, R. 37 and R. 40.

7.2. Effectiveness: Immediate Outcome 5 (*legal persons and arrangements*)

7.2.1. *Public availability of information on the creation and types of legal persons and arrangements*

351. The conditions for obtaining information on the procedures for the formation and modification of legal persons are determined by the types of legal persons that can be formed. There are two categories of legal persons in Chad, namely those formed in accordance with the OHADA Uniform Act: the public limited company (PLC), the limited liability company (LLC), the simplified joint-stock company (SJSC), the mutual insurance company (MIC), the Limited liability Partnership (LLP), the cooperative and the economic interest grouping (EIG). Information on the creation and modification of this type

of legal person is described in the Uniform Acts (AUDCG and AUSCGIE) and can be consulted by the public directly on the official OHADA website.

352. The other category of legal persons that may be established in Chad includes: (a) associations governed by Ordinance No. 023/PR/2018 of 27 June 2018 on the regime of associations; (b) NGOs governed by Decree No. 1917/PR/MEPD on the status of NGOs in the Republic of Chad and Decree No. 1918/PR/MEPD/201 on the establishment of a standard agreement for NGOs in Chad, respectively. The information and procedures for their establishment are contained in the above-mentioned legal instruments and are published in the Official Gazette or can be consulted at the relevant supervisory authorities. Trusts and other forms of legal arrangement are not specifically regulated. However, no legal instrument prohibits them. They have no reference point and no publicity.

353. In Chad, there are no legal arrangements for asset management such as trusts or similar legal arrangements. The country has not yet ratified the Hague Trust Convention. However, no legal instrument prohibits the establishment in the country of foreign-based legal arrangements such as trusts or fiduciary arrangements. There is no legal framework laying down conditions for their establishment.

354. The formalities for the creation or acquisition of a company, the opening of a subsidiary, branch or ancillary establishment, as well as any changes in the life of the company, are carried out at the One-stop Shop, which is a unit within the General Directorate of the National Investment and Export Agency (ANIE). The one-stop shop comprises the government services in charge of business development, especially the Registry of the Commercial Court, the General Directorate of Taxation, and the National Social Security Fund. The sequence of formalities for setting up a company is as follows: the TPPCR (Registry of the Commercial Court), the tax identification number (DGI), the business registration (National Social Security Fund) and the commercial, industrial or craft activity certificate (General Directorate of ANIE). The registration formalities may be carried out by the project owner or by a duly appointed representative. This is a general obligation for legal persons to ensure transparency in Chad. This formality is the first step in efforts to combat the misuse of companies for money laundering and terrorist financing purposes.

355. The creation of legal persons to exercise professions in the fields of health, private security, tourism, education and transport is governed by special regulations.

356. The basic information on registered legal persons available at the One-stop Shop within ANIE cannot be easily and directly consulted by the public. Access to this information by the public is subject to prior authorization by the Director-General of ANIE. Investigating and prosecuting authorities such as the Prosecutor's Office, have easy access to such information on request, and ANIF by requisition. When ANIE receives a request, it responds within 48 hours. Investigations are confidential. This information is neither centralized nor stored in a national computerized file.

357. The other types of legal persons that exist in Chad are: (a) associations which are governed by Decree No. 023/PR/2018 of 27 June 2018 on the regime governing associations; and (b) NGOs which are governed by Decree No. 1917/PR/MEPD on the status of NGOs in the Republic of Chad and Decree No. 1918/PR/MEPD/201 on the establishment of a standard agreement for NGOs in Chad.

358. Within the framework of AML/CFT, NGOs commit to declaring their financing and sources thereof to the Bank of Central African States (BEAC) and the National Agency for Financial Investigation (ANIF); present a receipt to the Ministry in charge of NGOs; establish mechanisms to combat money laundering and terrorist financing; establish control mechanisms to ensure that all funds are properly accounted for and used in keeping with the objective for which they are intended and the goal of its declared activities; and provide information at all times on the identity of the person or persons who own, control and manage such activities, including the officials, board members and directors.

359. SPONGAH, under the supervision of the Ministry of Economy, Planning and Development Cooperation, is responsible for reviewing NGO applications and monitoring their activities.

It has no say over the financing that various partners provide to NGOs. During controls, it requests for the presentation of a certificate issued by ANIE, in accordance with the provisions of the aforementioned decree. Decree No. 1917 and Article 21 of the Cooperation Agreement between the Government of the Republic of Chad and international non-governmental organizations require any NGO wishing to operate in the country to declare its financing and sources thereof to BEAC and ANIF.

360. There are no legal arrangements in Chad such as trusts or similar legal arrangements for the administration of assets. Since the country is not a signatory to the Hague Convention of 1 July 1985 on the Law Applicable to Trusts and on their Recognition, the relevant authorities visited are not aware of any legal arrangements. No legal instrument prohibits the establishment of any type of foreign-based legal arrangement such as a trust in Chad.

7.2.2. Identification, assessment and understanding of the ML/TF risks and vulnerabilities of legal entities

361. The ML/TF National Risk Assessment (NRA) was still ongoing during the on-site visit. Thus, no study on the misuse of legal persons for ML/TF purposes was conducted at the country level, much less by ANIE which does not yet include AML/CFT issues in its business development process.

362. A few actors stated that NPOs and associations operating in conflict zones can be used for terrorist financing. However, they did not provide any examples.

363. The various services involved in the creation of legal persons in Chad do not consider AML/CFT issues. They limit their actions to ensuring the regularity of the required documents.

364. Lack of an assessment of the risks associated with the various categories of legal persons created in Chad makes it difficult to know and understand the risks posed by legal persons and arrangements, and to adopt measures to prevent the use of legal persons and arrangements for ML/TF purposes.

7.2.3. Mitigating measures to prevent the misuse of legal persons and arrangements for ML/TF purposes

365. Chad has a Trade and Personal Property Credit Register (TPPCR) that is kept at the Commercial Court Registry by the Registrar of the said court who is seconded to the One-Stop Shop in ANIE. The TPPCR contains information about the situation of the country's traders.

366. ANIE limits its action to business development formalities, issuing a certificate after verifying the criminal record, the declaration on honour, the applicant's identification form and the residence permit (for foreigners). If ANIE discovers that the promoter had already established a business or that the file is incomplete, the business development application is rejected. This measure does not help to enhance the transparency of legal entities and arrangements in order to prevent them from being used for ML/TF purposes. Only banks that are subsidiaries of large international banking groups have implemented mitigating measures to prevent the misuse of legal entities and legal arrangements for ML/TF purposes, including the identification of the beneficial owner. The effectiveness or ineffectiveness of transparency measures to be implemented in relation to trusts and similar legal arrangements is determined by the legal framework of the legal arrangements.

7.2.4. Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons.

367. It is possible for the competent authorities to obtain basic information on all types of legal persons created in Chad. Basic information on registered legal persons is available at ANIE's One-stop Shop. However, access to this information is subject to certain conditions. ANIF, the tax administration and prosecuting authorities may, in due course, obtain information available at ANIE through a request or a mission warrant, as appropriate. The Registrar-in-Chief of the Commercial Court of N'Djamena is the custodian of information relating to the establishment of legal persons, in his capacity as manager of the central TPPCR file. Three types of files, namely local, national and regional, can be consulted. The registrar in charge of the TPPCR cannot check that the application files are complete and that the supporting documents submitted match the application files because the registry only has a scanning software. The officials met explained that records are kept manually and are, therefore, difficult to preserve.

368. Chad has no mechanism for identifying and collecting information on the beneficial owners of legal persons, and information on the BOs of legal persons is not included in the TPPCR. Only banks that are subsidiaries of large international financial groups are sometimes able to identify beneficial owners. ANIE only has information on the identity of the project owner or the duly appointed representative at the time of completing the registration formalities.

369. Once all the required documents have been compiled, notaries do not carry out any additional due diligence on the promoters, potential managers and shareholders of the legal entities to be established. The file is sent to ANIE. Despite this, its expertise can help to enhance the credibility of the information in its possession and enable it to fulfil its AML/CFT obligations.

370. Information on legal persons can be shared with foreign counterparts. Such sharing can be done based on cooperation agreements. During the field visit, the authorities met stated that in practice, relevant foreign authorities have more recourse to the information provided by ANIF. However, the authorities did not provide the assessment mission with data to enable it to evaluate such cooperation. ANIE has not yet received any requests for information on a legal person from outside the country. During investigations involving legal persons, the relevant authorities, such as ANIF or the investigating and prosecuting authorities, may seek information from ANIE.

7.2.5. Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

371. The competent authorities met were unfamiliar with legal arrangements because Chad is not a signatory to the Hague Convention of 1 July 1985 on the Law Applicable to Trusts and on their Recognition. There is no register of foreign trusts. As a result, these authorities are unable to obtain information on the beneficial owners of legal arrangements. However, there is no legal instrument in Chad that prohibits the establishment of any type of foreign trust. The absence of prohibition implies that foreign trusts can operate in Chad and that local professionals can provide services to foreign trusts. No measures have been taken to control the effects of trusts set up abroad and to facilitate access by the competent authorities to relevant information on the legal arrangements set up or involving persons whose fiscal residence is in Chad. However, Chad does not have legal arrangements such as trusts and other similar asset management legal entities.

7.2.6. Effectiveness, proportionality and dissuasiveness nature of sanctions

372. Judicial authorities did not provide the assessment team with figures on cases of dissolution or deregistration of legal persons.

373. According to Decree No. 1793/PR/PM/MECDT/2015 laying down procedures for the creation, modification, dissolution or strike-off of companies in Chad, in the event of cessation of activities, any natural person must apply for deletion from the Trade Register within one month. In the event of death, the rightful claimants have three months within which to request the dissolution or continuation of activities. If no application for dissolution is made within the period referred to in the preceding paragraph, the competent court shall decide such dissolution. Any legal person may be dissolved for any reason. In the event of dissolution for any reason whatsoever, the dissolution must be declared within one month at the registry of the court where it is registered. Dissolution takes place at the request of the liquidator one month after the liquidation has been completed.

374. Law No. 2003-008 of 10 July 2003 on the prosecution of the offences contained in some OHADA Uniform Acts defines penalties for the offences provided for in the OHADA Uniform on General Commercial Law; Uniform Act on Commercial Companies and Economic Interest Groups; and Uniform Act Organizing Collective Proceedings for Clearing of debts. It provides for a prison sentence of from 3 months and 5 years and a fine of from CFAF 100,000 to CFAF 20,000,000, or one of these two penalties only, for the managers of the legal person or the company itself, in the event of failure to comply with the rules on the transparency of legal persons. This is the case if the registration has been fraudulently obtained or if the company has been established illegally, if the obligation to register the shares has not been complied with or if the documents drawn up by the company have omitted information relating to the registration of the legal entity.

375. ANIE may reject an application for the incorporation of a company if the applicant does not fulfil all the requirements.

376. Although there are companies that change their corporate purpose, name, members of organs, registered office, partners, managers, in short, their articles of association and other constitutive instruments, and should notify them to the competent authorities, including those in charge of keeping information on legal persons, the latter do not have sufficient powers to compel and, moreover, do not bother to identify legal persons or their managers/partners that are making changes. The authorities do not take the necessary steps to impose sanctions on legal persons who fail to update information on major internal changes or regularization as required by law.

377. Chad has not taken any measures to impose sanctions for the offences provided for in the OHADA Uniform Acts. No sanctions have been imposed for failure to comply with registration and information obligations, failure to keep documents, failure to update information or refusal to provide information to the competent authorities during the lifetime of legal persons. The information provided by the country being assessed does not demonstrate that effective, proportionate and dissuasive criminal and administrative sanctions are imposed on legal persons established or operating in Chad. In practice, files are rejected if they are incomplete during registration. The evaluation team was unable to obtain information on the sanctions incurred and imposed on trusts as this category has not been identified by the

competent authorities. In Chad, there are no obligations for disclosure, registration of the fiduciary contract, or penalties for non-compliance with tax reporting obligations. No FI or DNFBP was sanctioned for BO due diligence.

378. The table provided to the evaluation team by the Directorate of Political Affairs and Civil Status of the Ministry of Territorial Administration (MATD) shows that two associations have been convicted. However, it does not specify the area in which the convictions were handed down.

Overall Conclusion on IO 5

Legal persons, mainly commercial companies, created in Chad under AUDCG and AUSCGIE are subject to general transparency obligations, and their registration in the TPPCR constitutes a basic protection against misuse for ML/TF purposes. Decree No. 1793/PR/PM/MECDT/2015 on procedures for the creation, modification, dissolution or strike-off of companies lays down the procedures for the creation of different types of legal persons in Chad. The procedure for setting up NGOs, associations and other types of legal entities, which also guarantee transparency of information on founders, officials or managers, is governed by the regulations in force. Trusts and other forms of legal arrangements operating in Chad are not subject to a specific framework. No legal instrument prohibits them from operating either. As a result, trusts established abroad may operate in Chad.

Chad has not taken any measures to prevent the misuse of legal entities and arrangements for ML/TF purposes.

The competent authorities do not have direct access to basic information on registered legal persons. Such access is subject to the presentation of a request or a mission warrant. The competent authorities do not often avail themselves of the basic information held by the TPPCR, ANIE and notaries in the context of ML/TF files or ensure that such information is regularly updated and available in a timely manner.

In Chad, there are no mechanisms for identifying and collecting information on the beneficial owners of legal persons and legal arrangements, apart from the obligations imposed on those subject to the CEMAC regulation on AML/CFT, which are mandatory only when the customer is not acting on his own behalf and whose application or compliance is only visible in banks that are subsidiaries of large international banking groups.

Chad has not yet carried out a study on the risks of misuse of categories of legal persons for ML/TF purposes with a view to proposing mitigation measures.

No sanctions have been imposed for non-compliance with transparency obligations by legal persons, either at the time of establishment or during the life of the legal person.

Chad is rated as having a low effectiveness level for IO 5.

CHAPTER 8: INTERNATIONAL COOPERATION

8.1. Key findings and recommendations

Key findings

(a) Chad has an appropriate legal framework for mutual legal assistance and extradition. However, the level of cooperation observed remains insufficient. The country has requested extradition to prosecute domestic cases in connection with predicate offences. The responses from counterparts seem to be obtained in a timely manner. The country has not granted or requested mutual legal assistance and extradition in ML/TF cases.

(b) There are no clearly defined procedures for the prioritization, management and monitoring of requests for international cooperation and the timeframe for responding to them. This makes it difficult to assess the relevance and timeliness of the country's responses to requests from requesting countries.

(c) Statistics on international judicial cooperation are neither adequately collected nor processed.

(d) In addition to being a member of the Egmont Group, the Chadian ANIF has also signed cooperation agreements with some foreign FIUs in order to facilitate cooperation with its counterparts. It can obtain information from reporting entities on their behalf. However, ANIF has not regularly cooperated with its counterparts and almost all of its requests have remained unanswered.

(e) ANIF is temporarily disconnected from the Egmont Group website due to changes in its management team.

(f) Investigation, customs and tax authorities share information with their foreign counterparts and carry out joint operations. However, data relating to these exchanges are not retained.

(g) COBAC has concluded cooperation agreements with several supervisory authorities. As such, it carries out various cooperation activities and shares experience with its foreign counterparts. However, the exchange of information on AML/CFT matters is limited.

(h) COSUMAF shares information with its foreign counterparts through the regional and international bodies of which it is a member. It also carries out joint actions. No data on cooperation were provided.

(i) Basic information on legal entities can be shared with foreign counterparts. However, information on beneficial owners cannot be shared as there is no mechanism for identifying them.

Recommendations

(a) Use mutual legal assistance and extradition mechanisms and international cooperation to investigate and prosecute ML/TF offences, which usually have extraneous elements.

(b) Formalize procedures for prioritizing, managing and monitoring international cooperation requests and the timeframe for processing them in order to provide quality assistance to

foreign counterparts, and provide continuing training to the judicial and administrative authorities involved in implementing such procedures.

(c) Establish a mechanism for collecting and processing data on international judicial cooperation.

(d) Raise awareness among investigating and prosecuting authorities, customs, tax authorities and other agencies to systematically file data on their cooperation with their counterparts by electronic means.

(e) Pursue efforts to reconnect ANIF to the Egmont Group website.

(f) Strengthen cooperation between ANIF and its foreign counterparts to ensure smooth and relevant sharing of information.

(g) Encourage COBAC and other supervisory authorities to conduct special missions on AML/CFT issues so as to promote meaningful cooperation in this area.

(h) Establish a mechanism for identifying the beneficial owners of legal persons for international cooperation.

379. The relevant Immediate Outcome for this chapter is IO. 2. The relevant recommendations for assessing effectiveness in this section are R.36, R.37, R.38, R. 39 and R.40.

8.2. Effectiveness: Immediate Outcome 2 (*International Cooperation*)

8.2.1. *Providing constructive mutual legal assistance and extradition*

380. International cooperation in Chad is based on international (the Vienna Convention, the Palermo Convention, the International Convention for the Suppression of the Financing of Terrorism, and the United Nations Convention Against Corruption), regional (agreements concluded within the framework of ECCAS and CEMAC), tripartite (the Chad-Mali-Niger Judicial Cooperation Agreement), bilateral (Judicial Cooperation Agreement with the State of Qatar) and other (Libya, Niger, Sudan and Chad Border Protection Agreement) conventions directly or indirectly related to the fight against ML and TF to which the country is party. It can also be based on national laws, particularly the Criminal Procedure Code, for predicate offences, Law No. 003 /PR/2020 of 20 May 2020 on the suppression of acts of terrorism and Law No. 29/PR /2018 for ML and TF, as well as the CEMAC LBCFT Regulation. However, there is no active cooperation in the area of AML/CFT. The country did not provide any information indicating that it has received requests for mutual legal assistance or extradition in ML/TF matters during the assessment period (2017-2021). Within the framework of the prosecution of predicate offences, the country responded to a request for the extradition of a Sudanese citizen who was prosecuted and eventually convicted in Chad for acts committed in Sudan.

381. Requests for mutual legal assistance or extradition to establish ML/TF offences, or to implement or order provisional measures or confiscation, are made through diplomatic

channels. The same procedure is appropriate for requests relating to predicate offences. In urgent cases, requests may be transmitted directly to the competent enforcement authorities or through ICPO-INTERPOL.

382. The Directorate of International Cooperation and Organizations (Ministry of Foreign Affairs) receives requests for legal assistance and extradition from other countries. It arranges for them to be examined by the Directorate of Legal Affairs and Litigation and forwards them to the Ministry of Justice for processing through the Division of Treaties, Agreements and Mutual Legal Assistance. The request for collaboration is thus forwarded to the Agreements Division, a technical unit of the Ministry of Justice, which verifies its legality and immediately forwards it to the Public Prosecutor, through the Minister of Justice, for execution. However, the Agreements Division did not indicate that it follows up the processing of requests for cooperation sent to judicial authorities. Although the country indicated that it is able to respond adequately to requests for international cooperation, both from the Agreements Division of the Ministry of Justice and judicial authorities responsible for executing requests for cooperation, the mission did not obtain clear information on the prioritization, management and follow-up, as well as the timeframe for processing requests, in order to assess the relevance and timeliness of the country's response to requests from requesting countries.

383. Requests for mutual legal assistance and extradition are treated in strict confidence. These requests are managed at every stage of the process by service heads themselves, who are bound by ethics and confidentiality rules.

8.2.2. Seeking timely legal assistance to pursue ML, associated predicates and TF cases with transnational elements

384. Requests for mutual legal assistance and extradition are addressed to foreign counterparts through the Ministry of External Relations. In emergency situations, the latter may directly contact their foreign counterparts, while subsequently ensuring that such contact is regularized through ordinary procedure.

385. Chad has not requested mutual legal assistance or extradition for ML/TF.

386. The country has requested extradition for the prosecution of predicate offences, including fraud, forgery and the use of forgeries and breach of trust. From 2019 to 2021, four (4) arrest warrants issued by the country led to the extradition from Cameroon, Nigeria, Kenya and Niger to Chad of the persons prosecuted. The data provided by the country in this regard is as follows:

Table 8.1. Extraditions made through international police cooperation in the execution of arrest warrants from 2019 to 2021

<u>Extradition date</u>	<u>Offence</u>	<u>Country</u>	<u>Outcome</u>
May 2019 Arrest warrant No. 006/MJDH/CA/NDJ/2019 of 19 April 2019	Fraud and forgery and use of forgeries (real estate value fraud: sale of land with forged documents)	Cameroon	
June 2020 Arrest warrant No. 010/MJDH/CA/NDJ/2020 of 19 March 2020	Breach of trust (amounting to 1,000,000,000 CFA francs)	Nigeria	
2021 Arrest Warrant No. 005/MJDH/CA/NDJ/2021 of 03 March 2021	Breach of trust amounting to 1.4 million US dollars	Kenya	
05 May 2022 Arrest Warrant No. 012/MJDH/CA/NDJ/PG/21 of 14 September 2021	Breach of trust amounting to 530,000,000 CFA francs	Niger	

387. Overall, Chad has received a number of responses to requests made to foreign counterparts. However, although the perpetrators of the offences prosecuted have been extradited, the country has not indicated what action has been taken on such proceedings.

388. The Chadian authorities also indicated that they had requested and obtained three (3) other extraditions from Niger through Interpol. However, the relevant data was not provided.

389. Regarding mutual legal assistance, in April 2020, Chad transmitted to Sudan a letter rogatory for the purpose of hearing a person prosecuted for the theft of precious metals. However, no response has yet been received to this request for cooperation.

390. In addition, Chad has received from France, for information, eight (8) sentences passed on Chadian nationals residing on French territory

8.2.3. Seeking other forms of international cooperation for AML/CFT purposes

391. At community level, ANIF is a member of the CEMAC Conference of ANIFs (CCN) and at international level, a member of the Egmont Group. Similarly, it has signed four (4) cooperation agreements with the FIUs of Togo, Senegal, Benin and Germany, respectively. Thus, it shares information with its foreign counterparts. From 2017 to 2022, ANIF reported having requested 11 information requests from its foreign counterparts. These include the FIUs of Cameroon, Côte d'Ivoire, France, Canada, South Africa and Germany.

392. The statistics produced by ANIF are as follows:

Table 8.2. Requests for information from other FIUs and responses (2017–2022 period)

YEAR	2017	2018	2019	2020	2021	2022
COUNTRY		<i>Germany Cote d'Ivoire Cameroon</i>	<i>France Canada South Africa Other</i>			
NUMBER	<i>0</i>	<i>Germany 1 Cote d'Ivoire 1 Cameroon 1</i>	<i>France 1 Canada 1 South Africa 1 Other 4</i>	<i>0</i>	<i>0</i>	<i>1</i>
RESPONSES		<i>1</i>				

393. Based on the analysis of the table above, the evaluation mission concluded that ANIF received only one response to the 11 requests for information addressed to counterpart FIUs. There has been no explanation for this situation, which may indicate lack of information sharing between itself and its foreign counterparts, nor has there been any mention of possible efforts by the latter to revive the situation.

Similarly, it was not possible to assess the quality or speed of the response obtained. Moreover, there was no information requested by ANIF for three (3) years, notably in 2017, 2020 and 2021.

394. The investigation authorities and structures (the Coordination of the Judicial Police, the National Gendarmerie, the Central Drug Control and Counterterrorism Office), the NCB-Interpol can obtain information from their foreign counterparts as part of their missions. On this basis, the Judicial Police Directorate reported that police to police handovers took place between Cameroon and Chad. Thus, five (5) persons prosecuted and located in Cameroon for predicate offences were handed over to the Chadian authorities.

395. Chadian Customs is a member of the WCO. As such, it shares intelligence with its foreign counterparts. It also carries out joint actions and information sharing with CEMAC Customs through the Liaison and Intelligence Office. In the same context, it signed a cooperation agreement with Cameroon. However, no tangible cases in which cooperation could be requested were made available to the assessors.

396. The Tax Administration shares information with foreign counterparts through the OECD, CRENAF, Inspection without Borders and ATAF. These channels allow it to request information from its foreign counterparts when necessary for the performance of its duties. However, no tangible cases in which cooperation was requested were made available to the assessors.

397. COBAC has signed cooperation agreements for information sharing with its foreign counterparts. It has carried out joint actions as part of the College of Supervisors for the effective supervision of cross-border banking groups.

398. COSUMAF has signed cooperation agreements for information sharing with the Moroccan Financial Market Authority and the WAEMU Regional Council for Public Savings and Financial Markets. In addition, it is a member of the Francophone Institute of Financial Regulators and of the International Organization of Securities Commissions (IOSCO), which sets international standards for financial regulators. It can therefore carry out joint actions on the basis of the said agreements and request information as part of its missions. However, no data underpinning the requested cooperation has been provided.

8.2.4. Providing other forms of international cooperation for AML/CFT purposes

399. Throughout the year 2019, ANIF received 3 requests for information from CENTIF Benin, one from FIU Germany and one from FINCEN USA, but has not indicated what response was provided to these requests. It reported its recent temporary disconnection from the Egmont Group website due to changes in the management team. The reason for this is that each change of this nature leads to a temporary suspension of FIU access to the databases in order to prevent any possible information intrusion by the outgoing team. This situation is currently being resolved by the Egmont Group's IT department, which is responsible for granting ANIF a new access code. Nevertheless, ANIF participates in the various Egmont Group meetings⁸.

400. In addition, ANIF declared that it is able to ask reporting entities to provide documents relating to the identification of customers, beneficial owners, the special monitoring of certain transactions, as well as documents relating to transactions carried out by regular or occasional customers on behalf of its foreign counterparts. However, no cases relating to this prerogative have been made available to the assessors.

401. Investigation authorities share information with their foreign counterparts. Through the police-to-police handover mechanism, the Judicial Police Directorate indicated that three (3) offenders prosecuted by the Cameroonian authorities and located in Chad have been handed over. With regard to the fight against drugs, the Central Drug Control and

⁸ During the 13-14 October 2022 face-to-face meeting, it was noted that Chad's ANIF has been reconnected to the Egmont Group website since 16 August 2022. It can thus communicate with its counterpart FIUs via this channel once more.

Counterterrorism Office collaborates with the investigation structures of Sudan, Libya, Niger and Cameroon through the relevant authorities. Cases in which assistance was provided to counterparts were not reported.

402. The customs and tax authorities cooperate with their foreign counterparts. In this regard, they not only carry out joint actions, but also provide, upon request, information to assist their counterparts in their missions. However, neither the customs nor tax authorities have provided any data on this subject.

403. COSUMAF can provide information to foreign regulators on the basis of the cooperation agreements it has signed, but also in its capacity as a member of regional and international financial control bodies. It can also be called upon to assist in a supervisory mission carried out by a counterpart. Accordingly, it was able to carry out a joint investigation and control mission for educational purposes with the WAEMU. However, no mention was made of the AML/FT.

404. COBAC carries out several cooperation activities and experience sharing with its foreign counterparts (West African Monetary Union Banking Commission: WAMU-BC; Central Bank of the Republic of Guinea; Central Bank of Mauritania and Central Bank of West African States: CBWAS (BCEAO). Several meetings held annually by the College of Supervisors for the effective supervision of cross-border banking groups with subsidiaries in Chad have discussed the theme AML/CFT. Among the weaknesses identified in the statements of conclusions are the non-appropriation of AML/CFT procedures by the boards of directors, the unavailability of compliance risk maps, the non-compliance with AML/CFT procedures by the sub-agents of fast money transfer, etc. COBAC has cooperation agreements with the following regulators: the Prudential Control and Resolution Authority, the Banking Commission of the West African Monetary Union (WAEMU), the Bank Al-Maghrib (BAM) of the Kingdom of Morocco, the Central Bank of Sao Tome and Principe (CBSTP), the Central Bank of Congo and the Central Bank of Nigeria. Apart from the cooperation with the College of Supervisors, COBAC did not mention having provided information on the basis of these agreements.

8.2.5. International exchange of basic and beneficial ownership information of legal persons and arrangements

405. The Trade and Personal Property Credit Register (RCCM) contains all basic information related to the creation and life of commercial legal persons. It consists of local registers and the national file, which populates the regional file kept at the Common Court of Justice and Arbitration (CCJA). Thus, information on all legal persons created in the country is accessible upon request to the registrar of the competent commercial court, who indicated that responses can be obtained within 48 hours. Each registry ensures the digital preservation of information by means of scanning. The RCCM does not offer interconnection between databases. However, information sharing with foreign counterparts is ensured through a request to the relevant national authority.

406. Furthermore, the lack of a mechanism for collecting information and identifying beneficial owners in the process of setting up businesses in Chad makes it difficult for ANIE (Chad National Agency for Investments and Exports) to share information with its foreign counterparts on this issue.

Overall Conclusion on IO 2

Chad has not provided or requested mutual legal assistance or extradition for ML/TF. However, it has provided and requested extradition and mutual legal assistance to prosecute domestic cases relating to predicate offences. ANIF cooperates with its counterparts, but to a very lesser extent. Other competent authorities and supervisory authorities, such as COBAC and COSUMAF, cooperate with their foreign counterparts, but data on this cooperation are not systematically stored for several of them. Statistics on international judicial cooperation are neither collected nor processed adequately, just as there is no mechanism for collecting information and identifying the beneficial owners of legal persons. This, in the latter case, severely limits the country's ability to provide effective assistance to requesting countries.

Chad is rated as having a low level of effectiveness for OI 2.

ANNEX ON TECHNICAL COMPLIANCE

INTRODUCTION

This annex provides a detailed analysis of the level of compliance of the Republic of Chad with the 40 FATF Recommendations. It does not describe the country situation or risks, but focuses on the analysis of the technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report (MER).

Where FATF obligations and national laws or regulations have remained unchanged, this report refers to the analysis carried out as part of the previous mutual evaluation conducted in May 2014. The report can be consulted on the following website: www.spagabac.org

Since the last mutual evaluation, Chad's AML/CFT system has recorded significant legal and institutional improvements that have contributed to correcting the shortcomings identified, in particular through the adoption of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and terrorist financing and proliferation in Central Africa, which incorporated the new obligations stemming from the revised FATF Recommendations in 2012.

Recommendation 1: Assessing risks and applying a risk-based approach

This Recommendation introduced new obligations that had not been assessed during Chad's previous mutual evaluation.

Country obligations and decisions

Risk assessment

Criterion 1.1: Chad has not yet conducted an assessment of its ML/TF risks.

Criterion 1.2: Chad has established a commission in charge of conducting the NRA by Order No. 099/PCMT/PMT/MFB/ANIF/2021 of 15 October 2021 revising the commission in charge of conducting the NRA.

Criterion 1.3: Chad has not yet updated its risk assessments nor determined the periodicity of such update.

Criterion 1.4: In the absence of an NRA, Chad has not yet put in place mechanisms to disseminate the findings of the National Risk Assessment to reach all actors involved in AML/CFT.

Risk Mitigation Measures

Criterion 1.5: Chad has not yet applied the risk-based approach as no ML/TF risks have been specifically studied and identified.

Criterion 1.6: financial institutions or DNFBPs implement AML/CFT measures related to the FATF Recommendations. No exemption from the FATF Recommendations applies to the country.

Criterion 1.7: Articles 56 to 59 of the CEMAC Regulation require reporting entities to take enhanced due diligence measures in certain circumstances, in particular in cross-border banking correspondence or when the ML/TF risk presented by a customer, a product or a transaction is high. However, in the absence of the NRA, Chad's AML/CFT system does not have a mechanism for addressing higher risks including:

- a) requiring FIs and DNFBPs to take enhanced measures to manage and mitigate risks, or
- b) requiring FIs and DNFBPs to ensure that such information is included in their risk assessments.

Criterion 1.8: With regard to the provisions of Articles 52 to 55 of the CEMAC Regulation, financial institutions and DNFBPs may take simplified measures provided that a low risk has been identified. However, there is no explicit requirement that the identified low risk be consistent with the country's ML/TF risk assessment

Criterion 1.9: Article 12 (4) of the CEMAC Regulation compels supervisory authorities and self-regulatory bodies to ensure that FIs and DNFBPs implement mechanisms to identify, assess and understand the ML/TF risks to which their sector of activity is exposed pursuant to Recommendation 1. However, DNFBPs do not have a designated supervisory authority to ensure that they comply with their AML/CFT obligations; Similarly, SROs do not have powers of control in this regard.

Obligations and decisions for financial institutions and designated non-financial businesses and professions

Risk assessment

Criterion 1.10: FIs and DNFBPs shall take appropriate measures to identify and assess their ML/TF risks in accordance with Article 14 of the CEMAC Regulation. They are required to:

- a) document their risk assessments (paragraph 2);
- b) consider all relevant risk factors (customers, countries or geographies, products, services, transactions or distribution channels) and apply appropriate mitigation measures (paragraph 3);
- c) update assessments (paragraph 2);
- d) disclose information on their risk assessment to the competent authorities and self-regulation bodies (paragraph 2).

Risk mitigation measures

Criterion 1.11: Pursuant to the provisions of Article 14 of the CEMAC Regulation, FIs and DNFBPs are required to:

- a) have senior management-approved policies, controls and procedures that enable them to manage and mitigate risks identified (either by the country, the financial institution, the designated non-financial business or profession);
- b) monitor the implementation of these controls and enhance them where necessary; and

- c) where higher risks are identified, take enhanced measures to manage and mitigate them.

These obligations are also contained in Articles 10, 11, 12 and 14 the COBAC Regulation 2016/04 on the internal control of credit institutions and financial holding companies.

Criterion 1.12: Pursuant to Articles 52 to 55 of the CEMAC Regulation, DNFBPs and FIs in Chad shall implement this criterion. However, the loopholes referred to in c.1.9 relating to the absence of a supervisory authority for DNFBPs impacts on the compliance of this criterion.

Weighting and conclusion

Chad has not yet conducted a ML/TF Risk Assessment and does not yet apply a risk-based approach in AML/CFT policies. Mechanisms for disseminating and updating NRA findings are not in place. There is no designated authority to monitor DNFBPs' compliance with their AML/CFT obligations and existing SROs have no AML/CFT responsibilities.

Chad is rated as non-compliant with Recommendation 1.

Recommendation 2: National cooperation and coordination

During Chad's 2014 mutual evaluation, this Recommendation (former 32) on national coordination was rated NC on the grounds that there was a lack of coordination at national level of AML/CFT actors.

Criterion 2.1: Chad does not yet have national AML/CFT policies.

Criterion 2.2: the provisions of Article 13 of the CEMAC Regulation require States to designate an authority responsible for coordinating the national response to risks identified. However, Chad has not yet designated an authority responsible for coordinating national AML/CFT policies and does not have any mechanism for coordinating such policies.

Criterion 2.3: Chad has no coordination and cooperation mechanism for the development and implementation of AML/CFT policies and activities at the national level.

Criterion 2.4: The competent Chadian authorities have no cooperation and/or coordination mechanism to combat proliferation financing.

Criterion 2.5: There is no framework for cooperation and/or coordination between competent authorities to ensure compatibility of AML/CFT requirements with data protection and privacy measures and other similar provisions.

Weighting and conclusion

No criteria are met.

Chad is rated as non-compliant with Recommendation 2.

Recommendation 3: Money laundering offence

During the 2014 mutual evaluation of the first cycle, Chad was rated PC on the former R.1, which dealt with the offence of money laundering, on the grounds that terrorism, stock market

crimes, migrant smuggling, human trafficking were not money laundering predicate offences. After this assessment, Chad improved its legal framework by adopting the new CEMAC Regulation, the Law on Combating Money Laundering and the Financing of Terrorism and Proliferation and a new Penal Code.

Criterion 3.1: In Chad, the fight against money laundering and the financing of terrorism and proliferation is regulated by three texts: the CEMAC Regulation, Law No. 29/PR/2018 on the fight against money laundering and the financing of terrorism and proliferation, and the Criminal Procedure Code. The criminalization of money-laundering (Art. 8 of the CEMAC Regulation, Section 2 of the Law on the fight against money laundering, and Section 228 of the Criminal Procedure Code) complies with the relevant provisions of the Vienna and Palermo Conventions. The material elements of this offence are conversion, transfer or manipulation, concealment or disguise, acquisition, possession or use.

Criterion 3.2: Article 1 (20) of the CEMAC Regulation establishes a wide range of predicate offences as provided for by the Vienna and Palermo Conventions.

These predicate offences are provided for and punished by the Chadian Criminal Procedure Code, in particular human trafficking (Sections 327 and 328), migrants smuggling (Sections 329–331), organs trafficking (Sections 427 et seq.), corruption (Sections 192 et seq.), insider trading (Section 224), and market manipulation (Section 215 et seq.).

Criterion 3.3: In Chad, money laundering applies to proceeds generated by any criminal activity.

Criterion 3.4: Money laundering in Article 1 (18) of the CEMAC Regulation includes any kind of tangible or intangible, movable or immovable assets, as well as legal documents and instruments in any form whatsoever. Section 5 (2) of No. 29/PR/2018 on the fight against money laundering specifies that the property also includes documents and legal instruments of any form, including electronic or digital, attesting to the ownership of these assets or the rights relating thereto. This includes property which is the direct or indirect proceeds of crime, regardless of its value.

Criterion 3.5: The CEMAC Regulation does not require the original offender to be prosecuted or convicted. Punishment applies even when a condition is lacking for legal action to be taken following the said offence. (Art. 120).

Criterion 3.6: According to Article 8 (2) of the CEMAC Regulation, money laundering shall include activities carried out in the territory of another Member State or of a third State, even if these activities are at the origin of the property to be laundered. Similarly, Section 10 of the Chadian Criminal Procedure Code provides that criminal law is applicable to money laundering offences committed abroad.

Criterion 3.7: According to the provisions of Article 120 of the CEMAC Regulation, the perpetrator of the predicate offence may also be prosecuted for the offence of money laundering.

Criterion 3.8: Article 8 (3) of the CEMAC Regulation provides that the intentional element may be inferred from objective factual circumstances. Similarly, Section 2 (4) of Law No. 29/PR/2018 on anti-money laundering provides that the knowledge, intent or motivation necessary as elements of the offence may be inferred from the objective circumstances.

Criterion 3.9: Both the CEMAC Regulation (Art. 114) and the Chadian Penal Code (Section 228) sentence the individual money launderer to 5 to 10 years' imprisonment, which makes them serious offences by national standards.

Fines, on the other hand, have different thresholds. While the CEMAC Regulation sets them at 10 times the amount of the sums involved, but not less than ten (10) million francs, the Chadian Penal Code limits them to three times the value of the goods involved, which in no way affects the dissuasive nature of the applicable penalties.

Criterion 3.10: Legal persons found guilty of ML may be fined at a rate equal to five times the penalties incurred by natural persons, in addition to supplementary penalties that go as far as the closure of the company that was used to commit the incriminated acts (Article 126 of the CEMAC Regulation)

Section 231 of the Chadian Penal Code provides for a fine equal to twice the penalties incurred by natural persons but not less than one million CFA francs (approximately 1,524 euros), in both cases the prosecution of legal persons is well provided for.

Criterion 3.11: Attempt, complicity and co-action, participation, association and agreement, aiding and abetting are provided for in Articles 114 and 115 of the CEMAC Regulation.

Attempt (Section 78), co-action and complicity (Section 79) are considered by the Chadian Penal Code as the crime or offence itself. It is rather disturbing that Article 230 of the Chadian Penal Code punishes conspiracy or participation in an association to commit money laundering with a prison sentence of 3 to 7 years, which is less than that of the principal offender (5 to 10 years), which in no way alters possible prosecutions and convictions.

Weighting and conclusion

Both the CEMAC Regulation and the Chadian Penal Code criminalize money laundering and punish the perpetrators according to the criteria defined by the FATF recommendations and international conventions. However, the coexistence of these two texts, which are complementary at times, presents contradictions in terms of the prison sentences and fines applicable, without challenging their dissuasive nature.

Chad is rated compliant with Recommendation 3.

Recommendation 4: Confiscation and provisional measures

Chad's AML/CFT system was deemed PC during the 2014 assessment with regard to confiscation requirements and temporary measures due to the impossibility of confiscating property of equivalent value to the proceeds or instrumentalities of crime, and the non-implementation of the CEMAC Regulation. Since then, Chad has improved its legal

confiscation system with the adoption of the new CEMAC Regulation in 2016 which provides for the confiscation of property of equivalent value.

Criterion 4.1: The legal system in force in Chad allows for the confiscation of the following property, whether or not they are owned by defendants in criminal proceedings or by third parties:

- (a) laundered goods (Section 35 of Law No. 35/PR/2018 on the fight against ML/TF and proliferation);
- (b) proceeds from the offence (income or other benefits derived therefrom) or the instruments used or intended to be used for money laundering or predicate offences (Art. 130 of the CEMAC Regulation);
- (c) property that make up the proceeds of, used for, or intended to be used for or allocated to the financing of terrorism, terrorist acts or terrorist organizations (Art. 131 of the CEMAC Regulation);
- (d) property of corresponding value (Art. 131 subparagraph 4).

These provisions are supplemented by the more general provisions of Section 35 of the Criminal Procedure Code, which provides for the confiscation of certain property as an additional penalty.

However, the confiscation of laundered property (a) provided for in Section 35 of the Chadian AML/CFT law is limited to terrorist persons, entities or organizations designated by the UNSC acting under Chapter VII of the Charter of the United Nations, by the Ministerial Committee or CEMAC Member States under Resolution 1373. Similarly, the confiscation of property of equivalent value (d) in the case of ML is limited to the property legitimately acquired by the convicted person to which the proceeds of the offence are added, as well as to income and other benefits derived from such proceeds.

Criterion 4.2: Referring to the Chadian legal framework, investigation authorities have necessary powers that can be implemented in the context of confiscations.

(a) – The general provisions of the Chadian Criminal Procedure Code on the investigation powers of judicial police officers (Sections 237 and 265–280) enable the latter to identify, track and assess property for confiscation purposes. Specifically, Article 98 of the CEMAC Regulation lists a range of investigative techniques that can be used, by decision of the judicial authority, for the purpose of obtaining evidence of ML/TF and proliferation and location of proceeds of crime.

(b) – The provisions of Articles 104 and 105 of the CEMAC Regulation which provide for the implementation of precautionary measures for the seizure and freezing of funds and property in relation to ML/TF and proliferation offences state that: ‘these precautionary measures are authorized in order to preserve the availability of funds, property and instruments subject to confiscation’. They shall be implemented without prior notification. Section 34 of Law No. 29/PR/2018 of 28 November 2018 on AML/CFT and proliferation also states: *‘The judicial authority may take precautionary measures which shall include the seizure of funds and property related to the offence of money laundering and terrorist financing or proliferation,*

which is the subject of the investigation and all elements likely to identify them, as well as the freezing of accounts and financial transactions relating to the said property. These precautionary measures shall be authorised in order to preserve the availability of funds, property and instruments that may be subject to confiscation’.

(c) The judicial authority may order various measures, such as the sequestration of property or the freezing of accounts, to prevent the concealment of property liable to be frozen, seized or confiscated. In the same sense, Section 34 (3) of Law No. 29/PR/2018 of 28 November 2018 on AML/CFT and proliferation provides that: *‘Any deed for valuable consideration or free of charge inter vivos or mortis causa, the purpose of which is to exempt property from confiscation measures, is null and void’.*

(d) The Chadian Criminal Procedure Code endows the competent authorities with full powers to take all appropriate investigative measures for confiscation purposes.

However, with regard to TF, no authority has been designated to implement the administrative freezing measures and to prevent or cancel actions that compromise the country’s ability to freeze terrorist funds.

Criterion 4.3: The provisions of Articles 110, 112 and 131 (5) (CEMAC Regulation), and 36 (5) (Law No. 29/PR/2018 of 22 November 2018 on AML/CFT and proliferation) establish administrative and judicial appeal mechanisms that guarantee the protection of the rights of bona fide third parties.

Criterion 4.4: Frozen and seized property is managed by the court registries and confiscated movable and immovable property is handed over to the Public Lands Administration and the funds confiscated to the Treasury. Section 36 (4) (Law No. 29/PR/2018 of 22 November 2018 on AML/CFT and proliferation) provides that seized or confiscated assets shall be deposited in a deposit and consignment account and administered by a public agency under the joint supervision of the Ministry of Justice and the Ministry of Finance. However, neither the deposit and consignment account nor the public agency have been created.

Weighting and conclusion

The 2016 CEMAC Regulation corrected the most serious existing shortcomings relating to precautionary measures and confiscation of ML/TF-related products and instruments. However, there are still loopholes concerning the confiscation of laundered property and property of equivalent value in the case of ML. There is no authority to apply administrative freezing measures in relation to TF. In addition, the deposit and consignment account and the public agency for the management and disposal of frozen, seized and confiscated property are not yet in place.

Chad is rated as Partially Compliant with Recommendation 4.

Recommendation 5: Terrorist financing offence

Chad was rated NC with the obligations laid down by the SR in the 2014 evaluation. It deals with the criminalization of terrorist financing. Chad was criticised for not criminalizing the financing of a terrorist organization, the financing of terrorist acts and a terrorist, not holding legal persons criminally liable for terrorist financing, and not implementing the CEMAC

Regulation. Furthermore, Chad was not a party to the Convention on Terrorist Financing, as its accession process to the Convention was ongoing at the time of its last assessment.

To remedy this, Chad adopted the CEMAC Regulation of 11 April 2016; the Law on the Suppression of Terrorist Acts.

Criterion 5.1: The terrorist financing offence is penalized under Article 9 of Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa, in accordance with the provisions of Article 2 of the International Convention for the Suppression of the Financing of Terrorism. Article 9 provides that the financing of terrorism is the act of any natural or legal person who, by any means whatsoever, directly or indirectly, illicitly and deliberately, provides or collects funds with the intention of having them used, or knowing that they will be used in whole or in part, for the commission of one or more terrorist acts by a terrorist organization, a terrorist or a terrorist group, or for the purpose of providing support to a terrorist or a terrorist group. In addition, Law No. 003/PR/2020 of 20 May 2020 on the Suppression of acts of terrorism in the Republic of Chad criminalizes the financing of terrorism in its article 10.

Criterion 5.2: Article 9 of the CEMAC Regulation and Article 10 of Law No. 003/PR/2020 of 20 May 2020 on the Suppression of terrorist acts in the Republic of Chad provides that the offence of terrorist financing applies to any natural person who, by any means, directly or indirectly, illicitly and deliberately, provides or collects funds with the intention of having them used, or knowing that they will be used in whole or in part, either:

- a) for the commission of one or more terrorist acts;
- b) by a terrorist organization or by a terrorist, including support for a terrorist or a terrorist group, even in the absence of a link to one or more specific terrorist acts.

However, the CEMAC Regulation does not cover the collection or supply of other goods.

Criterion 5.2 a: The financing of travel by persons to a State other than their State of residence or nationality for the purpose of committing, organizing, planning or participating in terrorist acts or for the purpose of providing or receiving training in terrorism is not an offence in Chad.

Criterion 5.3: Although Article 9 of the CEMAC Regulation states that terrorist financing offences apply to all funds, whether of lawful or unlawful origin, and does not explicitly specify other property, Article 10 of Law No. 003/PR/2020 of 20 May 2020 on the suppression of terrorist acts in the Republic of Chad alludes to ‘values or property’, without however extending it to other property, hence the impact of the shortcoming in C.5.2 on the compliance of this criterion.

Criterion 5.4: The Chadian legal corpus establishes the offence of terrorist financing:

- a) even if the funds were not used to commit or attempt to commit the offence (Article 9 of the CEMAC Regulation and Section 10 of Law No. 003/PR/2020 of 20 May 2020);
- b) even if the funds are not linked to one or more specific terrorist acts (Section 10 of Law No. 003/PR/2020 of 20 May 2020).

The shortcoming identified in c.5.2 has a negative impact on this criterion.

Criterion 5.5: In accordance with the last paragraph of Article 9 of the CEMAC Regulation, the criminal intent required to establish proof of TF offence is inferred from objective factual circumstances.

Criterion 5.6: Sections 121 to 125 of the CEMAC Regulation provides criminal sanctions applicable to the financing of terrorism. It states that natural persons found guilty of a terrorist financing offence are punished with a prison term of from ten (10) to twenty (20) years and a fine equal to at least five times the value of the property or funds involved in the terrorist financing transactions (Article 121). In the case of aggravating circumstances, these penalties are doubled (Article 122). Natural persons found guilty of terrorist financing offences may be subject to additional penalties (Article 124), and are not entitled to the provisions of the National Act on Suspension and Amnesty Measures (Article 125). Similarly, Section 10 of Law No. 003/PR/2020 of 20 May 2020 punishes with life imprisonment any natural person found guilty of the offence of terrorist financing. The penalties provided for shall be effective, proportionate and dissuasive.

Criterion 5.7: Article 127 of the CEMAC Regulation provides for penalties for legal persons found guilty of terrorist financing. This article states that ‘legal persons on whose behalf or for the benefit of whom a terrorist financing offence has been committed by one of their bodies or representatives shall be punished with a fine equal to five times the fines imposed on natural persons, without prejudice to the sentencing of the natural persons found guilty as principal offenders or accomplices. Legal persons may also be sentenced to one or more of the following penalties:

- a) definitive ban from public contracts or for a period of ten (10) years;
- b) confiscation of property used or intended to be used in the commission of the offence or property derived therefrom or property of equivalent value;
- c) placement under judicial supervision for a period of up to five (5) years;
- d) definitive ban or for a period not exceeding 10 (ten) years, from directly or indirectly exercising one or more professional or social activities in the course of which the offence was committed;
- e) permanent closure or for a period of ten (10) years at most of the establishments or one of the establishments of the company used to commit the criminal acts;
- f) dissolution where the legal persons were created for committing the offense;’

According to the provisions of Section 24 of Law No. 003/PR/2020 of 20 May 2020, the legal person convicted of the offence of terrorist financing is punished with a fine of fifty million (50,000,000) CFA francs to five hundred million (500,000,000) CFA francs.

The penalties provided for shall be effective, proportionate and dissuasive.

Criterion 5. 8: Chad also criminalizes the following as terrorist financing:

- a) attempt to commit a terrorist financing offence (Article 121 of the CEMAC Regulation, Section 25 of Law No. 003/PR/2020 of 20 May 2020);

- b) participation as an accomplice in the commission of an offence, or in an attempted commission of a TF offence (Articles 9 and 121 of the CEMAC Regulation, Section 25 of Law No. 003/PR/2020 of 20 May 2020);
- c) organize the commission, or instruct others to commit, an offence or attempt to commit an offence of terrorist financing (Articles 9 and 121 of the CEMAC Regulation, Section 25 of Law No. 003/PR/2020 of 20 May 2020);
- d) contribution to the commission of one or more offences, or attempted commission of terrorist financing offences by a group of persons acting in concert (Articles 9 and 121 of the CEMAC Regulation, Section 25 of Law No. 003/PR/2020 of 20 May 2020).

Criterion 5.9: According to Article 1 (20) of the CEMAC Regulation, financing of terrorism constitutes is one of the ML predicate offences.

Criterion 5.10: According to the provisions of Article 9 of the CEMAC Regulation, the offence of terrorist financing is established and the criminal penalty imposed even if the perpetrators of terrorist financing acts reside in a territory different from that of the perpetrators of terrorist acts. Section 10 of Law No. 003/PR/2020 of 20 May 2020 specifies that the offence of terrorist financing is established even if the goods were collected or the services were offered on the territory of another State.

Weighting and conclusion

Chad has fulfilled the main criteria relating to the recommendation on the criminalization of terrorist financing. However, the financing of the travel of persons who travel to a State other than their State of residence or nationality is not criminalized in Chad, nor is the suppression of TF by ‘other property’ covered by Chadian legislation.

Chad is rated as Largely Compliant with Recommendation 5.

Recommendation 6: Targeted financial sanctions for terrorism and terrorist financing

Chad was rated NC on this Recommendation (formerly SR III) during its 2014 assessment. This rating was justified by the confusion in the regional mechanism for freezing funds under Resolutions 1267 and 1373, the absence of national regulations for the implementation of the obligations relating to Resolutions 1267 and 1373, the absence of mechanisms for considering lists submitted by third party States under Resolution 1373 and the absence of confiscating property of equivalent value.

With the adoption of the CEMAC Regulation on 11 April 2016, some of these shortcomings have been relatively corrected.

Identifying and designating

Criterion 6.1: With regard to designations under the sanctions regimes relating to United Nations Security Council Resolutions 1267/1989 (Al Qaeda) and 1988 (hereinafter “UN

sanctions regimes”), Chad has not put in place mechanisms to cover the requirements stipulated in points (a), (b), (c), (d) and (e) of this criterion.

Criterion 6.2: With regard to the UNSCR 1373 designations, Chad has not taken any steps to fulfil the requirements of points (a), (b), (c), (d) and (e) of this criterion.

Criterion 6.3: Chad has not designated competent authorities with the powers, procedures or legal mechanisms to:

- a) collect or solicit information to identify persons and entities who meet the designation criteria, on the basis of reasonable grounds, or for which there is a reasonable basis to suspect or believe that they meet the criteria; and
- b) to intervene *ex parte* against an identified person or entity whose designation (or proposed designation) is being examined.

Freezing

Criterion 6.4: Article 105 of the CEMAC Regulation provides that financial institutions and any other person or entity holding funds which are subject to a freezing order shall be frozen immediately upon notification of the order until otherwise decided by the United Nations Security Council or by another decision taken under the same procedure or by a competent authority. Nevertheless, Chad has not designated competent authorities to order the freezing measures.

Criterion 6.5: Article 105 of the CEMAC Regulation applicable to Chad establishes the legal framework for the implementation of targeted financial sanctions in accordance with the following procedures and measures:

- (a) the financial institutions and any other person or entity holding the funds subject to a freezing order shall be frozen immediately upon notification of the order until otherwise decided by the United Nations Security Council or by another decision taken under the same procedure or by a competent judicial authority. However, it is not specified that these measures must be implemented ‘without delay and without prior notification’;
- (b) the freezing referred to in Article 105 concerns funds and other property owned or controlled by the designated person or entity and not only those likely to be linked to a particular terrorist act, conspiracy or threat. Funds and other property wholly or jointly owned or controlled, directly or indirectly by the designated persons or entities; funds and other property derived from or generated by funds and other property owned or controlled, directly or indirectly by the designated persons and entities; and funds and other property of persons and entities acting on behalf of or on the instructions of the designated persons or entities are not taken into account by the CEMAC Regulation;
- (c) Prohibition for reporting entities to directly or indirectly make frozen funds available to natural or legal persons, designated entities or bodies, or to use such funds for their benefit; to provide or continue to provide services to natural or legal persons, entities or designated bodies or to use such funds for their benefit. However, such prohibition is limited to reporting entities and does not apply to all nationals or any other person

or entity in the territory. It does not also extend to economic resources or financial and other related services, in whole or in combination; or to entities owned or controlled directly or indirectly by designated persons or entities; and to persons and entities acting on behalf of or on the instructions of designated persons or entities, unless otherwise licensed, authorized or notified, in accordance with applicable United Nations Security Council Resolutions.

- (d) the existence of a mechanism to communicate designations to the financial sector, to non-designated financial undertakings and professions as soon as such measures are taken, and to provide clear instructions, in particular to financial institutions and other persons and entities, including non-designated financial undertakings and professions, that may hold funds and other assets, as to their freezing mechanisms obligations is not indicated.
- (e) Pursuant to the provisions of Article 105 of the CEMAC Regulation, financial institutions and other reporting entities shall immediately notify ANIF of the existence of funds derived from money laundering or linked to terrorists, terrorist organizations or persons or organizations associated with them, in accordance with the decisions of the Ministerial Committee or of the Ministers of Finance of Member States relating to the list of persons, entities or bodies affected by the freezing of funds and other financial resources, in particular the list established and updated by the United Nations Security Council. However, the obligation to report attempted transactions is not included in the Regulation.
- (f) There is no provision to ensure the protection of bona fide third parties in fulfilment of the obligations laid down by R.6.

However, Chad has not designated the competent national authorities responsible for the implementation and enforcement of the targeted financial sanctions.

Delisting, unfreezing and providing access to frozen funds and other assets

Criterion 6.6: Chad has not yet developed and implemented publicly known procedures for delisting and unfreezing the funds and other property of persons and entities who do not or no longer meet the designation criteria in order to comply with sub-criteria (a), (c), (d), (e) and (g) of this criterion. Nonetheless:

(b) – powers and procedures or mechanisms for delisting and releasing funds or other assets of persons and entities, designated under UNSCR 1373, who no longer meet the designation criteria are provided for. Article 112 of the CEMAC Regulation, organizes procedures or mechanisms to allow any natural or legal person who no longer meets the conditions and whose funds and other financial resources have been frozen, to file an appeal against such a decision within a period of one month from the publication of the decision in the Official Gazette or in a journal of legal announcements. The appeal shall be lodged with the competent authority, providing all objective elements capable of demonstrating the error;

(f) – for persons and entities whose funds have been inadvertently frozen, Article 112 (1) of the CEMAC Regulation provides that any natural or legal person whose funds and other financial resources have been frozen, and considers that the freezing decision is erroneous or

lacks legal basis, may appeal such decision within one month of publication in the Official Gazette. The appeal shall be lodged with the authority that ordered the freezing or, if the appeal is based on the lack of a legal basis, to the emergency judge with territorial jurisdiction.

However, the competent authority for administrative freezing has not been designated, which mimics the implementation of these procedures.

Criterion 6.7: Article 108 of the CEMAC Regulation states that the competent authority may authorise, under the conditions it deems appropriate, the person, body or entity that is the subject of the order, upon request, to receive a monthly sum of money fixed by the said authority. This sum is intended to cover, in the case of a natural person, the current expenses of the family home or, in the case of a natural person, expenses enabling them to pursue an activity compatible with the requirements of public order.

However, the competent authority has not yet been designated. Access to funds and other property is also not included when freezing measures are applied to persons and entities designated by a country or (supra) national jurisdiction pursuant to United Nations Security Council Resolution 1373.

Weighting and conclusion

Chad has not designated competent national authorities or established mechanisms for the implementation and enforcement of TFS-related measures.

Chad is rated as Not Compliant with Recommendation 6.

Recommendation 7: Targeted financial sanctions relating to proliferation

At the time of Chad's mutual evaluation in 2014, this Recommendation did not exist on the basis of the 40+9 FATF Recommendations. The Recommendation on Proliferation-Related Targeted Financial Sanctions were introduced following the revision of the FATF Recommendations in 2012.

Criterion 7.1: The provisions of Articles 10 and 127 of Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa referred to by Chad do not ensure the immediate implementation of proliferation-related TFS in accordance with the UNSCRs adopted under Chapter VII of the United Nations Charter relating to the prevention, suppression and disorganization of the proliferation of weapons of mass destruction and its financing. There is a lack of legislative and/or regulatory provisions related to proliferation-related TFS.

Criterion 7.2: Chad has neither designated competent national authorities responsible for enforcing and applying proliferation-related TFSs, nor laid down the powers of such authorities to implement the procedures and standards provided for in (a), (b), (c), (d), (e) and (f).

Criterion 7.3: Chad has not adopted any measures to monitor and ensure compliance by FIs, DNFBPs and VSAPs with applicable binding laws and means for enforcing obligations provided for in Recommendation 7.

Criterion 7.4: Chad is still to develop and implement publicly known procedures for submitting delisting requests to the Security Council in the case of designated persons and entities who, in the opinion of the country, do not or no longer meet the designation criteria.

Criterion 7.5: with respect to contracts, agreements or obligations that arose prior to the date the accounts were subject to targeted financial sanctions:

- (a) Article 107 of the CEMAC Regulation provides that “funds or other financial resources due under contracts, agreements or obligations entered into or arising prior to the entry into force of the procedures for freezing funds shall be drawn from frozen accounts. The income generated by the above-mentioned funds, instruments and resources, as well as accrued interest, shall be paid into the said accounts”.
- (b) no provision for freezing measures taken pursuant to Resolution 1737 and followed by Resolution 2231, or taken pursuant to Resolution 2231 that should not prevent a designated person or entity from making any payment due under a contract entered into prior to the listing of such person or entity, provided that: (i) the countries concerned have decided that the contract does shall not involve any of the prohibited items, materials, equipment, goods, technology, assistance, training, financial assistance, investments, brokering services and other services covered by Resolution 2231 or any subsequent resolution; (ii) the countries concerned have decided that the payment shall not be received directly or indirectly by a person or entity subject to the measures in paragraph 6 of Annex B to Resolution 2231; (iii) the countries concerned have notified the Security Council in advance of their intention to make or receive the payments or to authorise the release of funds, other financial assets and economic resources for such purposes, if appropriate, ten working days prior to such authorisation.

Weighting and conclusion

Apart from the control and supervision measures applicable to FIs in order to ensure compliance by them with the applicable binding laws and means for the implementation of the obligations regarding proliferation-related TFS and regulations regarding contracts, agreements or obligations established before a TFS measure to allow the addition to frozen accounts in accordance with UNSCR 1718 or 1737, Chad does not meet the requirements of the criteria of R.7.

Chad is rated as Non-Compliant with Recommendation 7.

Recommendation 8: Non-profit Organizations (NPOs)

During the evaluation of its anti-money laundering and anti-terrorist financing system in 2014, Chad was rated non-compliant. It was criticized for the inadequacy and non-compliance of the regulations with the SR VIII criteria, the absence of a mechanism for monitoring and controlling associations and lack of awareness-raising on the risks of misuse for terrorist

financing purposes, the lack of cooperation at the national level and the absence of a specific mechanism for non-profit organizations in Chad making financial transactions.

The revision of the CEMAC Regulation in 2016 made it possible to improve the legal framework in the fight against money laundering and the financing of terrorism and the proliferation of non-profit organizations in Chad.

Taking a risk-based approach

Criterion 8.1: Chad has not adopted any measures to meet the requirements of sub-criteria (a), (b), (c) and (d).

Sustained outreach concerning terrorist financing issues

Criterion 8.2:

- (a) Articles 44 to 46 of the CEMAC Regulation define the obligations of non-profit organizations. They concern supervision by the competent control bodies, supervision and control measures and the special duty of care with regard to non-profit organizations. This set of provisions is likely to promote the responsibility and integrity of non-profit organizations so as to increase public confidence in their management and operation. The provisions of Decree No. 1917/PR/MEPD/2018 of 24 December 2018 on the status of non-governmental organizations in the Republic of Chad (Articles 21 and 22) also contribute to the achievement of this objective;
- (b) Chad has not provided any relevant information to prove awareness-raising and education campaigns aimed at encouraging and deepening knowledge within non-profit organizations and the donor community on the potential vulnerabilities of non-profit organizations to misuse for the purposes of terrorist financing and the risks of terrorist financing, and on the measures that NPOs can take to protect themselves from such misuse;
- (c) Chad has not held working sessions with NPOs, as the country has not provided best practices to address terrorist financing risks and vulnerabilities, and thereby protect NPOs from misuse for terrorist financing purposes;
- (d) According to Article 46 of the CEMAC Regulations, non-profit organizations ‘shall deposit all money given to them by way of donation or in the context of the transactions they are required to carry out in a bank account opened in the books of an approved banking institution’.

(e) Targeted risk-based supervision or monitoring of NPOs

Criterion 8.3: Chad has not provided evidence of measures taken to promote the monitoring or control of non-profit organizations that may be exploited for terrorist financing purposes using a risk-based approach. Indeed, Article 44 of the CEMAC Regulation, which stipulates that ‘any non-profit organization that collects, receives, donates or transfers funds in the context of its philanthropic activity is subject to appropriate supervision by its competent control body’ does not provide for risk-based measures.

Criterion 8.4:

- (a) Chad has provided no procedures for the application of risk-based measures in monitoring the compliance of non-profit organizations with the requirements of this Recommendation; and
- (b) Article 46 of the CEMAC Regulation states that the competent authority may order the temporary suspension or dissolution of non-profit organizations that knowingly encourage, instigate, organize or commit of money laundering, terrorist financing and proliferation financing offences. Article 38 of Decree No.1917/PR/MEPD/2018 of 24 December 2018 on the status of non-governmental organizations in the Republic of Chad provides that ‘the non-governmental organization may be subject to a warning or suspension in the event of non-compliance with the provisions of this decree or the memorandum of cooperation agreement’.

Effective information gathering and investigation**Criterion 8.5:**

- (a) According to article 46 of the CEMAC Regulation, facts relating to the activities of non-profit organizations must be recorded in a register set up by the competent authority and which can be consulted by ANIF, the judicial authority, the judicial police officers responsible for a criminal investigation, upon request, or any authority responsible for controlling non-profit organizations, namely the Ministry in charge of Planning in Chad. However, there is no mechanism to ensure effective cooperation, coordination and information-sharing between all relevant authorities and organizations having relevant information on non-profit organizations;
- (b) By virtue of their general powers conferred on them to conduct investigations, investigative and prosecution authorities in Chad have the capacity to examine NPOs suspected of being used for the purposes of TF by terrorist organizations or to actively support terrorist activities or organizations;
- (c) Pursuant to Article 46 of the CEMAC Regulation, information on the administration and management of any non-profit organization (including financial and business information) may be obtained in the course of an investigation; and
- (d) Article 46 of the CEMAC Regulation states that any donation to a non-profit organization, regardless of the amount, shall also be declared to ANIF by the competent authority when the funds are likely to be related to a terrorist activity or terrorist financing. However, there are no appropriate mechanisms to ensure that preventive or investigative measures are taken to inform the competent authorities in a timely manner when a non-profit organization (1) is involved in a terrorist financing operation and/or is used as a front by a terrorist organization to raise funds; (2) is being used as a means of terrorist financing, including to avoid asset freezing measures, or as other forms of support for terrorism; or (3) conceals or obscures the

clandestine diversion of funds a priori intended for legitimate purposes but in fact used for the benefit of terrorists or terrorist organizations.

Effective capacity to respond to international requests about an NPO of concern

Criterion 8.6: Chad has not provided any information on the existence of focal points and appropriate procedures for responding to international requests for information concerning any non-profit organization suspected of financing or otherwise supporting terrorism.

Weighting and conclusion

Chad has not identified the sub-group of NPOs that may be misused for terrorist financing, or identified the nature of the threats to which NPOs are exposed. There are no risk-based supervision measures or a designated focal point to respond to requests for collaboration in this area. NPOs are not sensitized on their vulnerabilities to misuse for TF purposes, and on the measures to protect themselves from such misuse. No initiative has been taken to work with NPOs in order to develop best practices to address TF risks and vulnerabilities, and thereby protect them from misuse for TF purposes.

Chad is rated as Non-Compliant with Recommendation 8.

Recommendation 9: Financial institutions secrecy laws

Chad was rated NC under Recommendation 9 (former R4) of the laws on professional secrecy of financial institutions during its first EMN. The country was criticised for shortcomings in the provisions of Community texts, particularly in terms of time limits for transmitting information, the ability of third parties to provide due diligence on request, and the general lack of implementation and effectiveness in the banking and non-banking financial sector. Since this assessment, CEMAC, the Chadian authorities and the community supervisory authorities have taken steps to correct certain shortcomings, notably through the adoption of the new CEMAC AML/CFT Regulation, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021. It should be noted that all these changes contribute to enhancing the laws on the professional secrecy of financial institutions.

Criterion 9.1: Article 75 of the CEMAC Regulation provides in substance that professional secrecy may not be invoked against ANIF by the Financial Institutions in the context of its AML/CFT mission. Conversely, no proceedings for breach of secrecy may be brought against the Financial Institutions or its managers, agents or employees. In addition, Article 101 of the Regulation states that reporting entities may not invoke professional secrecy to avoid providing information to the competent authorities, such as the supervisory authorities and ANIF. This secrecy cannot also be invoked against the judicial authorities in the context of investigations into ML/TF offences.

Article 40 of the COBAC Regulation reiterates the provisions of the CEMAC Regulation relating to the transmission of data to ANIF, judicial or investigation authorities and to COBAC.

With regard to information sharing and its modalities, Article 94 of the CEMAC Regulation provides details for financial institutions belonging to the same group. However, information sharing between financial institutions that do not belong to the same group is not regulated in Chad.

Weighting and conclusion

Chad has a law on banking secrecy of Financial Institutions since 2016. Banking secrecy cannot be used in investigations by ANIF and the judicial authorities. However, there is no framework for information sharing between financial institutions that do not belong to the same group.

Chad is rated as Partially Compliant with Recommendation 9.

Recommendation 10: Customer due diligence (CDD)

In its first EMN, the Republic of Chad was rated partially compliant with Recommendation 10 on customer due diligence, owing to the following reasons: lack of details on the nature and availability of the documents to be preserved; lack of details on the type of information to be collected to enable the recovery of transactions (apart from certain operations); lack of an explicit obligation for financial institutions to ensure that they are able to make the information and documents they preserve available to the competent national authorities in a timely manner; lack of effectiveness, particularly for the non-banking financial sector; lack of specific implementation for the fight against money laundering and terrorist financing.

However, since this assessment, CEMAC, the Chadian authorities and the community supervisory authorities have taken steps to correct certain shortcomings, notably through the adoption of the new CEMAC AML/CFT Regulation, the adoption of a new AML/CFT law in Chad, and the adoption of Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021. It should be noted that all these changes contribute to enhancing customer due diligence.

Criterion 10.1: Article 23(2) of the CEMAC Regulation requires financial institutions to maintain constant vigilance on all customer transactions and prohibits them from maintaining anonymous or fictitious accounts.

When customer due diligence is required

Criterion 10.2: Customer due diligence obligations are enshrined in various provisions of Part II of the CEMAC Regulation dealing with ML/FT prevention measures. The obligations apply to FIs where:

- (a) – they establish business relationships: FIs are required to identify their customer and, where applicable, the beneficial owner of the business relationship through appropriate means, and to check the identification elements upon presentation of any supporting document (Art. 21);
- (b) – they carry out occasional transactions for an amount exceeding 10,000,000 (ten million) CFA francs or the equivalent of 15,000 euros, for people other than money changers or legal

representatives and directors responsible for gaming operators, or for an amount equal to or above 5,000,000 (five million) CFA francs or the equivalent of 7,500 euros, irrespective of whether it is a single transaction or several transactions which appear to be linked. Identification is also required even where the amount of the transaction is lower than the threshold set in the event of doubt as to the legality of the origin of the funds (Articles 29, 32 and 42);

(c) – they carry out occasional transactions in the form of a transfer of funds at national or international level (Articles 29 and 36, page 173 of 244);

(d) – there is a suspicion of ML/TF even if the amount of the transaction is below the prescribed threshold (Article 29);

(e) – the financial institution doubts the veracity or relevance of the customer identification data previously obtained (Art. 29). The aforementioned provisions of the CEMAC Regulation are reinforced by those of the COBAC Regulation R-2005 of 1 April 2005 relating to the due diligence by institutions liable to AML/CFT in Central Africa, particularly in its Articles 4 and 5. Lastly, Articles 8, 9, 10, 11 and 14 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 of 4 October 2008 to lay down the procedures applicable by insurance organizations in CIMA Member States as part of AML/CFT also contain provisions relating to due diligence obligations.

Due diligence measures required for all customers

Criterion 10.3: Articles 21, 29 to 34 of the CEMAC Regulation and Articles 4 and 5 of COBAC Regulation R-2005 require that FIs identify the customer, irrespective of whether such customer is occasional or permanent and whether the customer is a legal or natural person, and check the identity by means of documents, data and information from reliable and independent sources. Similarly, the applicable measures for insurance organizations are defined in Article 8 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 of 4 October 2008 to lay down the procedures applicable by insurance organizations in CIMA Member States within the framework of AML/CFT. However, the identification of a legal arrangement is not expressly indicated in the aforementioned instruments. Consequently, there is no obligation on FIs to identify customers who are or who act on behalf of legal arrangements.

Criterion 10.4: FIs must check the identity and power of persons acting on behalf of their customer by means of independent and authenticated documents, sources, data or information (Article 29 CEMAC Regulation). The same obligations are enshrined in Articles 4 and 5 of COBAC Regulation R-2005 and by Article 8.4 of Regulation No. 0004/CIMA/CMAM/PCE/SG/08.

Criterion 10.5: The identification of the BO is mandatory only where the customer is not acting on his own behalf. Indeed, the provisions of Articles 21 and 33 of the CEMAC Regulation stipulates that before entering into a business relationship with their customer or assisting him in preparing or carrying out a transaction, reporting entities identify their customer and, where applicable, the beneficial owner of the business relationship through appropriate means, and check the identification documents upon presentation of any written documentary evidence. Under the same conditions, they identify their occasional customers

and, where applicable, the beneficial owner of the business relationship. Lastly, in the event of doubt as to whether the customer is acting on his/her own behalf, the financial institution shall inquire about the identity of the real originator using any means (Article 30). The identification of the BO is required if and only if the customer or the business relation is not acting on its own behalf. Therefore, where the customer is acting on his own account, his identification is required.

Article 1 (16) defines beneficial owner as the natural person who ultimately owns or controls a customer and/or the natural or legal person on whose behalf a transaction is carried out. Beneficial owner also comprises persons who, ultimately, exercise effective control over a legal person or a legal arrangement. This definition of BO is consistent with the one in the glossary of the FATF Methodology.

Criterion 10.6: Article 22 of the CEMAC Regulation imposes on financial institutions the obligation of constant vigilance on the business relationship, in particular the knowledge of their client as well as the purpose and nature of the business relationship, while requiring that throughout the duration of the business relationship, they analyse the information and update it on a permanent basis in order to maintain an appropriate knowledge of their client. Similarly, Article 31 on the identification of a legal person requires the production of the articles of association and any document establishing that it has been legally constituted and that it has a real existence at the time of identification. Moreover, Article 43 of the Regulation provides for additional due diligence measures in case of doubt or suspicion. However, the absence of a list of information compiled by a competent authority to be collected by financial institutions leads to a varied and sometimes non-compliant application of these requirements, in the absence of a single, mandatory standard.

Criterion 10.7: The CEMAC Regulation contains provisions that compel FIs to be constantly vigilant with regard to business relationships and, in particular:

(a) – Article 23 (1) of the CEMAC Regulation requires FIs to be permanently vigilant regarding any business relationship and to carefully examine the transactions carried out in order to ensure that they comply with the knowledge they have of their customers.

(b) – Article 22 of the CEMAC Regulation provides that, throughout the duration of the business relationship, FIs shall update and analyse information elements from among those featuring on a list drawn up for that purpose by a competent authority with the aim of maintaining appropriate knowledge of their customer. However, the absence of a list prepared by an Authority constitutes a failure to comply with this criterion.

Specific CDD measures required for legal persons and legal arrangements

Criterion 10.8: Article 31 (3) of the CEMAC Regulation requires FIs to implement mechanisms to understand the intended nature of the business relationship, the nature of the activity of legal persons and legal arrangements, as well as their ownership and control structure.

The obligation to understand the nature of the activities of legal persons is also prescribed by Articles 5 and 7 of COBAC Regulation R-2005 of 1 April 2005.

Criterion 10.9: For the specific due diligence measures required with regard to legal persons and legal arrangements, the CEMAC Regulation and the COBAC R-2005 Regulation of 1 April 2005 make it possible to meet the requirements of this criterion to a lesser extent, by:

- (a) – providing for identification through the production of articles of association and any document establishing that it has a real existence at the time of identification (Article 31 CEMAC Regulation);
- (b) – establishing the obligation of FIs to identify their clients and to ensure the identity and authority of persons acting on their behalf, by means of independent and authenticated documents, sources, data or information at the time of the company's establishment and during the course of the business relationship;
- (c) – taking additional due diligence measures.

For insurance organizations, this obligation is fulfilled in application of the provisions of Art. 8 of Regulation No. 0004/CIMA/CMAM/PCE/SG/08.

However, in all these cases, there is no obligation to identify the address of one of the main centres of activity, where it is different from the address of the registered office.

In addition, the identification of a legal arrangement is not expressly stated in the aforementioned texts. Therefore, FIs are not required to identify customers who are or are acting on behalf of legal arrangements.

Criterion 10.10: The CEMAC Regulation contains provisions that require FIs to verify the identity of beneficial owners with the following information:

- (a) – Pursuant to Article 21 of the CEMAC Regulation, FIs are required to identify the beneficial owner of the business relationship and to check his/her identity upon presentation of any supporting document. Article 1 (16) defines the beneficial owner as the natural person(s) who ultimately owns or controls a customer and/or the natural or legal person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.
- (b) There are no provisions requiring FIs, in case of doubt as to the identity of the beneficial owner or where there is no natural person exercising control through a shareholding, to identify the natural persons, if any, who exercise control over the legal person or the legal arrangement by other means.
- (c) There are no provisions requiring FIs, where no natural person is identified after the implementation of measures in (a) or (b) above, to identify the relevant natural person who holds the position of main manager.

Criterion 10.11: The current legal framework does not require financial institutions, for customers that are legal arrangements, to identify the beneficial owners and to take reasonable steps to verify the identity of those persons by means of either of the following information

- (a) for trusts – the identity of the trust settlor, trustee(s), protector (if any), beneficiaries or class of beneficiaries and any other natural person who ultimately exercises effective control over the trust (including through a chain of control/ownership);

(b) for other types of legal arrangements – the identity of persons in equivalent or similar positions

CDD for beneficiaries of life insurance policies

Criterion 10.12: Article 42 of the CEMAC Regulation deals with the specific obligations of insurance companies, defining the identification procedures only from the annual cumulative premium threshold of five million CFA francs or a single premium of ten million CFA francs, or under certain conditions for pension insurance. Apart from the general measures of vigilance and identification of the beneficial owner contained in Articles 29, 30 and 31 of the CEMAC Regulation, there are no particularly explicit provisions for the beneficiaries of life insurance policies and other insurance-related investment products. There is no legal requirement for financial institutions to retain *‘the results of any analysis’*

Criterion 10.13: No provision expressly obliges FIs to consider the beneficiary of a life insurance contract as a relevant risk factor when determining whether enhanced due diligence measures are applicable. There is no law requiring financial institutions to retain *the results of any analysis*.

Timing of verification

Criterion 10.14: The combined provisions of Articles 21, 22, 23 and 32 of the CEMAC Regulation and Articles 4 and 5 of the COBAC R-2005 Regulation of 1 April 2005 covers requirements (a), (b) and (c) of this criterion.

Criterion 10.15: the legislation in force in Chad does not provide for the possibility of a customer to benefit from the business relationship before the verification.

Existing customers

Criterion 10.16: The provisions of Articles 22, 23 and 34 of the CEMAC Regulations require FIs to apply due diligence measures to existing customers. Article 22 refers to constant vigilance over business relationships; Article 23 deals with constant vigilance on all customer transactions; and Article 34 requires FIs to re-identify customers when they have good reason to believe that their customers’ information previously obtained is no longer accurate or relevant.

Risk-based approach

Criterion 10.17: The provisions of Articles 56 – 60 of the CEMAC Regulation oblige FIs to implement enhanced due diligence measures when ML/FT risks are higher.

Criterion 10.18: Pursuant to the provisions of Article 52 of the CEMAC Regulation, when the ML/FT risk appears to be low, FIs may reduce the intensity of ongoing vigilance on all customer transactions. In this case, they should justify to their supervisory authority that the scope of the measures is appropriate for those risks.

Failure to satisfactorily complete CDD

Criterion 10.19: Article 33 of the CEMAC Regulation requires financial institutions to terminate their business relationships if there is any doubt about the identity of the beneficial

owner. Similarly, Article 32 of the CEMAC Regulation imposes a due diligence requirement on transactions by occasional customers above certain thresholds and under certain conditions; however, this threshold-based approach fails to take into account other transactions that fall outside the scope of the thresholds. Apart from these two hypotheses, there is no standard formally prohibiting the opening of an account, the entry into a business relationship or the execution of a transaction if it is impossible to comply with the obligations relating to due diligence measures.

Article 14 of COBAC Regulation R.2005/1 recommends the closure of accounts where unsolvable identification problems occur during operations. Regarding insurance, Article 13 of Regulation No.01/CIMA/CMAM/PCE/SG/2021 specifies that these professionals must, before entering into a contractual relationship or assisting their client in the preparation or completion of a transaction, ensure the identity of their contractor. Article 83 of the CEMAC Regulation requires financial institutions to report to ANIF any transaction for which the identity of the payer or beneficial owner or the settlor of a trust fund remains doubtful despite due diligence. This provision is included in Article 26 of COBAC Regulation R.2005/1.

Customer due diligence and tipping-off

Criterion 10.20: There are no formal provisions requiring financial institutions to choose not to carry out customer due diligence and instead to conduct a STR in cases where they suspect that a transaction is related to money laundering or terrorist financing and believe that carrying out due diligence would alert the customer.

Weighting and conclusion

The AML/CFT texts in Chad contain relevant provisions on customer due diligence, in line with the FATF requirements. However, there is no provision specifying the requirement of reliability of the source of the information obtained by reporting entities on the beneficial owner. Furthermore, there are no provisions requiring financial institutions, in case of doubt as to the identity of the beneficial owner, to identify the natural persons, if any, who exercise control over the legal person or legal arrangement by other means. Nor are there any express provisions on the beneficiaries of life insurance contracts and other insurance-linked investment products, or on the requirement for competent authorities to compile a list of information for FIs. Furthermore, there is no regulatory requirement for financial institutions to consider beneficiaries of life insurance contracts as a relevant risk factor when determining whether enhanced due diligence measures are applicable.

Chad is rated as Partially Compliant with Recommendation 10.

Recommendation 11: Record keeping

In its first RME, Chad was rated Non-Compliant with the Recommendation on Record Keeping. The country was criticised for the cumulative conditions for triggering due diligence obligations; the absence of a threshold for triggering due diligence obligations, except for insurance professionals; the threshold taken by CIMA without competence in the matter; the lack of effective implementation; and failure to make the report available to auditors. Since this evaluation, CEMAC, the Chadian authorities and the community supervisory authorities have taken steps to correct certain shortcomings, in particular through the adoption of the new

CEMAC AML/CFT Regulation, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021. It should be noted that all these amendments contribute to strengthening the record keeping system.

Criterion 11.1: Article 38 of the CEMAC Regulation stipulates that: ‘without prejudice to provisions laying down more binding obligations, financial institutions shall keep for a period of 10 (ten) years, from the closing of their accounts or the termination of their relations with their regular or occasional customers, the identity documents. They shall also keep all records and documents pertaining to the operations they conducted and the report referred to in Article 35 above (confidential report on the special monitoring of some operations) for 10 (ten) years following the operation’.

Criterion 11.2: Pursuant to Article 61 of the CEMAC Regulation, with regard to the recording and conservation of the outcomes of the implementation of enhanced due diligence measures, it is stipulated that the outcomes of the review of the implementation of enhanced due diligence measures provided for in Article 59 of the CEMAC Regulation shall be recorded in writing and conserved in accordance with the procedures laid down in Article 38 of the same regulation.

Article 39 of the COBAC R-2005 Regulation of 1 April 2005 stipulates that documents relating to the identity of its regular or occasional clients and the characteristics of these transactions must be kept for a period of five years.

However, the Regulation does not expressly cover the scope of the documents to be kept, that is “documents obtained as part of customer due diligence measures, books of account and business correspondence, and the outcome of any analysis carried out on behalf of FIs, other than insurance companies”. Giving FIs the choice of which transaction records to retain is a vulnerability. There is no legal requirement for financial institutions to retain “*the results of any analyses*”.

Criterion 11.3: The CEMAC Regulation provides in its Art. 39 that the documents and records relating to the identification obligations provided for in Articles 30 to 33 and whose conservation is contained in Article 38, shall be forwarded, at their request, by the persons referred to in Articles 6 and 7 of the Regulations, to the judicial authorities, to the State officials responsible for the detection and repression of money laundering offenses, as part of legal proceedings, to the supervisory authorities as well as to ANIF.

The purpose of this obligation is to allow the reconstitution of all transactions carried out by a natural or legal person and which are linked to a suspicious transaction report referred to in Art. 83 of the Regulations or the characteristics of which have been recorded in the confidential register provided for in Art. 46.

Moreover, Articles 39 and 40 of COBAC Regulation R-2005 and Article 13 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 address this issue in the same way.

Criterion 11.4: Article 39 (2) of the CEMAC Regulation provides that documents relating to identification obligations, the retention of which complies with the law, shall be disclosed, upon request, by FIs, to judicial authorities, to public officials in charge of detecting and

suppressing money laundering offences, acting in the context of legal proceedings, to control authorities and to ANIF.

Weighting and conclusion

The obligations relating to record keeping and disclosure to the competent authorities are largely fulfilled by Chad's AML/CFT laws. However, these laws do not expressly cover the scope of the documents to be retained, namely "documents obtained in the context of customer due diligence measures, account books and commercial correspondence, as well as the outcomes of any analysis carried out for FIs, other than insurance companies".

Chad is rated as Highly Compliant with Recommendation 11.

Recommendation 12: Politically exposed persons (PEPs)

In its first MER, Chad was rated Not Compliant with Recommendation 12 on Politically Exposed Persons for failure to implement AML/CFT obligations. Since this assessment, CEMAC, the Chadian authorities and the Community supervisory authorities have taken measures to correct certain shortcomings, notably through the adoption of the new CEMAC Regulation on AML/CFT, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No.001/CIMA/CMAM/PCE/SG/2021 of 02 March 2021.

Criterion 12.1: Articles 25 and 60 of the CEMAC Regulation deal specifically with the due diligence obligations of reporting entities vis-à-vis PEPs in general, including foreign PEPs.

(a) These Articles require financial institutions to put in place adequate risk management systems to determine whether the customer (Article 25) or beneficial owner (Article 60) is a politically exposed person. However, the obligation to identify beneficial owners who qualify as PEPs is not clearly specified;

(b) Article 25 requires financial institutions to obtain senior management approval before entering into or continuing a business relationship with the PEP client;

(c) These Articles require financial institutions to take all reasonable steps to identify the origin of PEP funds or assets; however, none of these articles refers to the beneficial owner with regard to the origin of PEP funds or assets. The aforementioned articles require financial institutions to ensure enhanced and permanent supervision of the business relationship.

Criterion 12.2:

(a) Articles 25 and 60 of the CEMAC Regulation require financial institutions to put in place adequate risk management systems to determine whether the client or beneficial owner is a politically exposed person, including foreign PEPs;

(b) Articles 25 and 60 of the CEMAC Regulation require FIs, for domestic and foreign PEPs: to obtain the authorisation of senior management before entering into or continuing a business relationship, to take all reasonable measures to identify the origin of the funds or assets of PEPs, and to ensure enhanced and permanent supervision of the business relationship. However, the provisions on the origin of funds and assets do not cover cases where the beneficial owner is a PEP.

Criterion 12.3: In accordance with the definition of PEPs in Article 1 (55) of the CEMAC Regulation, financial institutions are obliged to apply to family members of all types of PEPs and to persons closely associated with them the relevant requirements of criteria 12.1 and 12.2, which are stipulated by Articles 25 and 60 of the same Regulation, as indicated above. Article 8 of COBAC Regulation R-2005 of 1 April 2005 provides for the same requirements before a PEP including one of its relatives can be admitted to its counters.

However, the provisions on the origin of funds and assets do not cover cases where the beneficial owner is a PEP.

Criterion 12.4: Article 42 of the CEMAC Regulation requires insurance companies, agents and brokers conducting life insurance activities to identify their customers and verify their identity in accordance with the provisions of Article 31 of the Regulation, whenever the amount of premiums payable in a year reaches 5,000,000 CFA francs or more than 10,000,000 CFA francs.

However, there is no provision to determine whether the beneficiaries of the contract or, where applicable, the beneficial owner of the beneficiary of the life insurance policy are PEPs.

Weighting and conclusion

Chad only partially complies with the requirements of Recommendation 12 criteria. Indeed, although the CEMAC Regulation requires financial institutions to take specific and enhanced measures vis-à-vis domestic and foreign PEPs, such measures are not, in most cases, extended to beneficial owners and close associates. Moreover, the obligation to identify the BOs who are PEPs is not clearly specified. Finally, there is no express provision requiring financial institutions to take reasonable steps to determine whether the beneficiaries or the beneficial owner of a life insurance policy is/are PEPs.

Chad is rated as Partially Compliant with Recommendation 12.

Recommendation 13: Correspondent banking

In its first MER, Chad was rated Partially Compliant with Recommendation 13 on Correspondent banking. The country was criticised, in particular, for the lack of obligation to report attempted transactions and the lack of implementation of the system outside the banking sector. Since this assessment, CEMAC, the Chadian authorities and the Community supervisory authorities have taken measures to correct certain shortcomings, particularly through the adoption of the new CEMAC Regulation on AML/CFT, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/CMAM/PCE/SG/2021 of 02 March 2021.

Criterion 13.1: Article 41 of the CEMAC Regulation requires financial institutions, in relation to correspondent banking relationships and other similar relationships, in addition to normal customer due diligence measures to:

(a) Identify and verify the identification of customer institutions with which they have correspondent banking relationships, collect information on the nature of the client institution's activities, assess the reputation of the client institution and the level of

monitoring to which it is subject, on the basis of publicly available information; but this does not imply whether the correspondent has been investigated or acted upon by a ML/TF supervisory authority;

(b) Assess the control systems put in place by the customer institution to combat money laundering and terrorist financing; (c) obtain top management approval before entering into a relationship with the correspondent bank; (d) there are no specific provisions for understanding each institution's respective AML/CFT responsibilities. In addition, Article 11 of the COBAC Regulation R-2005 of 1 April 2005, which deals with relations with correspondent banking relationships, oblige all reporting entities to obtain sufficient information on the nature of the corresponding credit institutions, their money laundering prevention and detection procedure, the purpose of the account to be created, the state of banking regulation and control in the country in which the institutions are located.

Criterion 13.2:

(a) – Article 59 (5) of the CEMAC Regulation provides that ‘when financial institutions receive services from correspondent banks directly used by independent third parties to carryout transactions on their own behalf, they must ensure that the contracting credit institution has verified the identity of customers having direct access to these correspondent accounts and has taken due diligence measures for these customers in accordance with those provided for in Articles 24 and 25 of the Regulations’.

(b) – However, no provision obliges financial institutions to ensure that the correspondent is able to provide the relevant information relating to transit accounts, upon request by the correspondent bank.

Criterion 13.3: Article 58 of Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa provides for the prohibition of correspondent banking with a fictitious bank. It prohibits FIs from entering into or maintaining a correspondent banking relationship with a credit institution or a company carrying out similar activities established in a State where that institution has no effective physical presence enabling it to carryout management activities, if it is not affiliated to a regulated institution or group.

Weighting and conclusion

Chad is largely compliant with the provisions of the Recommendation on correspondent banking. However, no requirement obliges financial institutions to ensure that the correspondent is able to provide relevant information on transit accounts upon request by the correspondent bank. Moreover, intra-CEMAC correspondent banking relationships are not considered as a cross-border correspondent relationship.

Chad is rated as Largely Compliant with Recommendation 13.

Recommendation 14: Money or value transfer services (MVTs)

In its first MER, Chad was rated Partially Compliant with Recommendation 14 on money or value transfer services. It was criticised for the absence of exceptions to the prohibition on informing third parties when exchanges take place between financial institutions belonging to

the same group; the contradiction between the secrecy measures instituted by the CEMAC Regulation and the transmission of the suspicious transaction report to the prosecutor instituted by the CIMA Regulation; and the absence of measures in the sector regulations protecting managers and employees from professional or disciplinary liability for breaching the confidentiality rules. Since this assessment, CEMAC, the Chadian authorities, and the community control authorities have taken steps to correct certain shortcomings, particularly through the adoption of the new CEMAC AML/CFT Regulation, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021.

Criterion 14.1: Article 92 (1) of Regulation No. 01/16/CEMAC/UMAC/CM states that ‘in accordance with the specific regulations in force, no one may engage in the professional activity of transferring or transporting funds and values without prior approval from the competent State authority on whose territory it is called upon to carry out the activity’. However, there is no specific national instrument regulating the conditions for the approval or registration of MVTs. Already approved financial institutions such as banks and MFIs do not need a separate approval to provide remittance services.

Criterion 14.2: Chad has not taken any measures to identify and sanction natural and legal persons who provide money and value transfer services.

Criterion 14.3: No authority has been designated in Chad to monitor MVTs compliance with AML/CFT requirements.

Criterion 14.4: The last paragraph of Article 92 of the CEMAC Regulation requires providers of money and value transfer services to provide the list of their agents to the competent authority of the country in which they operate.

Criterion 14.5: MVTs providers using agents are not obliged to include them in their AML/CFT programs or monitor the agents’ compliance with these programs.

Weighting and conclusion

Chad does not have a legal framework governing the approval or registration and control of providers of money or value transfer services. Chad has not taken any measures to identify and sanction natural and legal persons who provide money and value transfer services. No measures have been taken to identify and sanction MVTs operating without an approval or registration. Lastly, MVTSPs that may use agents are not required to include them in their AML/CFT programs or monitor compliance.

Chad is rated as Non-Compliant with Recommendation 14.

Recommendation 15: New technologies

In its first MER, Chad was rated Partially Compliant with the Recommendation on New Technologies. This rating was based on: the lack of a system applicable to all components of the financial sector; the total lack of knowledge of COBAC procedures for self-assessment of the internal control system; the lack of effective implementation of internal control obligations to fight money laundering; and the total absence of a system for the non-bank

financial sector. Since this assessment, CEMAC, the Chadian authorities and the community control authorities have taken measures to correct certain shortcomings, in particular through the adoption of the new CEMAC AML/CFT Regulation, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021.

Criterion 15.1: Article 13 of the CEMAC Regulation provides that the competent authority of each Member State shall take appropriate measures to identify, assess, understand and mitigate the ML/FT risks to which it is exposed. Article 40 (1) also states that, in managing new technology-related risks, financial institutions must identify and assess the ML/TF risks that may result from:

1. the development of new products and new business practices, including new distribution mechanisms;
2. the use of new or developing technologies in relation to new or existing products.

However, in Chad, no specific studies have been conducted with FIs related to new technologies

Criterion 15.2:

(a) – Article 40 (2) of Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa provides that risk assessment should be conducted before the launch of new products or new business practices or before the use of new or developing technologies.

(b) – The same article states that FIs should take appropriate measures to manage and mitigate such risks.

Criterion 15.3: There is no regulatory framework in place in Chad that takes into account virtual assets and virtual asset service providers.

Criterion 15.4: (a) (i) There is no specific requirement that VASPs be approved or registered, where the VASP is a legal person, in the jurisdiction in which it was established, or (ii) where the VASP is a natural person, in the jurisdiction in which its place of business is located;

(b) There is no obligation on competent authorities to take legal or regulatory measures necessary to prevent criminals or their associates from owning, or being the beneficial owner of a significant or controlling interest in, or holding a management position in a VASP.

Criterion 15.5: There is no legal requirement for the country to take measures to identify and impose appropriate sanctions on natural or legal persons who carry out VASP activities without being approved or registered as required.

Criterion 15.6:

- a) There is no specific legal provision dealing with the regulation and control of VASP. There is no supervisory authority dedicated to the activities of the VASP.
- b) There is no legal standard in Chad requiring supervisory authorities to have the necessary powers to monitor or control VASP to ensure that they comply with their

AML/CFT obligations, including the power to carry out inspections, to require the production of any relevant information and to impose a range of disciplinary and financial sanctions, including the power to withdraw, limit or suspend the authorisation or registration of the VASP.

Criterion 15.7: There is no requirement for competent and supervisory authorities to establish guidelines and provide feedback to assist VASPs in the application of national AML/CFT measures and in particular in the detection and reporting of suspicious transactions.

Criterion 15.8:

(a) The laws in force in Chad do not provide for a range of proportionate and dissuasive sanctions, whether criminal, civil or administrative, applicable to VASP that do not comply with AML/CFT obligations;

(b) There is no provision for the above-mentioned sanctions to be applicable not only to VASP, but also to members of the administrative body and top management.

Criterion 15.9: There are no regulations in Chad on AML/CFT preventive measures applicable to VASP to comply with the requirements of this criterion.

Criterion 15.10: There are no provisions that meet the requirements of this criterion.

Criterion 15.11: Pursuant to the provisions of section 91 (4) of the CEMAC Regulation which provide that each supervisory and control authority shall cooperate and share information with other competent authorities, the supervisory authorities of the VASP may exchange information with their foreign counterparts, regardless of their nature or status and differences in nomenclature or status of the VASP. However, in Chad, there is no supervisory authority for VASPs.

Weighting and conclusion

Chad does not meet the basic requirements for new technologies. The system has major shortcomings related to the lack of VASP regulation.

Chad is rated as Non- compliance with Recommendation 15.

Recommendation 16: Wire transfers

In its first MER, Chad was rated as not compliant with Recommendation 16 on electronic funds transfers. The country was criticised for lack of internal controls and specific AML/CFT training programmes and the absence of provisions for countermeasures against countries that fail to implement or insufficiently implement the FATF Recommendations. Since this assessment, CEMAC, the Chadian authorities and the Community supervisory authorities have taken measures to correct certain shortcomings, particularly through the adoption of the new CEMAC Regulation on AML/CFT, the adoption of a new AML/CFT Law in Chad, and the adoption of Regulation No. 001/CIMA/CMAM/PCE/SG/2021 of 2 March 2021.

Ordering financial institutions

Criterion 16.1: Article 36 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 on the Prevention and Suppression of Money Laundering and the Financing of Terrorism and Proliferation in Central Africa provides that FIs whose activities include wire transfers shall be required to obtain and verify the full name, account number and address or, in the absence of an address, the national identification number or the place and date of birth of the originator and the beneficiary of the transfer and, if necessary, the name of the originator's FI.

According to the same Article, this information should be included in the message or payment form that accompanies the transfer. Where there is no account number, a unique reference number must accompany the transfer.

It should be noted here that no specified amount is mentioned. Furthermore, the nature of the transfer (cross-border or domestic) is not provided, which means that all transfers are covered.

Criterion 16.2: Article 36 of the CEMAC Regulation provides that FIs whose activities include wire transfers are required to obtain and verify the full name, account number and address or, in the absence of an address, the national identification number or the place and date of birth of the originator and the beneficiary of the transfer and, where necessary, the name of the originator's financial institution.

In practice, this provision applies both to individual transfers and batch transfers by the same originator.

Criterion 16.3: Chad does not apply any threshold. The measures provided for in Art. 36 of the CEMAC Regulation apply to all wire transfers.

Criterion 16.4: Not Applicable

Criterion 16.5: Article 36 of Regulation 01/16/CEMAC/UMAC/CM on the verification of wire transfers includes all the obligations of c.16.1, both for domestic and cross-border wire transfers.

Criterion 16.6: The document accompanying the transfer contains all the required information

Criterion 16.7: As provided for in Article 38 of Regulation No. 01/16/CEMAC/UMAC/CM, without prejudice to the provisions prescribing more stringent obligations, FIs shall keep for a period of ten (10) years, upon closure of the accounts or the termination of their relations with their regular or occasional customers, the documents relating to the transactions they have carried out and the report after the execution of the transaction.

Criterion 16.8: As regards the arrangements to be made in the event of incomplete information on the originator, Article 37 of Regulation No. 01/16/CEMAC/UMAC/CM provides that where FIs receive wire transfers that do not contain complete information on the originator, they shall make arrangements to obtain the missing information from the issuing institution or beneficiary in a bid to complete and verify the information. If they do not obtain such information, they shall refrain from carrying out the transfer.

Intermediary financial institutions

Criterion 16.9: Article 36 of Regulation No. 01/16/CEMAC/UMAC/CM provides that FIs whose activities include wire transfers are required to obtain and verify the full name, account number and address or, national identification number or place and date of birth of the originator of the beneficiary including, where necessary, the name of the FI of the originator of such transfers. However, the shortcomings noted in Recommendation 11 (Criterion 11.2) above mitigate the completeness of the provisions referred to above in relation to this criterion.

Criterion 16.10: Article 38 of Regulation 01/16/CEMAC/UMAC/CM on records keeping by FIs requires that they keep for a period of ten (10) years, upon closure of their accounts or the termination of their relations with their regular or occasional customers, documents relating to the operations they have carried out and the report for a period of ten (10) years, after the execution of the operation.

However, the CEMAC Regulation does not provide for reciprocity in the retention of information received from the financial institution of the originator or another intermediary financial institution.

Criterion 16.11: There are no specific standards requiring intermediary financial institutions to take reasonable measures, consistent with end-to-end processing, to identify cross-border electronic transfers for which the required information on the originator or the beneficiary is missing. Article 37 of the CEMAC Regulation generally requires financial institutions receiving wire transfers containing incomplete information on the sender to take the necessary measures to obtain the missing information from the ordering financial institution or the beneficiary in order to complete and verify such information. However, incomplete data on the beneficiary are not covered.

Criterion 16.12: Articles 14, 28, 37 and 95 of the CEMAC Regulation require financial institutions to adopt policies and controls measures to effectively mitigate and manage ML/TF risks. These policies, procedures and control measures must be proportionate to the nature and size of their activities as well as the volume of their activities. However, there is no specific provision requiring FIs to:

- (a) have risk-based policies and procedures to decide when to execute, reject or suspend wire transfers that do not include the required information about the originator or beneficiary; and
- (b) appropriate consecutive actions to be taken.

Beneficiary financial institutions

Criterion 16.13: Article 28 of Regulation 01/16/CEMAC/UMAC/CM obliges FIs to adopt procedures and internal controls. Article 37 states the measures to be taken in the event of incomplete information on the originator. Finally, Article 95 obliges the establishment of ML/TF risk assessment and management systems.

However, there is no clear provision for post- monitoring or real-time supervision, where possible, to detect cross-border wire transfers that lack the required originator or beneficial owner information.

Criterion 16.14: Article 37 of the Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa, lays down provisions to be taken in case of incomplete information on the originator, requires the institution of the originator or the beneficiary to verify the identity of the beneficiary when this has not been done. In addition, Article 38 on records keeping by FIs requires that they keep information for a period of ten (10) years, from the closure of their accounts or the termination of their relations with their regular or occasional customers, the documents relating to the transactions they have carried out and the report for ten (10) years, after the execution of the transaction.

Criterion 16.15: There is no specific requirement for FIs to have risk-based policies and procedures to decide:

(a) when to execute, reject or suspend wire transfers that do not contain the required originator or beneficiary information;

With regard to appropriate follow-up actions:

(b) Article 37 of the CEMAC Regulation requires FIs to take steps to obtain missing information from the ordering institution or the beneficiary in order to complete and verify the information. In the event where it does not obtain such information; it shall refrain from executing the transfer.

Money of value transfer service operators

Criterion 16.16: According to Article 92 of the CEMAC Regulation, no person may engage in the professional activity of transferring or transporting money and values without the approval of the competent State authority where the activity is to be carried out.

This authority shall lay down, by decree or any other appropriate legal instrument, the operating conditions, in particular regarding the regular inspection of money or value transfer services.

The provisions of paragraph 1 above shall also apply to any legal or natural person who operates as an agent in a CEMAC State.

Money and value transfer service providers shall be required to provide a list of their agents to the competent authority of the country in which they operate.

However, no legal instrument establishes the conditions of operation and control of MVTS in Chad.

Criterion 16.17:

(a) – Articles 32, 36, 62 and 63 of the CEMAC Regulation require oblige money or value transfer service providers to take into account all information from the originator and the beneficiary in order to determine whether or not a suspicious transaction report should be made:

(b) Article 83 obliges money or value transfer service providers to file a suspicious transaction report, and to provide the financial intelligence unit with all information on the transaction.

However, the obligation to file a suspicious transaction report in all countries involved in the suspicious wire transfer is not explicitly stipulated in the Regulation.

Criterion 16.18: Pursuant to Article 105 of the CEMAC Regulation, the competent authority shall order, by written decision, the freezing of funds and seizure for the purpose of confiscation of laundered property, proceeds of money-laundering, predicate offences and terrorist financing, of persons, entities or terrorist organizations identified by the United Nations Security Council acting under Chapter VII of the United Nations Charter. Only, there is no effective lists dissemination mechanism in Chad and no Authority has been designated for the implementation of TFSs.

Weighting and conclusion

Chad partially meets the requirements of this Recommendation, although there are still gaps. Indeed, there is no obligation for the originator's financial institution to forward, upon request, the information accompanying the transfer to the beneficiary's financial institution or to the prosecuting authorities within 3 (three) working days. There is also no specific obligation on the intermediary financial institution to keep the information received from the ordering financial institution for at least 5 (five) years. The obligations of FIs to have risk-based policies and procedures to decide when to execute, reject or suspend wire transfers that do not include the required originator or beneficiary information and appropriate follow-up actions to be taken are not considered. Also, there are no provisions requiring the FI to take reasonable steps, which may include post-monitoring or real-time monitoring where possible, to detect cross-border wire transfers that lack the required originator or beneficial owner information. In addition, there is no provision for FIs to file a suspicious transaction report in all countries involved in the wire transfer.

Chad is rated as Partially Compliant with Recommendation 16.

Recommendation 17: Reliance on third parties

Chad was rated as NC in the mutual evaluation report for recommendation 17. Due diligence measures are the cornerstone of the fight against money laundering and terrorist financing, requiring financial institutions and DNFBPs to exercise customer due diligence and to enable the country to protect itself from risk and vulnerability.

Criterion 17.1:

(a) Article 64 provides that the third party which applies the due diligence obligations provided for in Articles 23 and 24 of this Regulations shall, without delay, make available to financial institutions information relating to the identification of the customer and, where applicable, the beneficial owner, as well as information relating to the purpose and nature of the business relationship.

(b) FIs are not obliged to take steps to ensure that the third party transmits the document – instead, the Regulation places the obligation on the third party itself, which may apply if the third party is under the country's jurisdiction.

(c) In accordance with Article 63 of the CEMAC Regulation, financial institutions using third parties, are required to ensure that they have the relevant regulations, as well as a

permanent supervisory power to comply with the regulations on customer due diligence and record-keeping obligations, in accordance with Recommendations 10 and 11 of the FATF.

Criterion 17.2: According to Article 14 (1) of the CEMAC Regulation, reporting entities shall take appropriate measures to identify and assess the money laundering and terrorist financing and proliferation risks to which they are exposed, taking into account risk factors such as customers, countries or geographical areas, products, services, transactions or distribution channels. These measures are proportionate to the nature and size of the reporting entities. Similarly, Article 63 (1) provides that the third party must impose corresponding anti-money laundering and anti-terrorist financing obligations as provided for in Article 52 (2) of the Regulation. However, it does not explicitly provide that the country should take into account available information on the risk level of the country in which the third party is located.

Criterion 17.3:

(a) This recommendation is taken into account by Article 96 of Regulation No.01/16/CEMAC which obliges financial institutions to adopt measures that are at least equivalent to those provided for in Chapter 3 of Part II of this Regulation, in terms of customer due diligence and account keeping in their branches abroad.

(b) Articles 63 and 96 obliges financial institutions using a third party belonging to the same financial group to implement customer due diligence and record-keeping measures for AML/CFT programmes. However, there is no requirement for these measures to be monitored at group level by a competent authority.

(c) In order to prevent ML/TF risks, Article 96 of the CEMAC Regulation requires branches or subsidiaries established in a third country to apply the group's AML/CFT measures if they are more stringent than those of the host country. Basically, the above provisions require supervisory authorities to inform each other when the legislation of a third country does not allow the enforcement of the measures, so that coordinated action can be taken to resolve the issue. Where the legislation of the Third-Party State does not allow the application of group measures, FIs are required to take additional measures to effectively address ML/TF risks and to inform the supervisory authorities of their host State. If the additional measures are not sufficient, the competent authorities of the host State shall consider additional measures, which may even include requesting the cessation of the activities of the financial group in the host State.

Article 64 of the CEMAC Regulation recalls the steps to be taken with regard to information sharing, specifying the need to formalise in a convention the procedure for transmitting information to the competent authorities. Indeed, this recommendation is underpinned by Article 96 of the CEMAC Regulation, on the vigilance and maintenance of their account abroad, without Chad having a convention or instruction to compel financial institutions and DNFBPs to comply with the provisions. This vacuum allows this highly sensitive sector to evolve without a regulatory sanction constraint, not only with regard to financial institutions or companies.

With the exception of the Community Regulation, which is binding on all, Chad has not taken any additional measures to deter financial institutions and companies that do not comply with the provisions of FATF Recommendation 10 and Article 96 of the CEMAC Regulation.

Weighting and conclusion

Chad largely fulfils the obligations relating to the use of third parties to carry out customer due diligence measures under Community legislation governing FIs and DNFBPs, as set out in Recommendation 10. A contrario, FIs are not obliged to take the necessary steps to ensure that the third party provides documentation on the identification of beneficial owners and the origins of transactions. Rather, the Regulation places the obligation on the third party itself, which may apply if the third party is under the country's jurisdiction.

Chad is rated as Largely Compliant with Recommendation 17

Recommendation 18: Internal controls and foreign branches and subsidiaries

Chad was rated as PC in the 2014 mutual evaluation report, for two main reasons, namely; lack of provisions on the use of shell banks by correspondent banks and lack of concerted action between COBAC and national authorities to ensure compliance with the ban on the establishment of shell banks.

Criterion 18.1: Article 27 of the CEMAC Regulation specifies that FIs must develop and implement programs to prevent money laundering and terrorist financing.

- a) Article 27 (1) (2) of the CEMAC Regulation requires FIs to have compliance monitoring mechanisms, and appoint a compliance officer at the head office, at each branch and each local office or agency.
- b) Although there are no legal provisions obliging FIs to have selection procedures to ensure that employees are recruited according to high standards, nevertheless, for ethical reasons, the HR procedures and codes of ethics of all FIs provide for these aspects;
- c) Article 27 (1) (3) of the CEMAC Regulation of 11 April 2016 requires FIs to implement AML/CFT programs that include, in particular, continuous training of staff to help them detect operations and conducts likely to be linked to money laundering and terrorist financing.
- d) Article 14 (4) (2) of the CEMAC Regulation of 11 April 2016 obliges FIs to implement AML/CFT programs that include an independent audit function to test the system.

Similarly, Articles 6, 10, 12, 54 and 55 of COBAC Regulation R-2016/04 of 8 March 2016 on internal control in credit institutions and financial holding companies, Articles 8, 31 and 32 of COBAC EMF Regulation R-2017/06 of 24 October 2017 on internal control in microfinance institutions and Articles 4, 5 and 7 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 of 4 October 2008 cover this Recommendation as a whole.

Criterion 18.2:

(a) – The requirements of this criterion are covered by Article 94 (1) of the CEMAC Regulation which obliges financial institutions that are part of a group to implement group-wide policies and procedures, including data protection policies and information sharing policies and procedures within the group to combat money laundering and terrorist financing. Article 96 states that financial institutions shall apply measures at least equivalent to those laid down in Chapter III of Part II of the said law, with regard to customer due diligence and the conservation of information in their subsidiaries located abroad than those imposed in their own territory.

(b) – Article 94 (1) of the CEMAC Regulation obliges financial institutions that are part of a group to implement group-wide policies and procedures, including data protection policies and information-sharing policies and procedures within the group to combat money laundering and terrorist financing. The same provisions specify that the policies and procedures referred to must be implemented effectively at the level of branches and subsidiaries, established in Member States and in third countries. However, these provisions do not specify the information to be made available.

(c) – Article 94 (1) of the CEMAC Regulation states that financial institutions are required to implement data protection measures, and paragraph 3 provides that the relevant control authorities shall inform each other of cases where the laws of a third country do not allow for the application of appropriate minimum AML/CFT measures to their branches and subsidiaries located abroad. However, these provisions do not explicitly provide for satisfactory guarantees of confidentiality and use of the information shared.

Similarly, Articles 6, 10, 12, 54 and 55 of COBAC Regulation R-2016/04 of 8 March 2016 on internal control in credit institutions and financial holding companies, Articles 8, 31 and 32 of COBAC EMF Regulation R-2017/06 of 24 October 2017 on internal control in microfinance institutions and Articles 4, 5 and 7 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 of 4 October 2008 cover this Recommendation as a whole.

Criterion 18.3: Article 94 (2) (2) of the CEMAC Regulation requires FIs to ensure the implementation of AML/CFT measures consistent with those of the country of origin, where the minimum AML/CFT requirements of the host country are less stringent than those of the originating country, to the extent permissible under laws and regulations of the host country. Paragraph 3 states that if the host country does not allow for the proper implementation of AML/CFT measures that comply with those of the home country, financial groups should be obliged to implement appropriate additional measures to manage money laundering and terrorist financing risks and to inform the home country control authorities accordingly.

In addition, Articles 6, 10, 12, 54 and 55 of COBAC Regulation No. R-2016/04 of 8 March 2016 on internal control in credit institutions and financial holding companies cover a large part of the requirements of this Recommendation.

Weighting and conclusion

Chad complies the requirements for internal controls and branches and subsidiaries located abroad. However, these provisions do not specify the quality of the information to be

provided to the competent authorities. These provisions do not explicitly provide for satisfactory guarantees as regards the confidentiality and use of the information shared. There is no obligation to implement programs that take into account selection procedures guaranteeing the recruitment of employees according to high standards.

Chad is rated Partially Compliant with Recommendation 18.

Recommendation 19: Higher-risk countries

Chad was rated PC in Recommendation 19 in its first evaluation in 2014. This rating was underpinned by the absence of a computerized device to secure, process and return data.

Criterion 19.1: Article 14 of the CEMAC Regulation states that reporting entities must have policies, procedures and control measures to effectively mitigate and manage the risks of money laundering and terrorist financing and proliferation identified at the level of the Community, Member States and reporting entities. These policies, procedures and controls should be proportionate to their scope. However, there are no obligations for FIs to implement enhanced due diligence measures proportionate to the risks, in their business relationships and transactions with natural and legal persons (and in particular financial institutions) from countries where the FATF requires this.

Criterion 19.2: there is no explicit requirement or provision for the country to implement risk-sensitive countermeasures when requested by FATF, regardless of FATF requirements.

Criterion 19.3: Article 14 (2) of the CEMAC Regulation provides that the assessments referred to in paragraph 1 of this Regulation shall be documented, updated and made available to the control, regulatory and supervisory bodies, to the National Agencies for Financial Investigation and the competent authorities. However, there is no provision that explicitly covers the obligation to put in place measures to ensure that financial institutions are aware of deficiencies-related concerns in other countries' AML/CFT systems.

Weighting and conclusion

Chad partially meets the requirements of Recommendation 19. Insufficient steps are taken to mitigate shortcomings in the application of risk-proportionate countermeasures in relations with high-risk countries, where FATF requires such application. There is no obligation to apply risk-proportionate countermeasures when required by FATF or regardless of any FATF requirement. There is no explicit provision covering the obligation to put in place measures to ensure that financial institutions are aware of deficiencies-related concerns in other countries' AML/CFT systems is not covered.

Chad is rated as Partially Compliant with Recommendation 19.

Recommendation 20: Reporting suspicious transactions

In the previous mutual evaluation of the 2014 round of assessments, Chad was rated as PC on FATF Recommendation 20, relating to suspicious transaction reporting (STR) (formerly R. 13 and SR. IV). The system was criticised for not implementing the AML/CFT and STR obligations.

Criterion 20.1: Article 83 of the CEMAC Regulation and Articles 26 and 28 of COBAC Regulation R-2005/01 of 1 April 2005 require financial institutions to report suspicious transactions to ANIF when they know, suspect or have good reason to suspect that the transaction in question may be money laundering or terrorist financing and proliferation. In addition, Regulation No. 0004/CIMA/CMAM/PCE/SG/08 of 4 October 2008 requires, in particular in its article 4.4, insurance agencies to report suspicious transaction to ANIF. Similarly, the provisions of Articles 230 and 231 of the COSUMAF General Regulations of 23 July 2008 require financial market intermediaries to promptly report to ANIF should there be a suspicion of ML or TF. However, the obligation to report suspicious transactions immediately to ANIF is not clearly stated.

Criterion 20.2: Article 83 (1) of the CEMAC Regulation requires financial institutions to submit STRs to ANIF when they know, suspect or have good reason to suspect that the transaction in question may fall within the scope of ML/TF. The provisions of Article 83 (2) of the CEMAC Regulation oblige financial institutions to report attempted suspicious transactions to ANIF that result from customs or tax fraud when at least one criterion defined by the regulations in force is met. As formulated, this obligation is restrictive and does not cover all attempted suspicious transactions relating to money laundering or the financing of terrorism and proliferation.

Weighting and conclusion

Chad partially complies with the provisions of Recommendation 20, as Community texts are directly applicable within the States. Nevertheless, there are major shortcomings, namely: clearly specifying the obligation to make an immediate STR; delimiting the obligation to report attempted transactions suspicious of money laundering or the financing of terrorism and proliferation.

Chad is rated as Partially Compliant with Recommendation 20.

Recommendation 21: Tipping-off and confidentiality

Chad was rated PC on FATF Recommendation 21 during the 2014 first round evaluation for multiple shortcomings in its implementation of the Recommendation. These include, but are not limited to, the scoping of business relationships and transactions; the lack of additional countermeasures for countries that do not implement or insufficiently implement the FATF recommendations; the lack of measures to raise concerns about AML/CFT deficiencies in countries other than those identified by the FATF; and due diligence on transactions with legal and natural persons resident in countries that do not implement or insufficiently implement the FATF Recommendations.

Noting that the adoption in 2016 of Regulation No. 01/16/CEMAC/UMAC/CM on the prevention and suppression of money laundering and the financing of terrorism and proliferation in Central Africa by Chad to address the shortcomings identified during the previous MER.

Criterion 21.1: The provisions of Articles 88 and 89 of the CEMAC Regulation and Articles 30 and 31 of COBAC Regulation No. R-2005/01 ensure that financial institutions, their managers and employees are protected from criminal or civil liability for breach of any rule relating to the disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, when they report in good faith their suspicions to ANIF, even if they did not know for sure what the predicate criminal activity was or whether the suspected illegal activity did not actually occur.

Criterion 21.2: Under the provisions of Article 87 of the CEMAC Regulation and Article 15.3 of Regulation No. 0004/CIMA/PCMA/PCE/SG/08 of 4 October 2008, financial institutions, their managers and employees are prohibited from disclosing the fact that a suspicious transaction report or related information has been sent to ANIF.

Weighting and conclusion

Chad has met all the criteria of FATF Recommendation 21.

Chad is rated as Compliant with Recommendation 21.

Recommendation 22: DNFBPs: customer due diligence

The 2014 first round mutual evaluation rated Chad NC with the FATF Recommendation 22, pointing to the following deficiencies: fragmented obligation for the banking sector, lack of obligation to report to the banking or non-banking supervisor, and ineffective implementation of the provisions.

Criterion 22.1:

(a) Article 47 of the CEMAC Regulation obliges casinos and gaming establishments to comply with the obligations of customer due diligence by keeping and updating information relating to players and the operations they carry out during gambling for an amount equal to or greater than one million CFA francs, that is equivalent to 1,500 euros. However, this is not equivalent to obtaining and verifying information as in R.10.

(b) Similarly, Article 48 of the CEMAC Regulation obliges real estate agents involved in transactions on behalf of their customers for the purchase or sale of real estate, to implement the customer due diligence requirements listed in R.10.

(c) Article 50 of the CEMAC Regulation stipulates that dealer in precious stones and/or metals are required to comply with the obligations relating to customer identification when they carry out a cash transaction with a customer equal to or greater than the threshold set by the national authority or, failing that, by the Ministerial Committee. However, no threshold has yet been set by these authorities.

(d) Pursuant to Article 49 of the CEMAC Regulation, lawyers, notaries, accountants and other independent legal and accounting professionals shall comply with the customer due diligence requirements specified in Articles 21 to 25 of the said Regulation, when preparing or carrying out transactions for their clients for the following activities: (i) purchase and sale

of real estate; (ii) management of client's funds, securities or other assets; (iii) management of bank, savings or securities accounts; (iv) organization of contributions for the creation, operation or management of companies; and (v) creation, operation or management of legal persons or arrangements, and purchase and sale of business entities.

(e) Trust and company service providers are required, in accordance with Article 51 of the CEMAC Regulation, to implement the customer due diligence requirements set out in R. 10 and in relation to Criterion 22.1.

Criterion 22.2: Article 47 of the CEMAC Regulations requires casinos and gaming establishments to keep records for 10 (ten) years, after the last recorded transaction. Article 24 of Decree No. 2007/1138 obliges real estate agents to keep their registers for 10 (ten) years and to submit them for control to officials of the Ministry in charge of housing at each of their requisitions.

There is no obligation for other categories of DNFBPs (dealers in precious stones and/or metals, lawyers, notaries, accountants and other independent legal and accounting professions, trust and company service providers) to keep records for at least 5 (five) years.

Criterion 22.3: Pursuant to Article 25 of the CEMAC Regulation, DNFBPs as a whole are required to have adequate risk management systems to determine whether the client is a PEP and, if so, they are required to comply with the obligations relating to PEPs as set out in R.12. This requirement does not take into account the beneficiary of the life insurance contract and/or, where applicable, the beneficial owner of the beneficiary of the life insurance contract if he/she is a PEP.

Criterion 22.4: The CEMAC Regulation does not oblige DNFBPs to implement the due diligence requirements relating to new technologies set out in R.15.

Criterion 22.5: The CEMAC Regulation does not oblige DNFBPs to implement the third-party obligations set out in R.17 on the use of third parties.

Weighting and Conclusion

Chad has Partially fulfilled the criteria of Recommendation 22. Only casinos and real estate agents are subject to the record keeping obligations outlined in R.11, as opposed to other types of DNFBPs such as real estate agents, trusts, and precious metals dealers, for whom no transaction threshold is set by the authorities. Also, the CEMAC Regulation does not require DNFBPs to implement the due diligence requirements for new technologies set out in R.15 and to comply with the third-party requirements set out in R.17.

Chad is rated as Partially Compliant with Recommendation 22.

Recommendation 23: DNFBPs: other measures

Following its first round evaluation in 2014, REM rated Chad NC with Recommendation 23, pointing to several shortcomings in the implementation of this Recommendation, such as: lack of compliant registration and monitoring procedures for money remittance service providers; lack of AML/CFT monitoring mechanisms for currency exchange offices and the size of the uncontrolled informal sector; lack of specific regulation for the insurance sector and financial

markets; lack of written and operational mechanisms to prevent criminals from controlling financial institutions; and failure to implement the mechanism.

Criterion 23.1: The obligations to report suspicious transactions set out in Recommendation 20 apply to all DNFBPs referred to in Articles 6 and 7 of the CEMAC Regulation, in the following circumstances:

(a) For lawyers, notaries, other independent legal professionals and accountants when assisting their client in preparing or carrying out transactions relating to: (i) the purchase and sale of real estate or business enterprises; (ii) the management of funds, securities or other assets belonging to the client; (iii) the opening or management of bank, savings or portfolio accounts; (iv) the organization of contributions necessary for the incorporation, management or control of companies; (v) the incorporation, management or control of companies, trusts or similar legal arrangements; (vi) the incorporation or management of endowment funds.

(b) For dealers in precious stones and metals, they are bound by the general STR obligation without threshold limitation.

(c) For trust and company service providers, they are bound by the general STR obligation without reference to the circumstances or assumptions referred to in C.22.1(e).

However, the formal obligation to report attempted transactions and the prompt reporting of suspicions to ANIF have no legal basis.

Criterion 23.2: Article 28(3) of the CEMAC Regulation states that reporting entities other than FIs shall implement the AML/CFT internal control procedures and measures defined by the control authorities. This provision in itself covers DNFBPs, although this obligation is subject to the control authorities' definition of the AML/CFT procedures and internal control measures to be implemented. However, as Chad has not yet designated AML/CFT supervisory authority/authorities for all types of DNFBPs, the country does not meet the requirements of this criterion.

Criterion 23.3: In the situations set out in Criterion 23.1, there is no provision that obliges DNFBPs to comply with the higher-risk country obligations set out in R. 19. The gaps identified in R. 19 are relevant to this criterion. There are no mechanisms through which the country can apply risk-proportionate countermeasures when required by FATF or without of any FATF recommendation. Lastly, the obligation to lay down measures to ensure that DNFBPs are aware of deficiencies-related concerns in other countries' AML/CFT systems, is not totally covered.

Criterion 23.4: The provisions of Articles 87 and 88 of the CEMAC Regulations require that DNFBPs comply with the disclosure and confidentiality obligations set out in R. 21. Article 87(2) of the CEMAC Regulation stipulates that, under pain of the sanctions provided for by the provisions of this Regulation, reporting entities are prohibited from informing the owner of the amounts or the originator of one of the transactions leading to a suspicious transaction report or third parties, other than the supervisory authorities, professional bodies and national representative bodies, of the existence and content of a report made to ANIF and from giving

information on the action taken on the said report. The provisions of Articles 88 and 89 of the Regulation protect any person reporting suspicions in good faith.

Weighting and Conclusion

Chad insufficiently fulfils the criterion of Recommendation 23, under the new CEMAC regulations. However, attempted suspicious transaction reports are not fully covered and DNFBPs are not required to file STRs immediately upon suspicion. However, there is no mechanism for the application of risk-proportionate countermeasures where FATF requires them to be applied, and the obligation to establish measures to ensure that DNFBPs are aware of concerns about shortcomings in other countries' AML/CFT mechanisms is not fully covered.

Chad is rated as Partially Compliant with Recommendation 23.

Recommendation 24: Transparency and beneficial ownership of legal persons

Former Recommendation 33 based on the 40+9 FATF Recommendations, during its first mutual evaluation, Chad was rated PC with the Recommendation on transparency and beneficial owners of legal persons for the following reasons: the information contained in the RCCM under the OHADA instruments does not allow for the identification of beneficial owners within the meaning of R.33 (now R.24); limited access to information across the territory, apart from N'Djamena Sarh, Moundou and Abéché; and the predominance of informal activity does not allow to obtain adequate, relevant and updated information on all economic operators.

Chad refers to new instruments. It should however be noted that there are still no provisions relating to beneficial owners.

Criterion 24.1:

(a) Chad is a member of OHADA. Under the terms of the relevant provisions of the Uniform Act on General Commercial Law (AUDCG) and the Uniform Act on Commercial Companies and Economic Interest Groups (AUSCGIE) of 17 April 1997, which set out the legal regime for the creation and registration of companies in OHADA member countries, mechanisms are provided for to identify and describe the various types, forms and basic characteristics of legal persons that can be established in Chad. In Chad, there are two categories of legal persons; those created by virtue of the OHADA Uniform Acts, namely: the public limited company (PLC), the limited liability company (LLC), the simplified joint stock company (SJSC), the general partnership (GP), the limited partnership (LP), the cooperative company and the economic interest grouping (EIG). The OHADA system is supplemented by Decree No. 745/PR/PM/MCI/2010 of 16 September 2010 to lay down administrative procedures for the creation of businesses without prejudice to Law No. 004/PR/2008 of 3 January 2008 relating to the creation of the National Agency for Investment and Exports (ANIE) and Decree No. 1793/PE/PM/MECDT/2015 to lay down procedures for the creation, modification, dissolution or striking off of companies as well as Order No. 1827/PR/PM/2016 relating to the creation of a One-Stop Shop. Another category of legal entities that can be created in Chad is made up of (a) Associations which are governed by Ordinance No. 023/PR/2018 of 27 June 2018 relating to the legislation governing Associations; (b) NGOs governed by Decree No. 1917/PR/MEPD

to lay down the status of NGOs in the Republic of Chad and Decree No. 1918/PR/MEPD/201 to establish a standard memorandum of understanding for NGOs in Chad.

(b) These same provisions describe the procedures for creating these legal entities and the methods for obtaining and keeping basic information about them. However, no provision obliges the collection and keeping of information on beneficial owners in the same form. The information on legal persons and others recorded in the register kept at the “One-Stop Shop” for business creation does not suffice to determine the beneficial owner of legal persons.

Criterion 24.2: Article 13 of Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the Prevention and Suppression of Money Laundering, Terrorist Financing and Proliferation in Central Africa calls on the competent authority of each State to take appropriate measures to identify, assess, understand and mitigate money laundering and terrorist financing risks to which it is exposed, and to update this assessment. However, to date Chad has not yet conducted its national risk assessment. As a result, the ML/FT risks associated with different categories of legal persons established in Chad have not been assessed.

Basic information

Criterion 24.3: Pursuant to the provisions of Articles (1, 27, 28, 29, 33, 34 and 35) of the OHADA Uniform Act on General Commercial Law, companies created in a country are registered in a company register, by recording the company's name, proof of their incorporation, their legal form and status, the address of their registered office, the main instruments governing their operation and the list of members of the board of directors. Article 97 of AUSCGIE also deals with the obligation to register companies in the TPPRC. For other types of companies, such as civil companies, the special laws governing them stipulate that they must be registered and must provide all basic information on their composition, form, managers and head offices. All the information contained in the TPPRC is publicly available as appropriate. For other companies not covered by AUDCG, AUSCGIE or AUSC, this information is held by the State authorities responsible for approving, regulating and supervising it. It may be disclosed to the public upon written request by the interested party. However, the authorities we met stated that they had not yet received any such request. They wonder who needs such information, and for what purpose, given that, for example, at the level of SPONGAH, which deals with NGOs in Chad, each NGO is required to declare its funds to ANIF before operating.

Criterion 24.4: There is no express obligation for companies to keep information such as the corporate name; proof of incorporation, legal form and status, address of registered office, operating rules and list of board members and to keep a register of shareholders or members with the names of shareholders and members and the number of shares held by each shareholder as well as the class of shares including the nature of the voting rights associated with them. There is also no obligation for this information to be kept in Chad at a place notified to the company register

Criterion 24.5: Articles 28, 29, 31, 32, 33 and 37 of AUDCG and Articles 261 to 269 of AUSCGIE lay down obligations to ensure that the information mentioned in c.24.3 is accurate and up-to-date. Under these provisions, the Registry in charge of the Trade and Company

Register verifies the completeness and compliance of applications with the supporting documents submitted. Also, the registry may, pursuant to the provisions of the Act on the Trade and Company Register and the advertisement of movable property, verify at any time that the information is correct. Any false declaration, inaccurate or incomplete information for the purpose of registration, deletion or amendment of an entry is liable to a fine. There is no obligation for the register to meet deadlines. There is no mechanism to guarantee that the information mentioned in criterion 24.3. These provisions do not cover the elements of C.24.4.

Beneficial ownership information

Criterion 24.6: There is no mechanism to ensure that information on the beneficial owners of a company is collected by that company and is available at a designated area in the country, or can otherwise be determined in due course by a competent authority.

Criterion 24.7: There is no instrument requires information on beneficial owners to be kept up to date.

Criterion 24.8: There are no provisions to ensure that companies cooperate to the fullest extent possible with the competent authorities in identifying beneficial owners, including requirements that one or more persons resident in the country or a designated non-financial business or profession in the country be authorized by the members of the board of directors or senior management to disclose all basic and available information on beneficial owners and take other comparable measures specifically identified by the country.

Criterion 24.9: Chad has no specific instruments on legal persons for the keeping of supporting documents and records comprising original documents or copies with similar probative value. However, Article 38 of the CEMAC Regulation states that: “without prejudice to provisions laying down more binding obligations, financial institutions shall keep for a period of 10 (ten) years, from the closing of their accounts or the termination of their relations with their regular or occasional customers, the identity documents. They shall also keep all records and documents pertaining to the operations they conducted and the report referred to in Article 35 above (confidential report on the special monitoring of some operations) for 10 (ten) years following the operation”. Also, the Regulation does not explicitly cover the scope of documents to be kept, that is “documents obtained as part of customer due diligence measures, account books and business correspondence, as well as the results of any analysis carried out for FIs, outside insurance companies”. There are no provisions as such for the retention of supporting documents and records comprising original documents or copies with similar probative value. Thus, leaving the choice of which transaction documents to retain to FIs is a vulnerability.

Criterion 24.10: The provisions of Law No. 012/2017 of 17 July 2017 on the Amended Code of Procedure bestow investigative powers on investigations and prosecutions authorities, allowing them to have timely access to all information, even basic information, as part of an investigation, including information on the beneficial owners of the legal person. Article 39 of the CEMAC Regulation grants reporting entities broad authority over the disclosure of documents to judicial and control authorities, as well as to ANIF. The powers of ANIF in this

area are also expanded by the right of communication provided for in Article 75 of the same Regulation. Lastly, COBAC Regulation R-2005/01 empowers the FI supervisory authority to require information disclosure. However, the unavailability of information on the beneficial owner constitutes an impediment to the exercise of this power.

Criterion 24.11: (b) In Chad, pursuant to the provisions of Articles 744 et seq. of AUSCGIE, public limited companies may issue securities, shares and bonds in the form of bearer or registered securities. All securities must be registered in the name of their owner.

Criterion 24.12: In Chad, it is not possible to issue shares registered under nominees. However, administrators acting on behalf of another person may be designated by mandate.

- (a) They are required to disclose to the company the identity of the person who designated them, but are not required to record this information in the company's register or any other relevant register.
- (b) Also, such administrators are required to present a proxy duly authorizing them to act on behalf of another person, but are not required to keep information identifying the person who designated them or to disclose such information to the competent authorities on request.
- (c) No other mechanisms have been identified by the country.

Criterion 24.13: There is no sanction against administrators who do not disclose the identity of their designating authorities or who do not present their proxy. There is no sanction for not keeping documents or updating information.

Criterion 24.14: Chad builds on both regional and international cooperation agreements on mutual legal assistance and information-sharing and CEMAC Regulations to provide prompt international cooperation on basic information and beneficial owners. This cooperation involves in particular:

- (a) facilitating foreign competent authorities' access to basic information in company registers;
- (b) sharing information on shareholders; and
- (c) using investigatory powers of competent authorities, in accordance with national laws, to obtain information on beneficial owners on behalf of foreign counterparts. However, the unavailability of information on BOs limits exchanges in this area.

Criterion 24.15: There is no mechanism in place in Chad to monitor the quality of assistance received from other countries in response to requests for basic information, information on beneficial owners, or assistance in locating beneficial owners residing abroad.

Weighting and Conclusion

All companies under Chadian law are subject to transparency obligations under the relevant registration and listing procedures. The country builds on regional and international cooperation agreements on mutual legal assistance and information exchange and the CEMAC Regulation to provide timely international cooperation on basic and beneficial ownership information. However, the trade and company register does not include any

information on beneficial owners. Companies established under the OHADA Uniform Acts are not required to keep a register of basic information and beneficial owners of the company, let alone keep supporting documents and records consisting of original documents or copies with similar probative value. Lack of risk assessment measures to help Chad take the necessary measures to mitigate the various risks. There is no mechanism to ensure that beneficial owner information is updated and available in a timely manner. There is no applicable sanction for false or incomplete declaration. There is no sanction against administrators for non-compliance with the obligation to disclose their mandate. Finally, the country cannot control the quality of assistance it receives from other countries in response to requests for basic and beneficial ownership information requests. There is no mechanism to ensure that companies cooperate to the fullest extent possible with the competent authorities in identifying beneficial owners.

Chad is rated as Non-Compliant with Recommendation 24.

Recommendation 25: Transparency and beneficial owners of legal arrangements

Former Recommendation 34 based on the FATF 40+9 Recommendations, in its first mutual evaluation in 2014, Chad was rated NA with the Recommendation on transparency and beneficial owners of legal arrangements because the Chadian law did not recognize common laws legal arrangements. As there was no text prohibiting the establishment of legal structures in Chad such as trusts or trusts from neighbouring Nigeria or any other English-speaking country, Chad was recommended to take measures to ensure effective control and compliance with Recommendation R.34. For all the criteria relating to this Recommendation, Chad refers to two legal texts, namely: Regulation No. 01/16/CEMAC/UMAC/CM of 11 April 2016 on the prevention and suppression of money laundering and terrorist financing and proliferation in Central Africa and Law No. 012/2017 of 14 July 2017 on the amended Criminal Procedure Code.

Criterion 25.1: Chad is not a signatory to The Hague Convention of 1 July 1985 on the law applicable to trusts and their recognition. There are no trusts governed by Chadian law. However, the Chadian law does not prohibit trusts formed abroad from operating in its territory or from managing property located in its territory.

(a) Not Applicable, as there are no trusts governed by Chadian law.

(b) Not Applicable, as there are no trusts governed by Chadian law.

(c) The provisions of Article 51 of the CEMAC Regulation relate to the specific obligations of trust and company service providers. They provide for general customer due diligence obligations that are binding on trust service providers when they prepare or carry out transactions for a client in relation to certain specific activities. Thus, according to this article, members of the independent legal professions, such as notaries and lawyers who manage assets under the same conditions as trusts, as well as trustees and professional service providers, are required to identify and verify the identity of certain actors involved in the transaction, namely the client and the beneficial owner of the business relationship, and to keep this information collected for at least 10 years. However, apart from the basic information on the client and the BO, the scheme does not require professional trustees to

hold basic information on other regulated agents and trust service providers involved in the transaction, including investment advisors or managers, accountants and tax advisors.

Criterion 25.2: Article 51 of the CEMAC Regulation relating to the specific obligations of trust and company service providers refers to the general provisions on customer due diligence. Accordingly, the provisions of Article 22 relate to the constant customer due diligence in order to obtain accurate and up-to-date information. In its paragraph 2, all such information held must be updated unfortunately not in a timely manner.

Criterion 25.3: In accordance with Article 31 of the CEMAC Regulation, the identification of a legal person, by the FI and/or the DNFBP when establishing a business relationship or carrying out an occasional transaction for an amount exceeding the defined threshold, such as trusts (including trustees of trusts governed by foreign law), is carried out by the production of the articles of association and any document evidencing that it has been legally constituted and has a real existence at the time of the identification. This provision may be supplemented by Articles 21 to 25, 29, 48, 49 and 51 of the same Regulation.

Criterion 25.4: No law or other regulatory provision prevents trustees from providing competent authorities or FIs and DNFBPs with information on beneficial owners and trust assets held or managed within the business relationship.

Criterion 25.5: Under Law No. 012/2017 of 14 July 2017 on the amended Criminal Procedure Code, the competent Chadian authorities and, in particular, the criminal prosecution authorities have the powers to promptly access basic information held by trustees and other parties, in particular information held by FIs and DNFBP on: **(a)** the beneficial owners of trusts; **(b)** the trustee's residence; **(c)** any assets held or managed by the FI or DNFBP in connection with any trustee with whom they have a business relationship or for whom they carry out an occasional transaction.

Criterion 25.6: Regarding international cooperation, Chad exchanges information with its foreign counterparts through the Ministry of Foreign Affairs, which sends requests to the competent national authorities. In terms of the fight against money laundering and terrorist financing, the CEMAC Regulation establishes a mechanism for international judicial cooperation among CEMAC Member States and between them and third countries. Article 57 of the CEMAC Regulation lists the array of measures for mutual assistance in AML/CFT matters. Article 57(1) sets out the principle of mutual assistance, stating that: "States' judicial authorities shall cooperate with those of other States for the purposes of mutual judicial assistance, information exchange, investigation, and proceedings aimed at preventing and repressing offences outlined in this Regulation, including provisional measures and confiscation of instruments and proceeds from such offences...". Under the provision of Articles 130 and 133 of Law No. 012/2017 of 14 July 2017 on the Revised Criminal Procedure Code, through the letters rogatory procedure, the competent authorities may use, in compliance with national law, the powers of investigation to obtain information on beneficial owners of legal persons, trusts and similar legal arrangements, on behalf of foreign counterparts.

Criterion 25.7: Under the provisions of Article 6 of the CEMAC Regulation, trustees are a category of reporting entities. Articles 113, 117 and 123 of the CEMAC Regulation provide for sanctions and liabilities in the event of non-compliance of reporting entities with their AML/CFT obligations. This helps to ensure that:

(a) trustees are legally liable for any breach of their obligations;

(b) proportionate and dissuasive criminal (in the case of the criminal liability of the legal person), civil or administrative penalties shall apply to them should they fail to comply with their obligations.

Criterion 25.8: There are no sanctions on trustees (of foreign trusts) for non-compliance with the obligation to disclose to the competent authorities, in a timely manner, information on trusts.

Weighting and Conclusion

Under the CEMAC Regulation, Chad recognizes common law mechanisms such as trusts and similar property arrangements. There are no trusts governed by the Chadian law. Chadian legal mechanism partly meets the requirements of transparency and beneficial owner of legal arrangements. However, in the context of trust services, apart from basic information on customers and the beneficial owner, the Chadian mechanism does not require professional trustees to hold basic information on other regulated agents and trust service providers involved in the transaction. There are no sanctions on trustees (of foreign trusts) for non-compliance with the obligation to disclose to the competent authorities, in a timely manner, information on trusts.

Chad is rated as Partially Compliant with Recommendation 25.

Recommendation 26: Regulation and supervision of financial institutions

In its first MER, Chad was rated as NC with the Recommendation on the regulation and supervision of financial institutions (formerly R.24). It was reproached for lack of compliant registration and control procedures for money remittance service providers; lack of AML/CFT control mechanisms for currency exchange offices and the size of the uncontrolled informal sector; lack of specific regulation for the insurance sector and financial markets at the time of the on-site mission; lack of written and operational mechanisms to prevent criminals from controlling financial institutions; lack of financial market regulation; and failure to implement the entire mechanism.

Since this assessment, CEMAC, the Chadian authorities, and community supervisory authorities have taken steps to fill some gaps, namely through the adoption of the new CEMAC AML/CFT Regulation, the adoption of a new AML/CFT Law in Chad, and the revision of the CIMA Regulation. It should be noted that all these changes contribute to strengthening the risk-based monitoring and control principle.

Criterion 26.1: Article 91 of the CEMAC Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 on the Prevention and Suppression of Money Laundering, Terrorist Financing and Proliferation in Central Africa stipulates that supervisory and control authorities ensure that

financial institutions comply with the requirements for the prevention of money laundering, terrorist financing and proliferation.

Furthermore, in keeping with the provisions of Article 38 of the Convention of 17 January 1992 on the harmonization of banking regulations in the Central African States, the supervision of lending institutions subject to the provisions of this Act are conducted by the Banking Commission under the conditions set out in Article 10 of the Convention of 16 October 1990 establishing COBAC.

Article 2 of COBAC Regulation No. R-2005/01 relating to reporting institutions' due diligence regarding AML/CFT in Central Africa, grants COBAC the authority to exercise supervisory and disciplinary powers over reporting institutions (lending institutions, banking intermediaries, microfinance institutions and exchange offices), in AML/CFT matters. Pursuant to articles 4, 7, 8, 9 and 13 of Regulation No. 1/17/CEMAC/UMAC/COBAC of 27 September 2017 relating to conditions for the exercise and supervision of microfinance activities entrust the regulation and supervision of microfinance institutions to COBAC and the Ministry of Finance. The supervisory authorities are responsible for ensuring that microfinance institutions' primary and secondary operations and services are carried out in accordance with the legal and regulatory provisions governing AML/CFT.

Article 3 of the General Regulations of the Central African Financial Market Supervisory Commission (COSUMAF) entrust the latter with the task of supervising and controlling financial market actors. Whereas Article 2 of Regulation No. 06/03-CEMAC-UMAC of 12 November 2003 laying down the organization, functioning and supervision of the Central African Financial Market vests COSUMAF with the supervision and control of financial market players in the CEMAC zone.

According to Article 16 of the Treaty Establishing CIMA, the Regional Insurance Control Commission (CRCA) is responsible for the regulation and supervision of insurance and reinsurance companies. The National Directorate of Insurance is in charge of supervising insurance intermediaries at the national level.

According to Article 16 of Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on currency exchange regulations in CEMAC, BEAC, together with COBAC and the Ministry in charge of monetary affairs and credit, ensures that exchange bureaus comply with all provisions relating to currency exchange regulations.

COBAC supervises payment service providers by ensuring that they comply with the legal and regulatory provisions applicable to them, including AML/CFT regulations (Article 14 of Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 2018 on payment services in the CEMAC).

However, there is no specific provision requiring prior formal approval of large international money transfer companies operating in Chad.

Market entry

Criterion 26.2: To operate in Chad, financial institutions must be licensed (or authorized).

Article 12 of the Convention on the Harmonization of Banking Regulations in Central African States provides that local law institutions or branches of institutions headquartered abroad wishing to carrying out any credit activity must be authorized by the monetary authority, on the recommendation of COBAC. Similarly, the establishment of information, liaison, or representation offices in Chad by lending institutions headquartered abroad is subject to approval by the monetary authority, on the recommendation of COBAC (Article 13).

According to Article 47 of Regulation No. 01/17/CEMAC/UMAC/COBAC, the conduct of microfinance activities in Chad is subject to prior authorization by the monetary authority, on the recommendation of COBAC.

Article 6 of the General Regulations of COSUMAF adopted on 15 January 2009 states that *“market bodies, intermediaries, issuers, and any other person or entity may not operate on the Regional Financial Market without having applied for and obtained from COSUMAF an approval, authorization, or permit to begin their activities, provide their services, or initiate their operations”*.

In the insurance sector, Section 326 of the Insurance Code requires insurance companies to obtain approval from the Ministry of Finance before beginning operations.

The Ministry in charge of monetary affairs and credit grants authorization to foreign exchange bureaus (Articles 19 and 82 of Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on CEMAC currency exchange regulations), on the recommendation of BEAC (Article 14 of the said Regulation).

The exercise of the activity of payment service provider in Chad is subject to authorization by the monetary authority, on the recommendation of COBAC (Article 23 of Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 2018 on payment services in the CEMAC zone).

Furthermore, Article 92 of the CEMAC Regulation forbids the conduct of money and value transfer or transportation activities without a license issued by the competent public authority in whose territory the activity will be carried out. This requirement also applies to any legal or natural person acting as an agent for any money or value transfer service provider in a CEMAC Member State.

However, there is no express provision for prior formal approval of large international transfer companies operating in Chad. As a result, several individuals carry out foreign currency exchange or transfer activities (hawala type) without prior authorization.

The conditions for authorization/licensing set out in these instruments do not permit the establishment or continuation of the activities of shell banks.

Criterion 26.3: Article 91 of the CEMAC Regulation obliges supervisory and control authorities to take necessary steps to define the appropriate criteria for ownership, control, or direct or indirect participation in the management or operation of a financial institution.

The specific instruments relating to banks and financial institutions (Articles 27 and 43 of the Convention on the Harmonization of Banking Regulations in Central Africa, the relevant provisions of COBAC Regulation No. R-2016/01 relating to the conditions and procedures for issuing authorizations to lending institutions, their managers and auditors and, lastly, Article 6 of Regulation No. 02/15/CEMAC/UMAC/COBAC amending and supplementing certain conditions relating to the exercise of the banking profession in the CEMAC zone) define in detail the criteria to be met in order to be a shareholder, a manager or an auditor of a lending institution. They require all applicants to provide a number of documents, including a criminal record certificate of not more than three months old, issued by the competent authorities of the applicant's country of nationality and residence. Also, individual shareholders must also submit a notarized statement of assets and liabilities, as well as an exhaustive list of their holdings in other lending institutions or enterprises. The shareholder, whether an individual or a legal entity, must also submit an honour declaration indicating the source of the funds to be invested and certifying that they are not the proceeds of illegal activities.

Regarding microfinance institutions, Chapters 2 and 3 of COBAC MFI Regulation No. R-2017/05, which establishes the terms and conditions for approving microfinance institutions, their managers and auditors, list all of the information that must be provided to enable COBAC to examine the approval application. The information and data collected enable COBAC to assess the quality and integrity of the shareholders, directors and managers. COBAC also verifies that the applicant manager is not affected by any of the exclusions provided for by the regulations in force.

Concerning the financial market, Article 152 of the COSUMAF General Regulations states that any person convicted of a crime or misdemeanour, or to whom the CEMAC banking and financial system relates doubtful claims, is not allowed to be a director, manager, shareholder, or internal controller of a brokerage firm.

Section 329 of the Insurance Code prohibits any person convicted of a common crime, theft, breach of trust, fraud or an offence punishable by law, embezzlement by a public official, extortion of funds or securities, or issuing bounced cheques in bad faith, undermining State credibility, fencing goods obtained through these offences, any conviction for attempting or aiding and abetting the aforementioned offences, or any conviction to a sentence of at least one year's imprisonment, regardless of the nature of the offence committed, founding, directing, administering or managing businesses subject to the control of the Regional Insurance Control Commission. Section 506 also specifies the conditions under which applicants may exercise the professions of general agent or insurance broker. One of these requirements is that no one who has been convicted of a felony or misdemeanour may practice these professions.

Regarding foreign currency exchange, the provisions of Instruction No. 011/GR/2019 relating to the terms and conditions for engaging in currency exchange activities in the CEMAC sub-region provide that any applicant manager or director must produce, among other things, an extract of the criminal record dated less than 3 months as well as a declaration on honour by which he certifies that he is not subject to any of the prohibitions or incompatibilities provided for by the regulations in force. Shareholders who are natural persons are required to produce a

copy of their criminal record. In addition, shareholders that are legal entities are expected to produce a detailed list of all shareholders, indicating for each of them the number of shares held, the nominal value of the shares, and the corresponding percentage of shareholding and the equivalence in voting rights. Furthermore, the ascending line of shareholders must be identified, as must the natural persons who are the final shareholders.

For payment service providers who outsource or seek technical assistance from a technical partner, Article 62 of Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 2018 relating to payment services in the CEMAC zone specifies that when a technical partner or its responsible managers are subject to incompatibilities, including conviction for crime undermining the security or credibility of the State, attempt or complicity in such offences, theft, breach of trust, fraud, issuing of bounced checks, attempt or complicity in such offenses, theft, breach of trust, fraud, issuing of bounced cheques, or violation of exchange and transfer regulations, COBAC may oppose or order that such services be suspended or closed.

Except for foreign currency exchange, these requirements are not sufficiently explicit about beneficial owners of substantial holdings in or control of a financial institution. Apart from the aforementioned beneficial ownership loopholes, these instruments prevent criminals or their accomplices from owning or controlling a financial institution or holding a management position therein.

Risk-based approach to supervision and monitoring

Criterion 26.4:

(a) According to the relevant provisions of the instruments in force, financial institutions subject to the core principles and falling within the scope of COBAC's supervision are subject to regulation and supervision in accordance with the core principles, including the application of consolidated supervision at group level for AML/CFT purposes. Insurance companies are subject to the same consolidated supervisory framework. Chad, however, has failed to provide evidence of similar arrangements for financial market actors.

(b) Other financial institutions that are not subject to the core principles are subject to AML/CFT regulation and supervision. Financial institutions that provide money, value transfer or currency exchange services are also subject to supervisory systems, unlike money transfer services, which must still work with a supervised FI to operate in Chad.

Criterion 26.5 (a) (b) & (c): Chad has provided no evidence to support the use of a risk-based approach to the frequency and scope of on-site and off-site AML/CFT inspections of financial institutions or groups. Supervisory authorities schedule and conduct inspections based on their policy.

Criterion 26.6: No provision requires supervisory authorities to take a proactive approach that includes reviewing the assessment of the ML/TF risk profile as well as compliance risk of a financial institution or group on a regular basis and as soon as significant events or developments in the financial institution's or financial group's management and operations occur.

Weighting and Conclusion

Chad has instruments designating various authorities responsible for regulating and monitoring compliance with AML/CFT requirements by various types of FIs. However, there is no specific provision for prior formal approval of large international transfer companies operating in Chad.

Indeed, these companies tend to rely on local entities, thereby circumventing the licensing requirement. Also, several people engage in foreign exchange or transfer activities (hawala type) without any licence. Furthermore, there are flaws in the collection of information for identifying the beneficial owner, as this is not clearly specified in the instruments in force, with the exception of the instruction relating to the conditions and procedures for carrying out currency exchange activities in the CEMAC zone. Lastly, the requirements of a risk-based approach to control and supervision are not adequately reflected in Chad's AML/CFT regulations.

Chad is rated Partially Compliant with Recommendation 26.

Recommendation 27: Powers of supervisors

In its first MER, Chad was rated as PC with the Recommendation relating to the powers of supervisory authorities (formerly R.30). Doubts had been raised about the actual sanctioning powers of the National Insurance Directorate and the failure to implement the mechanism, which is now being evaluated based on its effectiveness. Since the adoption of the MER in 2014, CEMAC and Chad have adopted regulations and laws and amended some instruments to fill certain gaps.

As a result, the CEMAC, COBAC, COSUMAF and CIMA Regulations and Law No. 29/PR/2018 on AML/CFT in Chad authorize off-site controls, on-site inspections and sanctions for all types of FIs.

Criterion 27.1: Article 91 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 requires FI supervisory and control authorities to monitor their AML/CFT compliance. The specific instruments for each type of FI authorize supervisory and control authorities to monitor and control FIs.

COBAC is authorized to monitor compliance by lending institutions with their AML/CFT obligations under the provisions of Part II of the Annex to the 16 October 1990 Convention Establishing a Central African Banking Commission and Article 2(2) of COBAC Regulation No. R-2005/01 of 1 April 2005 on reporting institutions' due diligence with regard to AML/CFT. It conducts on-site and off-site inspections of banking and financial institutions.

COBAC conducts off-site and on-site controls to ensure that microfinance institutions adhere to the legal and regulatory provisions that apply to them, whether issued by CEMAC Member States, the UMAC Ministerial Committee, the Monetary Authority, BEAC, or COBAC itself (Articles 13 and 14 of Regulation No. 01/17/CEMAC/UMAC/COBAC of 27 September 2017 relating to the conditions for the exercise and control of microfinance activities in the CEMAC zone).

In the financial market, brokerage firms are subject to off-site and on-site control by COSUMAF under Article 181 of COSUMAF's General Regulations. This control also applies to employees and authorized representatives of brokerage firms.

In the insurance sector, Article 16(a) empowers the Regional Insurance Control Commission to conduct off-site and on-site inspections of insurance and reinsurance companies. In addition, the Ministry of Finance, through the National Directorate of Insurance, also conducts off-site and on-site inspections of insurance sector actors.

Concerning currency exchange actors, Section 6 of Instruction No. 011/GR/2019 of 10 June 2019 on the terms and conditions for the exercise of currency exchange activities in CEMAC Member States that the BEAC, COBAC, or the Ministry of Finance may conduct periodic controls to ensure that currency exchange dealers comply with the provisions governing the exercise of currency exchange activities.

COBAC conducts off-site and on-site checks on payment service providers in accordance with the provisions of Articles 14 and 15 of Regulation No. 04/18/CEMAC/UMAC/COBAC of 21 December 2018 on payment services in the CEMAC sub-region, to ensure that they comply with the legal and regulatory provisions enacted by the UMAC Ministerial Committee, the Ministry of Finance, BEAC, or COBAC itself, and which are applicable to them.

Criterion 27.2: On behalf of the Banking Commission, BEAC organizes and carries out off-site and on-site checks of lending institutions under the provisions of Article 10 of the Convention of 16 October 1990 establishing a Banking Commission for Central Africa.

The provisions of the last paragraph of Article 27 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 empower supervisory authorities to inspect financial institutions.

Criterion 27.3: According to Article 101 of the CEMAC Regulations on the Prevention and Suppression of AML/CFT, supervisory authorities are authorized to demand any necessary information to monitor compliance by financial institutions with their AML/CFT obligations, without resorting to a court decision.

COBAC is empowered by Article 9 of the 1990 Convention establishing COBAC and Article 44 of COBAC Regulation No. R 2005-01 of 1 April 2005 on due diligence measures by institutions subject to AML/CFT to require lending institutions to produce all documents and information it deems necessary for the proper performance of its duties.

The provisions of Articles 9, 14, 52, 62, and 68 of Regulation No. 01/17/CEMAC/UMAC/COBAC relating to the conditions for the exercise and supervision of MFIs, as well as Article 44 of COBAC Regulation No. 2005-01, authorize COBAC to demand the production of any relevant information in order to monitor MFI compliance with their AML/CFT obligations.

Regarding the financial market, Article 12 point (vi) of Regulation No. 06/03-CEMAC-UMAC relating to the organization, functioning and supervision of the Central African financial market, and Article 328 of COSUMAF's General Regulations, authorize

COSUMAF to demand the production of all documents and information required to carry out its controls as part of its ongoing supervision of market actors.

The Regional Insurance Supervisory Commission may request any information necessary for the exercise of its mission from the entities under its supervision. It may specifically request the communication of auditors' reports, as well as all accounting documents that it may, where necessary, request to be certified (Article 310 of the CIMA Code).

According to the provisions of Article 15 of Regulation No. 04/18/CEMAC/UMAC of 21 December 2018 on payment services in the CEMAC zone, COBAC is authorized to request information or evidence from payment service providers, their auditors, technical partners, distributors, sub-distributors, and any other person or body whose assistance may be required in the exercise of its supervisory mission.

Regarding currency exchange actors, currency exchange offices are required to provide to the Ministry in charge of monetary affairs and credit, BEAC and COBAC and, where applicable, any other person duly authorized by legal and regulatory provisions information and documents necessary for the proper conduct of controls (Article 17 of Regulation No. 02/18/CEMAC/UMAC/CM of 21 December 2018 on foreign exchange regulations in CEMAC, as well as Article 49 of Instruction No. 011/GR/2019 of 10 June 2019 on the terms and conditions for the exercise of currency exchange activities in the CEMAC sub-region).

Criterion 27.4: According to the provisions of Article 113 of the CEMAC Regulation, when a reporting entity fails to comply with its AML/CFT obligations due to either a failure to exercise due diligence or a deficiency in the organization of its internal control procedures, the supervisory authority with disciplinary powers may act ex officio in accordance with the conditions set out in the relevant legal and regulatory instruments in force. The specific instruments organizing these various supervisory authorities also empower them to impose disciplinary and financial penalties, including the powers to withdraw, limit, or suspend the financial institution's license.

Where a reporting institution fails to meet its obligations due to serious lack of vigilance or failure to organize its internal control procedures, COBAC may initiate disciplinary proceedings under the instruments governing the profession (Article 60 of COBAC Regulation No. R-2005/01). In keeping with COBAC Regulation No. R-2019/03 of 23 September 2019 on the terms and conditions for the application and recovery of financial penalties by the Central African Banking Commission, COBAC is authorized to impose a range of disciplinary and financial penalties on lending, microfinance and payment institutions, as well as their managers, in the event of noncompliance with regulations.

COBAC has the authority to revoke a banking institution's licence based on its power of sanction (Charter on the Conduct of COBAC On-site Supervision Missions, Annex to COBAC Decision No. D-2010/004 of 15 February 2010).

Where the Regional Insurance Supervisory Commission finds that a company under its supervision has violated the regulations, Section 312 of the CIMA Code allows it to impose a variety of disciplinary sanctions, including fines.

Under Part 8 on sanctions contained in COSUMAF's General Regulations, the Commission is authorized to impose financial penalties on financial market participants that violate the regulations.

Regarding currency exchange, Article 153 of Regulation No. 02/18/CEMAC/UMAC/CM provides that should the Ministry in charge of Finance and the COBAC, as part of their assistance to the BEAC, ascertain infringements, they are authorized to impose administrative and financial sanctions in their respective areas of competence. However, the failure to implement the sanctions provided for in the various instruments of the supervisory authorities makes it impossible to assess their proportionate and dissuasive nature.

Weighting and Conclusion

Authorities tasked with supervising the various types of Financial Institutions in Chad have broad powers to conduct off-site and on-site inspections. COBAC for example has broad powers to impose a range of disciplinary and financial sanctions in the event of failure by credit, microfinance and payment institutions or their managers to meet their AML/CFT obligations. This is the case for COSUMAF which supervises financial market players, the Regional Insurance Control Commission for the insurance sector, and BEAC, with the support of the Ministry in charge of Finance, and COBAC for currency exchange. However, failure to implement them makes it impossible to assess their proportionate and dissuasive nature

Chad is rated as largely compliant with Recommendation 27.

Recommendation 28: Regulation and supervision of DNFBPs

During its first MER, Chad was rated as NC with Recommendation (formerly R.24) on the regulation and supervision of DNFBPs due to lack of implementation of the CEMAC Regulation and the inability of DNFBP supervisory and self-regulatory authorities to effectively monitor members' compliance with their obligations under the CEMAC Regulation.

Casinos

Criterion 28.1:

(a) In Chad, Section 17 (1) of Law No. 029/PR/2018 on the fight against money laundering, terrorist financing and proliferation states that "Casinos and gaming establishments are required to apply to the Ministry in charge of finance for approval to open and operate as provided for by the law in force...".

(b) Article 47 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 outlines the obligations of casinos during their operation. Furthermore, at the national level, Section 17 (1) of Law No. 029/PR/2018 on the AML/CFT stipulates that "Casinos and gaming establishments are required to apply to the Ministry in charge of finance for approval to open and operate as provided for by the law in force, and to provide evidence of the lawful origin of the funds required to establish such an establishment in the application" before commencing operations. However, given that the remit of this department does not include a

directorate in charge of this task, this provision alone seems inadequate to prevent criminals or their accomplices from owning or becoming the beneficial owners of a casino, holding a management position in it, or operating it. This law does not specify the conditions for licensing the operation of a casino, nor measures to prevent criminals or their accomplices from owning or controlling a casino.

(c) The country has not designated an authority to monitor casinos' compliance with their AML/CFT obligations.

DNFBPs other than casinos

Criterion 28.2: The country has no authority or self-regulatory body has yet been designated to monitor and ensure compliance by DNFBPs with their AML/CFT obligations.

Criterion 28.3: According to article 91 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016, the supervisory and control authorities of DNFBPs must ensure that they comply with their AML/CFT obligations. However, no competent authority has been designated to monitor the compliance of other DNFBPs with their AML/CFT obligations.

Criterion 28.4: The lack of a supervisory authority to ensure compliance of other DNFBPs with their AML/CFT obligations has a negative impact on points (a), (b) and (c).

All designated non-financial businesses and professions

Criterion 28.5: The requirements of points (a) and (b) cannot be fulfilled due to the lack of supervision by a supervisory authority.

Weighting and Conclusion

Almost all designated non-financial businesses and professions in Chad are not subject to the control and monitoring arrangements that ensure compliance with their AML/CFT obligations.

Chad is rated as non-compliant with Recommendation 28.

Recommendation 29: Financial intelligence units (FIUs)

Chad's AML/CFT mechanism was rated PC on this recommendation during the first round of evaluation in 2014 for the following reasons: ANIF's limited independence; non-effective access to relevant information and data from the appropriate sources; Imperfect protection of data confidentiality on automatic declarations; lack of synergies with other AML/CFT actors; no sanctions provided for in case of refusal or failure to comply with a request for information from ANIF. In order to fill these gaps, Chad has adopted the CEMAC Regulation and taken certain regulatory measures.

Criterion 29.1: Article 65 of the CEMAC Regulation establishes a financial intelligence unit known as ANIF. According to Article 66 of the same instrument, the FIU mission is to

receive, analyse, and disseminate information on associated predicate offences, and to communicate information in order to combat ML/CFT. Articles 2 and 3 of Decree No. 2005/187 of 31 March 2005 organizes the functioning of FIU under the supervisory authority of the Minister of Finance.

Criterion 29.2:

(a) Under the provisions of Article 66 of the CEMAC Regulation, ANIF is the recipient of suspicious transaction reports in Chad. Under Article 83, reporting entities listed in Articles 6 and 7 of the Regulation, which cover financial institutions and DNFBPs provided for in FATF Recommendations 20 and 23, are required to report suspicious transactions.

(b) In Chad, ANIF receives all other relevant information required to perform its duties and builds a database (Article 66(3) of the CEMAC Regulation, Article 3 of the Decree). As such, it receives information relating to the transmission of funds via cash payment or electronic money from financial institutions (Article 83(6) of the Regulation).

Criterion 29.3:

(a) Article 3 of the Organic Decree empowers Chad's ANIF to request any information it may need as part of its investigations. Point 2 of this article allows ANIF to receive any other information necessary for its mission. Article 12 of the same decree establishes the unenforceability of professional secrecy to ANIF. This decree is consistent with Articles 66 (3) and 72 (1) of the CEMAC Regulation, ANIF may request additional information from reporting entities as well as any natural or legal person holding information that may enable it to confirm STR. It is therefore not necessary to have filed a STR to communicate information to ANIF.

(b) Chad's ANIF has access to a wide range of financial and administrative information gathered from public and private services Under Article 75 of the CEMAC Regulation. This power of communication is upheld by Article 3(2) of ANIF's Organic Decree and 40(1) of COBAC Regulation R-2005 of 1 April 2005 on AML/CFT reporting entities. However, ANIF does not have direct access to the information sources. It has to request it from the entities holding the information, which somewhat limits its scope of action.

Criterion 29.4:

(a) Article 66 of the CEMAC Regulation and Article 3.1 of the Organic Decree of CHAD'S ANIF empower this FIU to analyse, enrich and exploit any information that may ascertain the origin or destination of sums of money or the nature of transactions having been reported as suspicious or referred to it by the public prosecutor. This operational analysis enables it to identify possible targets and to track specific activities or transactions and establish links between these targets and possible proceeds of crime from ML, related offences and FT.

(b) Article 3(5), (7) and (9) of this Decree allows ANIF to conduct or commission strategic studies on the evolution of ML/FT techniques, studies to counter clandestine financial circuits, and to give an opinion on government policy in this area. Likewise, the CEMAC Regulation (Art. 66 (4)) empowers ANIF to conduct or commission periodic studies on the evolution of techniques used for ML/FT purposes within the national territory.

Criterion 29.5: ANIF submit its file analysis to the competent Public Prosecutor [Art.72 (2) of the CEMAC Regulation]. Article 28 of the Anti-Money Laundering Act No. 29 upholds this provision. Under the provisions of Article 3(1) of ANIF's organic decree, ANIF may also be referred to the Public Prosecutor's office, which is the authority in charge of public prosecution. ANIF has a computer centre, documentation and archiving and a liaison officer at the secretariat of the National Director, who is in charge of the administrative management of correspondence and electronic mail.

Criterion 29.6:

(a) Chad's ANIF has a File Review Commission chaired by the National Director and three other members. It issues the final decision on the transmission of files to the competent prosecutor's office. These members and correspondents take an oath of confidentiality. Chad's ANIF has a manual of procedures for processing files, which formalizes the consultation, processing and even archiving of files and which emphasizes the security of electronic and physical files.

(b) Article 29 of ANIF's internal regulations requires members and all operational staff to keep information secret during and after the performance of their duties. Members and correspondents take an oath to keep this information confidential. ANIF also has a code of ethics that imposes an obligation of rectitude on all its staff and sets out sanctions.

(c) ANIF's premises are guarded day and night by an armed guard provided by the Defence and Security Forces (Article 36 of Order No. 122 of 10 September 2020 on internal rules and regulations). Chad's ANIF has a computer, documentation and archiving centre which is in charge of computer security as defined in Article 5 (1) of Order No. 51 on ANIF's organization chart. The access to this centre is restricted to the National Director, to the three other members and, upon authorization of the National Director, to the analysts in order to get relevant information for their investigations.

Criterion 29.7:

(a) Article 65 of the CEMAC Regulation establishes ANIF in each Member State, under the supervisory authority of the Minister of Finance, with financial autonomy and autonomous decision-making power over matters within its purview. Article 2 of ANIF's Organic Decree specifies that it is a special service under the supervisory authority of the Minister of Finance, to whom it reports only on its administrative activities. Its statutory missions are not under any direct or indirect authority.

(b) Articles 79, 80 and 82 of the CEMAC Regulation establish national cooperation between ANIF and supervisory authorities, professional associations and national representative bodies, and international cooperation between ANIF and other FIUs of CEMAC Member States, and between ANIF and foreign FIUs. Furthermore, Article 14 of the Decree stipulates that ANIF shall cooperate with national and international public bodies, sign partnership agreements and

exchange information with the authorities of other CEMAC Member States or third parties with similar powers

- (c) Chad's ANIF is an agency under the supervisory authority of the Minister of Finance and the Budget, with operational independence (Article 2 of Decree No. 278). Its staff comprises four members, correspondents and agents. Upon appointment, the Director and members of ANIF cease all activities or functions within their administrations of origin.
- (d) ANIF has an annual budget funded by the State budget, community contributions and development partners. It also has a special fund for AML/CFT- related investigations or operations to that are not subject to the Court of Audit's control. Grants from the Ministry of Finance can be a weakness as their progressive disbursement can put pressure on the FIU.

Criterion 29.8: Chad's ANIF has been an Egmont Group member since June 2014.

Weighting and Conclusion

Chad's ANIF, an administrative FIU and member of the Egmont Group, performs the duties inherent to financial intelligence units, albeit with some minor shortcomings, namely its autonomy, which is jeopardized by its method of financing, and its lack of direct access to the databases of other administrations.

Chad is rated as largely compliant with Recommendation 29.

Recommendation 30: Responsibilities of law enforcement and investigative authorities

During the first-round evaluation of its AML/CFT system in 2014, Chad was rated PC with this Recommendation for the following reasons: Lack of specialized AML/CFT prosecuting and investigating authorities and lack of domestic provisions to defer arrests and seizures for the identification of suspects. To address these shortcomings, Chad has adopted the CEMAC Regulations, the new Penal Code, and the new Criminal Procedure Code.

Criterion 30.1:

When the facts may constitute ML or relate to the ML predicate offenses, they are investigated by designated criminal prosecution authorities in Chad. These include: the National Police, the National Gendarmerie, the Public Prosecutor, the Judicial Pool specialized in the suppression of Terrorist acts and related offenses, the Legal Pool in charge of the suppression of economic and financial offenses, the Central Investigation Service specialized in the suppression of Terrorist acts and related offenses, the General Directorate of the Forestry and Wildlife Guard, and the General Directorate of Customs.

Criterion 30.2: Parallel financial investigations are not provided for in Chadian regulations

Criterion 30.3: Articles 104 and 105 of the CEMAC Regulations empower the law enforcement authorities to take precautionary measures, including the seizure of ML/FT-related property and the freezing of money or financial transactions involving such property. This provision is echoed in Articles 34 et seq. of the Anti-Money Laundering Act No. 29. Also, Section 157 of the Chadian Criminal Procedure Code empowers judicial police officers

and the investigating judge to seize property and proceeds of corruption and related offenses as evidence.

Criterion 30.4: The CEMAC customs code empowers customs authorities to seize goods derived from customs fraud (Articles 298 et seq.). Similarly, Chad's ANIF may veto the execution of an operation within 48 hours, which may be extended to 8 days by order of the President of the court issued at the request of ANIF (Article 29/PR/2018). This Judge may order the provisional escrow of the funds, accounts or securities concerned by the suspicious transaction report.

The Forestry and Wildlife Guard Command established by Decree No. 931/PCMT/PMT/MEPDD/2021 of 26 December 2021 is a technical entity to combat environmental crimes. It includes a special anti-poaching unit. Its staff has the powers of judicial police officers to ascertain and prosecute environmental crimes. This entity has the power to seize the property involved in the offence for legal action.

Criterion 30.5: The State General Inspectorate is the authority responsible for fighting corruption in Chad. However, it has no jurisdiction to investigate ML/TF offenses.

Weighting and Conclusion

While some prosecuting and investigating authorities have sufficient powers to conduct their activities, namely ANIF and Customs, some do not. The IGE, which is the authority in charge of fighting corruption, cannot identify, freeze or seize assets. To do so, it refers the matter to the competent civil courts and acts as plaintiff in the proceedings. Finally, Chadian law does not provide for parallel investigations, which significantly undermines financial investigations, as laundered property is neither identified nor located.

Chad is rated partially compliant with Recommendation 30.

Recommendation 31: Powers of law enforcement and investigative authorities

During the first-round evaluation of its AML/CFT system in 2014, Chad was rated as PC with this Recommendation due to inadequate human, material and technical resources. To bridge this gap, Chad has adopted the CEMAC Regulation and the new Penal Code and the new Criminal Procedure Code.

Criterion 31.1:

(a) Article 39 of the CEMAC Regulations requires financial institutions to provide, at their request, judicial authorities, government agents responsible for detecting ML-related offenses, supervisory authorities, and ANIF with identification documents and records of their clients, as well as all documents and records on cash transactions they have carried out, in accordance with the rate set out in Article 35 of the Regulations.

(b) Sections 129 et seq. of the Chadian Criminal Procedure Code give the judicial authorities the power conduct searches of premises. There is no provision for body searches.

(c) Section 3, which includes articles 95 to 124, governs the taking of evidence.

(d) Lastly, Sections 133 and 157 et seq. deal with seizures and the taking of evidence.

Criterion 31.2 Articles 98 et seq. of the CEMAC Regulations empower judicial authorities to order specific measures, including the monitoring of bank accounts, access to computer systems, networks and servers, the communication and seizure of documents, the surveillance or interception of communications, the recording of acts, actions or conversations, the interception and seizure of mail, and supervised delivery.

Moreover, Section 150 et seq. of the Criminal Procedure Code confer special powers on the bodies investigating corruption and related offenses through undercover operations (Section 151), wiretapping (Section 155), and protection of whistle-blowers and witnesses (Section 159).

Criterion 31.3: Chad has no mechanisms for determining whether individuals or legal entities hold or control accounts or for ensuring that the competent authorities have a mechanism for identifying assets without prior notification to the owner.

Criterion 31.4: Article 79 of the CEMAC regulation provides that ANIF shall exchange any information with the supervisory authorities, professional associations, and national representative bodies that is relevant to the fulfilment of their respective missions. In addition, Article 14 of Decree No. 278 establishing ANIF provides that ANIF shall cooperate with national bodies and as such shall sign partnership agreements governing the exchange of information.

Weighting and Conclusion

Prosecuting and investigating authorities have extended powers to use a wide range of evidence, to order specific measures, to receive all customer identification documents and materials. In addition, ANIF may cooperate with national supervisory authorities and bodies. However, it lacks the mechanisms for account holding and control and for asset identification without prior notification to the owner.

Chad is rated as partially compliant with Recommendation 31.

Recommendation 32: Cash couriers

Chad's AML/CFT system was rated NC in the 2014 mutual evaluation for the following reasons: lack of rigor in the system for declaring cash and bearer negotiable instruments at the border; non-disclosure of available information on the physical cross-border transportation of cash or bearer negotiable instruments to ANIF; non-disclosure of information on the physical transportation of precious metals and stones by Chad's customs services to their counterparts in transit and destination countries; lack of an automated system for managing information on the physical transportation of cash or negotiable instruments; lack of information on the physical transportation of precious metals and stones; lack of an automated system for managing information on the physical transport of cash or bearer negotiable instruments; lack of direct access to the WCO's CEN communication network for Chadian customs services at the borders; lack of awareness of AML/CFT due diligence among customs officials and precious metals and stones traders.

However, the system has improved with the adoption of the 2016 CEMAC Regulation and Regulation No. 02/18/CEMAC/UMAC/CM on foreign exchange regulations in CEMAC of 21 December 2018, which Chad is implementing.

Criterion 32.1: Article 15(1) of the CEMAC Regulation provides for the establishment of a cash declaration system for amounts equal to or greater than 5,000,000 (five million) CFA francs or the equivalent amount in foreign currency by anyone arriving from a third country and entering or leaving the territory of a CEMAC Member State for another country. In addition, Article 78 of Regulation No. 02/18/CEMAC/UMAC/CM on the regulation of foreign exchange in the CEMAC zone provides for the declaration of any sum in excess of 5,000,000 (five million) CFA francs at customs services. Customs services are required to carry out related controls. Chad implements this system. However, the system of declaration instituted applies only to travellers entering and exiting the CEMAC territory. Physical cross-border transportation of currency by courier or freight does not require any declaration or communication.

Criterion 32.2: Articles 76 to 80 of the Regulation on CEMAC exchange regulations provide for a written declaration system. This system applies to travellers carrying sums of money that exceed a certain threshold. The threshold in Chad and the entire CEMAC zone is a sum equal to or greater than 5,000,000 (five million) CFA francs (Article 15 CEMAC Regulation).

Criterion 32.3: Article 15 of the CEMAC Regulation and Article 78 of the Regulation on CEMAC exchange regulations require travellers to make declarations in good faith, failing which the application is not processed by the authorities. Where the traveller provides incorrect or false information, the traveller will be subject to the applicable penalties.

Criterion 32.4: Article 15 (CEMAC Regulation) and Article 78 (3) of the Regulation on CEMAC foreign exchange regulations require competent authorities to request additional information on the origin of cash or bearer instruments.

Criterion 32.5: Authors of false declarations or disclosure are liable to the penalties provided for in currency exchange regulations. Article 168 (4th bullet) punishes the non-declaration or the false declaration as follows: fine of 15% of the amount exceeding the authorized threshold, as well as confiscation of the undeclared sums and, where applicable, the tools used to conceal them, without prejudice to the sanctions provided for by the CEMAC AML/CFT CEMAC AML/CFT Proliferation Regulations (Article 15(6): seizure of all undeclared or falsely declared currency).

Criterion 32.6: The information obtained through the reporting system is made available to the FIU through a system enabling the notification of suspected cases as well as the communication of statistics (Article 79 of the CEMAC Regulation).

Criterion 32.7: The customs service work with police and gendarmerie in monitoring the movement of goods and in seizing goods at the borders. However, this collaboration is not formally coordinated.

Criterion 32.8: In accordance with Article 15 of the CEMAC Regulation and Article 168 of CEMAC foreign exchange Regulation, Chad customs officials may seize or withhold cash or BNIs for a reasonable period of time in order to collect evidence of ML/TF. Article 15 states that detention may not exceed 72 hours if further information is required. However, in the event of non-declaration or false declaration, customs authorities may confiscate all the cash. Article 168 of the Foreign Exchange Regulations also authorizes the confiscation of cash or BNIs for this purpose.

Criterion 32.9: Chad has not provided evidence that its reporting/information system has information relevant to sub-criteria (a), (b) and (c) in order to facilitate international cooperation and assistance regarding R. 36 to 40.

Criterion 32.10: Chad has not provided evidence that it has taken strict precautionary measures to ensure the proper use of the information collected through the reporting/information systems and has not imposed any limitations on: (i) payments for international trade in goods or services; or (ii) the free movement of capital.

Criterion 32.11: Persons involved in physical cross-border transportation of cash and BNIs associated with ML/TF or predicate offences are punishable under the CEMAC Regulation for (Articles 15, 130 et 131) the Penal Code (Section 35), and the Foreign Exchange Regulations (Article 168). These sanctions are proportionate and dissuasive.

Weighting and Conclusion

The CEMAC regulations and foreign exchange regulations have improved Chad's compliance with the requirements of Recommendation 32. However, declare/inform does not apply to the physical cross-border transportation by mail or freight. Similarly, there are gaps in the reporting system in terms of the collection and retention of information on reports of sums exceeding the threshold, false reports/information, or suspicion of ML/TF for the purpose of facilitating international cooperation and assistance. The country has not provided evidence of adequate coordination between institutional entities regarding the implementation of the requirements of this Recommendation. It has also failed to provide evidence that it has taken strict measures to ensure the proper use of information collected through reporting/information systems.

Chad is rated as Partially Compliant with Recommendation 32.

Recommendation 33: Statistics

Chad was rated NC with FATF Recommendation 32 on the production of AML/CFT statistics in its previous MER for lack of monitoring and statistical tools.

Criterion 33.1:

- (a) ANIF maintains statistics on STRs received and released
- (b) Chad does not have comprehensive statistics on ML/TF investigations and prosecutions
- (c) Also, Chad does not have comprehensive statistics frozen, seized, or confiscated assets.

(d) Similarly, the country does not have comprehensive statistics on mutual legal assistance or other international requests for cooperation made and received, excluding those related to ANIF's exchange of information with its foreign counterparts.

Weighting and Conclusion

There is no mechanism in place to collect statistics on AML/CFT issues, allowing Chadian authorities to identify vulnerabilities and, thus, assess the effectiveness of their country's AML/CFT system. There are no consolidated statistics on investigations, prosecutions, mutual legal assistance, or other international requests for cooperation, and even fewer on frozen, seized, or confiscated assets.

Chad is rated non-compliant with Recommendation 33.

Recommendation 34: Guidance and feedback

In its first MER, Chad was rated NC with the requirements of this Recommendation (formerly R26) due to lack of explanatory guides, instructions, or guidelines for reporting institutions, as well as a lack of obligation for ANIF to inform the reporting entity of the action taken on SARs received. The revision of the CEMAC Regulation in 2016, the adoption of a new AML/CFT Law in 2018, and the adoption of a new CIMA Regulation in 2021 will go some way to addressing these shortfalls.

Criterion 34.1: Articles 91(3) and 97 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 require supervisory and control authorities to issue instructions, guidelines, or recommendations, as well as provide feedback, to assist FIs and DNFBPs in meeting their AML/CFT obligations. Since the entry into force of the CEMAC Regulation, CIMA has issued a guideline through Regulation No. 001/CIMA/PCMA/PCE/SG/2021 of 2 March 2021, in order to guide insurance sector players in implementing AML/CFT measures, particularly in detecting and reporting suspicious transactions. Chad's ANIF on its part, through the circular letter No. 001/2018 related to economic and financial crime alert indicators, has given guidance to help detect the different possible forms of money laundering and terrorism financing in the financial sector.

Weighting and Conclusion

The regulatory provisions in force require FI and DNFBP supervisory and control authorities to issue guidelines and provide feedback to reporting entities to assist them in implementing national AML/CFT measures. However, since the adoption of CEMAC Regulation 01/16, only Chad's ANIF and CIMA, as the supervisory authority, have issued guidelines for the financial sector and insurance and reinsurance companies respectively. Other FI and DNFBP supervisory and competent authorities have not fulfilled these requirements.

Chad is rated as partially compliant with Recommendation 34.

Recommendation 35: Sanctions

In its 2014 mutual evaluation, Chad was rated LC with the requirements of the Recommendation on Sanctions (formerly Recommendation 17). The system's non-implementation, despite the existence of a legal corpus was identified as a flaw. The effectiveness of implementation is now being evaluated.

Criterion 35.1: Articles 113 to 127 of Regulation No. 01/CEMAC/UMAC/CM of April 11, 2016 provide for a range of proportionate and dissuasive criminal, civil and administrative sanctions, which are applicable to natural and legal persons subject to the regulation who do not comply with their AML/CFT obligations referred to in Recommendations 6 and 8 to 23. More specifically, Article 113 of the CEMAC Regulation provides that “when, as a result of a serious lack of vigilance, or a failure to organize its internal control procedures, a reporting entity fails to meet its obligations to prevent and detect ML/TF, the monitoring authority with disciplinary powers may act ex officio under the conditions provided for by the specific laws in force”.

However, the lack of one or more designated authorities at the level of the DNFBPs in charge of applying BC/FT sanctions is a hindrance to the implementation of this action. Nevertheless, to address this shortcoming, the Ministry of Finance and the Budget issued Order No. 208/PR/MFB/ANIF/2018 of 1 August 2018 to lay down administrative sanctions for taxpayers with the aim of getting them to comply with their AML/CFT obligations. However, its implementation is undermined by the fact that national authorities such as the National Directorate of Insurance, the Directorate of Monetary Finance Affairs and Supervision of Microfinance Institutions do not have the powers to control financial institutions. These powers are bestowed on community bodies such as COBAC and CIMA. Also, Article 2 of this decree states that ANIF may have any relevant control or supervisory authority to assess the scope of the breach, including the IGF, DGI, and DGDI, which have no mandate to supervise either FIs or DNFBPs, and no authority to supervise DNFBPs has been clearly mentioned in this decree.

Criterion 35.2: Sanctions for non-compliance with AML/CFT obligations also apply to managers or employees of natural or legal persons subject to AML/CFT regulations under Articles 117, 119, and 123 of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016. These instruments, however, do not specifically target members of the administrative body. The loopholes identified under 35.1 affect this criterion, that is the lack of an authority responsible for administering its sanctions

Weighting and Conclusion

The relevant provisions of Regulation No. 01/CEMAC/UMAC/CM of 11 April 2016 on the Prevention and Suppression of Money Laundering, Terrorist Financing, and Proliferation in Central Africa provide for a range of proportionate and dissuasive criminal, civil and administrative sanctions applicable to natural or legal persons subject to AML/CFT regulations. Managers or employees of natural or legal persons subject to these regulations may also be liable to sanctions if they are found to be accomplices in money laundering or terrorist financing. However, members of the administrative body have not been specifically targeted. Also, lack of authorities in charge of enforcing sanctions at the DNFBP level is an impediment to the implementation of these actions.

Chad is rated Partially Compliant with Recommendation 35.

Recommendation 36: International instruments

Chad was rated PC with the recommendation relating to international instruments during the 2014 mutual evaluation (R. 35 and SR. I). It was criticized for failing to adequately transpose other relevant AML/CFT conventions, with the exception of the Vienna Convention. Since

then, the country has improved its legal framework for implementing international instruments.

Criterion 36.1: Chad is party to all relevant AML/CFT Conventions, as follows:

- the Vienna Convention: acceded to on 9 June 1995;
- Palermo Convention: ratified on 27 July 2009;
- the Merida Convention: acceded to on 26 June 2018;
- the International Convention for the Suppression of Terrorist Financing: ratified on 21 May 2018.

Criterion 36.2: Chad has implemented the various conventions in the following ways:

- **The Vienna Convention:** Chad does not have a law on illicit drug trafficking. However, there is a Central Drug Control Office responsible for collecting and centralizing all information and controlling all forms of drugs in circulation in Chad.
- **The Palermo Convention:** It is implemented through the CEMAC Regulations, the Penal Code and the Criminal Procedure Code. However, the provisions of Articles 5 and 6 of the Convention are not fully implemented. Indeed, Migrant smuggling is not included in the list of predicate offenses as a serious offense. The Protocol against the Smuggling of Migrants by Land, Sea and Air, which is an addendum to the Convention, is not yet in effect.
- **The Merida Convention:** It is implemented through Law No. 004/PR/2000 of 16 February 2000, which provides for the suppression of misappropriation of public property, corruption, bribery, influence peddling and related offenses. Sections 547 to 553 of the Criminal Procedure Code establish rules for mutual legal assistance in the fight against corruption and related offenses.
- **The International Convention on the Suppression of Terrorism:** Chad draws on community regulations, such as CEMAC Regulation and, in domestic law, such as Law No. 003/PR/2020 of 20 May 2020 on the Suppression of Terrorist Acts.

Weighting and Conclusion

Chad is party to all relevant AML/CFT conventions. However, the Protocol against the Smuggling of Migrants by Land, Sea and Air, which is an Addendum to the Palermo Convention is not yet effective. Migrant smuggling is not listed among serious offences. There is also no domestic instrument on illicit drug trafficking.

Chad is rated as largely compliant with Recommendation 36.

Recommendation 37: Mutual legal assistance

The country was rated LC with Recommendation 37 in the 2014 mutual evaluation, with the country's legal framework providing adequate mutual legal assistance. However, its

implementation was considered insufficient. This rating is now included in the analysis of effectiveness under the new assessment methodology.

Criterion 37.1: Pursuant to Articles 141-158 of the CEMAC Regulations, Chad may promptly provide the widest possible range of mutual legal assistance for investigations, prosecutions, and related proceedings pertaining to money laundering, predicate offenses, and terrorist financing. Section 56 of Law No. 003/ PR/ 2020 of May 20, 2020 on the suppression of terrorist acts also addresses mutual legal assistance in this specific area. Mutual legal assistance may also be provided in accordance with bilateral or multilateral conventions or agreements to which Chad is a party, including the Vienna Convention (Article 7), the United Nations Convention against Transnational Organized Crime (Article 18), the United Nations Convention against Corruption (Article 43), the 1961 General Convention on Judicial Cooperation, known as the Tananarivo Convention, and the Agreement on Judicial Cooperation between CEMAC Member States of 28 January 2004.

Criterion 37.2: Section 48 (Law No. 29/PR/2018 of 22 November 2018) states that in the absence of a judicial cooperation agreement, requests for mutual legal assistance to establish facts of BC/FT or proliferation, for the purpose of executing or ordering precautionary measures or confiscation, or for the purpose of extradition, shall be sent through diplomatic channels to the Minister of Justice, who shall have them executed under the supervision of the Public Prosecutor. Section 51 of the same law establishes a simplified procedure by prescribing that in cases of emergency, requests for mutual assistance are exchanged directly between the Chadian prosecuting authorities, in particular the Public Prosecutor or the examining judge of the High Court with territorial jurisdiction, and foreign prosecuting authorities. Requests for mutual assistance from foreign judicial authorities shall be executed by the Public Prosecutor or by judicial police officers or agents requested by this judge for this purpose.

They are carried out by the examining judge or by the Judicial Police Officers acting on a letter rogatory from this judge when they require certain procedural documents that can only be ordered or carried out during a pre-trial investigation [Article 51 (4) and (5)].

The Criminal Procedure Code sets out the same rules in Sections 542 to 545. According to Section 556 of the same Code, a request for mutual legal assistance or related communications may be transmitted by expeditious means of communication, such as facsimile or electronic mail, provided that such means offer adequate security and authentication, including, where applicable, encryption, with subsequent official confirmation if so required by the requested State. The requested State shall accept the request and respond to it by any of these rapid means of communication. As part of the international cooperation in the suppression of terrorist acts provided for by Law No. 003/ PR/ 2020 of 20 May 2020 on the suppression of acts of terrorism, requests for mutual legal assistance may be sent through the services of ICPO-Interpol. In case of emergency, a verbal request may be accepted provided that it is confirmed by any mean that leaves a written record within 24 hours (Section 59 (1) and (2)). Under Section 545 of the CPC, requests for mutual assistance received by Chad are executed in accordance with the rules set out in the Code. Section 545(2) of the Code provides that, if the request for mutual assistance so specifies, it shall be

executed in accordance with the procedure expressly indicated by the competent authorities of the requesting State, provided that, such rules do not reduce the rights of the parties or the procedural guarantees provided for in the CPC, failing which, the request shall be null and void. However, these rules do not address the prioritization and timely execution of mutual legal assistance requests. There is also no case management system in place to track the progress of requests.

Criterion 37.3: The grounds for refusing mutual legal assistance are listed in Article 143 (CEMAC Regulations), Section 550 (Criminal Procedure Code), and Section 61 (Law No. 003/PR/2020 of 20 May 2020 on the suppressing of acts of terrorism). These grounds are consistent with international standards and do not constitute unreasonable or unduly restrictive conditions for granting mutual legal assistance.

Criterion 37.4:

(a) The grounds for refusing to comply with a request for mutual legal assistance specified in Article 143 of the CEMAC Regulation do not include a refusal relating to a tax-related offense.

A request for mutual legal assistance cannot be refused for the sole reason that the offence is considered to be tax-related (Section 61 of Law No. 003/ PR/ 2020 of 20 May 2020 on the Suppression of Acts of Terrorism).

(b) Similarly, according to the relevant provisions of Section 143(2) and Section 61 mentioned above, professional secrecy or confidentiality obligations may not be used as grounds for refusing to comply with a request for mutual legal assistance.

Criterion 37.5: Article 144 of the CEMAC Regulation requires the competent authority to maintain the confidentiality of the request for mutual legal assistance, its contents and the documents produced, as well as the substance of the assistance. If it is not possible to execute the request without disclosing the contents, this provision requires the requested State to notify the requesting State, which will then decide whether or not to maintain the request.

Criterion 37.6

According to Article 143 of the CEMAC Regulation which lists grounds for refusing to comply with a request for mutual legal assistance, dual criminality is not a requirement for complying with requests for mutual legal assistance that do not involve coercive action.

Criterion 37.7: Pursuant to the provisions of Section 557 of the Criminal Procedure Code, where the requested State (Chad) is authorized to make mutual legal assistance conditional on the existence of dual criminality, this condition will be considered fulfilled if the conduct underlying the offence for which mutual assistance is requested is classified as an offence under its domestic law, whether or not the domestic law classifies the offence in the same category of offences or designates it by the same terminology as the law of the requesting State.

Criterion 37.8:

(a) The CEMAC Regulations (Articles 141, 147 and 151), Law No. 003/PR/2020 of 20 May 2020 on the Suppression of Acts of Terrorism (Section 60) and the Criminal Procedure Code (Sections 129-139, 144-149 and 151-157) give competent national authorities investigative powers and techniques to use in responding to a request for mutual legal assistance. These include taking evidence or statements, handing over court documents, searches and seizures, examining objects and places, providing information and exhibits, and providing banking, financial, and commercial documents held by FIs or other legal or natural persons (Article 141(3) CEMAC Regulation).

(b) The competent authorities may also use the investigative techniques specified in Article 98 of the same Regulation in the context of mutual legal assistance.

Weighting and Conclusion

Chad's legal framework does not establish clear procedures for prioritizing and carrying out mutual legal assistance requests in a timely manner. There is no case management system in place to track the status of requests.

Chad is rated as largely compliant with Recommendation 37.

Recommendation 38: Mutual legal assistance: freezing and confiscation

During the 2014 mutual evaluation, Chad's AML/CFT system was rated PC with this Recommendation because, on the one hand, property of equivalent value was not covered by the CEMAC regulations in force in 2008, particularly with respect to confiscation. On the other hand, there were no provisions for coordination of seizure and confiscation initiatives with other countries. The non-implementation was also noted.

Since this evaluation, the CEMAC Regulation has been amended to include new provisions to improve mutual legal assistance regarding freezing and confiscation, particularly by taking into account property of equivalent value.

Criterion 38.1: Pursuant to Articles 104, 105, 130 and 131 (CEMAC Regulations), Sections 548, 551, 555, 559 and 568 (Criminal Procedure Code) and Article 38 (COBAC Regulation R-2005/01 on reporting entities' AML/CFT due diligence) and 35 (Law No. 29/PR/2018 on AML/CFT and proliferation) Chad's competent authorities are empowered to respond immediately to requests from foreign countries to identify, freeze, seize and confiscate:

- (a) laundered property;
- (b) proceeds of money laundering, principal offences and terrorist financing;
- (c) instruments used;
- (d) instruments intended to be used in connection with such offences; or
- (e) property of corresponding value.

However, (a) since the country's laws provide for the confiscation of laundered property only of persons or entities listed as terrorists, cooperation in the confiscation of laundered property of persons other than terrorists is not possible.

Criterion 38.2: Chad cannot provide assistance in requests for cooperation based on conviction without prior confiscation proceedings and related provisional measures, even if the offender is deceased, at large, absent, or unknown.

Criterion 38.3:

(a) Section 551 (2) (Criminal Procedure Code) provides that decisions to share the proceeds of the sale of property confiscated at the request of a requesting state are determined by agreement between the states. However, there are no agreements on upstream coordination of such confiscation or seizure actions with other countries.

(b) According to Articles 130 and 131 of the CEMAC Regulation the State, through the Treasury, shall own any confiscated assets from all cases if convicted for ML/FT. However, there is no mechanism for the management of such frozen, seized or confiscated assets. Section 552(3) of the Criminal Procedure Code also stipulates that the execution of a foreign court confiscation order on the national territory entails the transfer of ownership of the confiscated property to the Chadian State, unless otherwise agreed with the requesting State. Section 36 (4) (Law No. 29/ PR/ 2018 of 22 November 2018 on AML/CFT and proliferation) provides that seized or confiscated property will be deposited in a deposit and consignment account and administered by a public agency under the joint supervision of the Ministry of Justice and the Ministry of Finance. However, the deposit and consignment account and the public agency have not been created.

Criterion 38.4: Article 154 of the CEMAC Regulation provides that the State has power of disposal of property confiscated on its territory at the request of foreign authorities, unless otherwise provided for under an agreement entered into with the requesting State. Section 551 (2) of the CPC stipulates that decisions on the sharing of proceeds of the sale of property confiscated at the request of a requesting State shall be determined by an agreement between the States. These provisions give the country the possibility to sign agreements on the sharing of confiscated property with other countries. However, such sharing agreements are still non-existent.

Weighting and Conclusion

Procedures for cooperation in confiscation without prior conviction are not provided for. There are no agreements on the coordination of seizure or confiscation actions or on the sharing of confiscated assets with other countries. Also, there are no mechanisms for managing frozen or seized property.

Chad is rated as Partially Compliant with Recommendation 38.

Recommendation 39: Extradition

In the 2014 mutual evaluation Chad was rated PC due to the lack of provisions for prosecuting extraditable nationals and a dearth of implementation. This gap has been filled with the adoption of the 2016 CEMAC Regulation.

Criterion 39.1: Chad has sufficient legal instruments and mechanisms at its disposal to enforce ML/TF extradition requests without undue delay. Specifically:

(a) The CEMAC Regulations include BC/FT as an extraditable offense (Articles 159-164). Section 593 of the Criminal Procedure Code lays down the conditions for extradition in the following terms: offences that may give rise to a request for or granting of extradition are as follows: (1) all acts punishable by criminal penalties under the law of the requesting State; 2) offences punishable by criminal penalties under the law of the requesting State when the maximum penalty incurred, under the terms of that law is two (2) years or more, or, in the case of a convict, when the sentence handed down by the court of the requesting State is equal to or exceeds two (2) months imprisonment.

(b) The CEMAC Regulations provide for a simplified procedure for the execution of extradition requests, including a mechanism for provisional arrest in cases of emergency. The provisions of the Regulation are supplemented by those of the Criminal Procedure Code (Section 613), which state that in case of emergency and upon direct request of prosecuting authorities of the requesting country, Public Prosecutors may order the provisional arrest of the foreigner by simple notice transmitted either by mail or by any other faster means and mode of transmission in writing or any other equivalent form that keeps track of the existence of one of the documents stated under Section 616 of this Code. A legal notice of the request shall be sent at the same time, through diplomatic channels, by mail, telegraph, fax or electronic mail, or by any other means of transmission in writing, to the Minister of Foreign Affairs. These provisions establish a clear procedure for the timely execution of extradition requests. Sections 604 to 614 of the Criminal Procedure Code lay down the terms and conditions for the management of the extradition file, starting with its receipt by the Minister of Foreign Affairs to its transmission to the Minister of Justice, who sends it to the competent Public Prosecutor for processing.

(c) Chad does not attach unreasonable or unduly restrictive conditions to the execution of extradition requests. Indeed, neither the provisions of the CEMAC Regulation specific to international cooperation in ML/TF matters, nor the general provisions of the Chad's Criminal Procedure Code, nor those of the Chadian laws on AML/CFT and on the suppression of terrorism impose such conditions on the execution of extradition requests.

Criterion 39.2:

(a) Chad does not extradite its nationals (Section 598(1) of the Criminal Procedure Code)

(b) In the case of a refusal to extradite for reasons of nationality, the case is brought before the competent national courts in order to take appropriate action against the person for the offence for which the request had been (Article 164 of the CEMAC Regulations).

Criterion 39.3: Article 159 of the CEMAC Regulation makes compliance with the principle of double criminality a requirement for extradition and refers to the application of the rules of ordinary law. To this end, Section 557 of the Criminal Procedure Code considers that this obligation is fulfilled if the act for which extradition is requested constitutes an offence under

domestic law, whether or not the domestic law classifies the offence under the same category of offences, or whether or not it uses the same terminology as the law of the requesting State.

Criterion 39.4: Chad has simplified extradition procedures that even include cases of provisional arrest (Articles 160 and 162 of the CEMAC Regulations and Section 613 of the Criminal Procedure Code).

Weighting and conclusion

Chad is rated compliant with Recommendation 39.

Recommendation 40: Other forms of international cooperation

Chad was rated PC with the requirements of Recommendation 40 due to inadequate implementation of international cooperation and restrictions on the exchange of non-financial information. Improvements have been made to the system since the adoption of the 2016 CEMAC Regulation.

General principles

Criterion 40.1: The provisions of (Articles 80, 82, and 133-163) of the CEMAC Regulations allow Chad's competent authorities to grant the widest possible international cooperation for money laundering related offences, underlying offences and terrorist financing. Such cooperation is provided upon request or on a spontaneous basis. Similarly, Law No. 29/PR/2018 on AML/CFT and proliferation and Law No. 003/PR/2020 of 20 May 2020 on the suppression of acts of terrorism allow the country to grant a wide range of international cooperation. This includes, inter alia: This includes inter alia: judicial authorities, ANIF, authorities charged with receiving reports on the cross-border transportation of cash and BNIs and supervisory authorities. Regarding FIUs, for example, Article 82 of the CEMAC Regulation provides that, upon request or on its own initiative, ANIF may disclose information it holds to equivalent foreign financial intelligence units, in accordance with the Egmont Group Charter of FIUs.

Bilateral and multilateral conventions on judicial, financial and security matters to which Chad is party oblige the various competent authorities involved in AML/CFT to cooperate.

Criterion 40.2:

(a) Chad has sufficient legal instruments consisting of laws, agreements and conventions that constitute the legal basis for cooperation between competent authorities on AML/CFT.

(b) As part of judicial cooperation, the competent authorities are authorized to use all effective means and procedures offered by the laws and regulations in force.

(c) Requests for mutual legal assistance are received by the Ministry of External Relations. After receiving the request, the latter forwards them to the Ministry of Justice, who executes them under the supervision of the Public Prosecutor. In urgent cases, they are transmitted

directly to the Chadian judicial authorities, namely the Public Prosecutor or the examining magistrate with territorial jurisdiction, and the foreign judicial authorities. These request transmission channels are clear and secure to ease and enable the transmission and execution of requests.

(d) There are no clear procedures for the prioritization and timely execution of requests.

(e) The competent authority keeps secret the request for mutual legal assistance, its content and the documents produced, together with the very existence of mutual assistance (Article 144(1) CEMAC Regulation).

In addition, the competent authorities (ANIF, Police and Customs) in AML/CFT matters are members of international organizations in their sectors. As such, they usually communicate through secure circuits, channels or networks of these institutions, which ensure the protection of information received.

Criterion 40.3: Pursuant to the CEMAC Regulation and the Decree to establish ANIF, it negotiates and signs agreements with its foreign counterparts. Chad has signed judicial cooperation and extradition agreements with CEMAC Member States in order to enable effective collaboration between the judicial authorities of these States. Likewise, bilateral agreements have been signed with CEMAC countries and others around the world. The CEMAC Regulation provides that requests for mutual legal assistance from a third State shall be executed where the legislation of this State obliges it to respond to requests of the same nature issued by the competent authority [Article 141(2)]. Chad is a signatory to the cooperation agreement between Central African police forces.

Criterion 40.4: There is no express legal provision for timely feedback on the use and usefulness of information from requesting competent authorities to those from whom they have received assistance. However, the Egmont Group Principles (Point 19) state that “upon request and whenever possible, FIUs should provide feedback to their foreign counterparts on the use of the information provided, as well as on the outcome of the analysis conducted, based on the information provided”.

Criterion 40.5: Chad’s legal arsenal allows it to exchange information or grant mutual legal assistance with some conditions. However:

(a) the fiscal nature of the purpose of the request is not considered as a reason for refusing to execute a request for mutual legal assistance as listed in Article 143 of the CEMAC Regulation;

(b) professional secrecy or confidentiality are not obstacles to the execution of a request for mutual assistance for FIs or DNFBPs (Art.143 (2) CEMAC Regulation);

(c) Article 143(3) of the CEMAC Regulations provides for the refusal of a request for mutual assistance when the offence to which it relates is the subject of criminal proceedings or has already been the subject of a judgement in the national territory;

(d) whether the nature or status (civil, administrative, judicial) of the requesting authority is different from that of its foreign counterpart, it is irrelevant to the granting of mutual

assistance. A request may be refused only if it was not made by a competent authority according to the legislation of the requesting State or if it was not transmitted in accordance with applicable laws (Art. 143(1) of the CEMAC Regulation).

Criterion 40.6: Information sharing between competent authorities and their foreign counterparts is based on cooperation agreements which contain clauses stipulating that information shared by the competent authorities is used only for the purposes and by the authorities for which the information was requested or provided unless prior authorization has been granted by the requesting competent authority.

Criterion 40.7: The various cooperation agreements duly signed by Chad (judicial, police; WCO, OECD, Egmont Group Charter and others) contain clauses that ensure an adequate degree of confidentiality for any cooperation request and for the information exchanged while respecting the privacy and data protection obligations of both parties. These clauses stipulate that competent authorities shall, at the very least, protect the information shared in the same way as they protect similar information received from domestic sources and may refuse to provide information if the requesting competent authority is not able to protect the information effectively.

Criterion 40.8 (*Fulfilled*) All Chadian competent authorities can submit requests on behalf of a foreign counterpart acting in the discharge of his or her duties, and exchange any information that could be obtained if such requests were made within the country. Chad's ANIF may communicate information with its foreign counterparts (Article 82 of the CEMAC Regulations). The competent judicial authorities cooperate while complying with the legislation in force and the provisions of judicial cooperation agreements signed with other States. As a member of Interpol, Chadian police share information with the police of other member States of this international organization. The applies with Customs, which is a member of the World Customs Organization.

Exchange of information between FIUs

Criterion 40.9: The provisions of Articles 80(1) and 82 of the CEMAC Regulation are the legal basis of Chad's ANIF for intra-Community and international cooperation in cases of ML, related predicate offences and TF. This cooperation takes place regardless of the legal nature of the counterpart FIU. As a member of the Egmont Group, Chad's ANIF also cooperates with other FIUs on a reciprocal or mutual agreement basis, in accordance with the principles contained in the Egmont Group Charter of FIUs.

Criterion 40.10: There is no express provision for feedback to equivalent foreign FIU on the use of the information provided and the results of the analyses conducted. It is, however, contained in the Egmont Group Charter of FIUs. Indeed, as a member of the Egmont Group, Chad's ANIF is required to inform its foreign counterparts of how the information provided and the results of the analysis have been used.

Criterion 40.11: The CEMAC Regulation (Art. 80.1 and 82 of the CEMAC Regulation) grants Chad's ANIF broad powers of exchange which may relate to:

- (a) all information it may consult or obtain directly or indirectly, particularly pursuant to Recommendation 29;
- (b) any other information it may consult or obtain directly or indirectly, at national level, subject to the principle of reciprocity.

Exchange of information between financial sector supervisors

Criterion 40.12: The provisions of Article 91(2), (4) and (8) of the CEMAC Regulation as well as those of Regulation No. 02/09/CEMAC/UMAC/COBAC of 28 September 2009 are the relevant legal bases for cooperation between financial sector supervisory authorities and their foreign counterparts, in accordance with applicable international supervisory standards, particularly with regard to the exchange of supervisory information for AML/CFT purposes or relevant in this regard.

Criterion 40.13: Paragraphs 4 and 8 of Article 91(2) of the CEMAC Regulations provide financial sector supervisory authorities with the possibility of sharing information to which they have access at national level, including information held by financial institutions, with their foreign counterparts to the extent of their respective needs.

Under Regulation No. 02/09/CEMAC/UMAC/COBAC of 28 September 2009, COBAC also has this possibility. In this regard, COBAC has signed cooperation agreements with some regulators. It has also adhered to regional and international groups as part of the supervisors in charge of the cross-border supervision of banking groups. The agreements allow COBAC to share information with its foreign counterparts.

Criterion 40.14: For ML/TF purposes, the Chadian financial sector supervisory authorities may, in accordance with the regulations in force, cooperate and share information with other supervisory authorities of CEMAC Member States or third countries (Art. 91 (2), (4) and (8) of the CEMAC Regulations). This instrument provides a wide range of exchanges of all types of information and specifically covers:

- (a) - regulatory information;
- (b) - prudential information;
- (c) - AML/CFT-related information.

For the same purposes, COBAC is authorized to sign cooperation and information exchange agreements with Member States' and third countries' financial system supervisory authorities.⁹

Criterion 40.15: COBAC relies on agreements to share information when co-operating with its foreign counterparts. Such exchanges are undertaken on its initiative or at the request of a foreign supervisory authority. According to Article 14 of the cooperation agreement between COBAC and the WAMU Banking Commission and Article 7.1 ii, iii and iv of the Memorandum of Understanding between COBAC and the Central Bank of Nigeria, "Upon the request of its foreign counterpart, an authority may carry out, alone or together with the latter, inspections in institutions within its jurisdiction that have capital or other links with an

⁹Regulation No. 02/09 / CEMAC / UMAC / COBAC of 28 September 2009.

institution reporting to the requesting authority. In this case, a copy of the inspection report shall be sent to the requesting authority as soon as possible. In the event of joint inspection, the two authorities shall jointly validate and sign the reports and follow-up letters prior to their transmission to the inspected institution and shall send each other a copy of the final reports and follow-up letters forwarded to that institution. Upon completion of the inspection, the parties shall send each other the final reports and follow-up letters forwarded to the institution. They shall mutually inform each other of the subsequent decisions taken with regard to the institutions concerned and ensure their implementation”. The same is true for Article 14 of the cooperation agreement between COBAC and the Central Bank of Congo (BCC). However, the last paragraph of the articles of the previous agreements is not taken into account by this article.

From the foregoing, COBAC may indeed seek information for its foreign equivalents and/or authorize them to seek information themselves, but this should be done jointly as specified in the various cooperation agreements.

Criterion 40.16: In the course of supervising the banking sector, COBAC collaborates with its foreign supervisory equivalents from other countries to obtain information that it deems necessary for the discharge of its duties. Information exchange is most often on the basis of cooperation agreements.¹⁰ Thus, in accordance with these agreements, the information shared between the two authorities cannot be used for purposes other than those for which it was requested. When the shared information is to be used for administrative, disciplinary or criminal proceedings, the requesting authority should inform its counterpart in advance in the request or before the start of such proceedings.

Exchange of information between law enforcement authorities

Criterion 40.17: Articles 145 and 150 to 152 of the CEMAC Regulation allows Chadian prosecuting authorities to exchange information to which they have access at national level with their foreign counterparts for intelligence or investigative purposes in relation to ML/TF cases or related predicate offences, including for the purpose of identifying and tracing the proceeds and instruments of the crime. These provisions are strengthened by the implementation of the police cooperation mechanisms established by ICPO-INTERPOL as well as by criminal police cooperation agreement between Central African States.

Criterion 40.18: Pursuant to the provisions of the CEMAC Regulation, Chadian law enforcement authorities use their powers, including investigative techniques, to conduct investigations and obtain information on behalf of their foreign counterparts, particularly to respond to requests for mutual legal assistance concerning investigative and inquiry measures (Art. 145), search and seizure (Art. 150), confiscation (Art. 151), and provisional measures for the purpose of preparing confiscation (Art. 152). This extensive cooperation is also based on police cooperation mechanisms established by ICPO-INTERPOL, of which Chad is a member, as well as on the provisions of the criminal police cooperation agreement between Central African States.

¹⁰ Cooperation agreements between COBAC and the BCC, the Central Bank of Nigeria, the WAMU Banking Commission and the Central Bank of Sao Tome and Principe.

Criterion 40.19: Chadian prosecution authorities may set up joint investigation teams with foreign competent authorities in order to conduct investigations in a cooperative manner (Article 145(3) of the CEMAC Regulations). When necessary, they may enter into bilateral or multilateral agreements for this purpose. Such is the case, among others, for the police cooperation system established by ICPO-INTERPOL and the criminal police cooperation agreement between the Central African States.

Exchange of information between non-counterparts

Criterion 40.20: Chad does not have information exchange mechanisms between national competent authorities and foreign non-counterpart authorities.

Weighting and conclusion

Chad's existing legal framework allows competent authorities to grant the widest possible international cooperation in relation to money laundering, related predicate offences and terrorist financing. However, clear procedures for the timely prioritization and execution of mutual assistance requests are not provided. There is no mechanism for the exchange of information between national competent authorities and non- counterpart foreign authorities. Furthermore, there is no express legal provision obliging the requesting competent authorities to provide timely feedback to the competent authorities from which they have received mutual assistance on the use and usefulness of the information received.

Chad is rated as Largely Compliant with Recommendation 40.

Technical Compliance Summary - Key deficiencies

Annex Table 1. Compliance with FATF Recommendations

Recommendation	Rating	Rating Factor(s)
1. Assessing risks & applying a risk-based approach	NC	<ul style="list-style-type: none"> • Lack of NRA; • Failure to apply a risk-based approach AML/CFT; • Lack of supervisory authorities for DNFBPs in AML/CFT matters.
2. National cooperation and coordination	NC	<ul style="list-style-type: none"> • Lack authority to coordinate national AML/CFT policies; • Lack of a national AML/CFT policy.
3. Money laundering offence	C	<ul style="list-style-type: none"> • All the criteria are meet in accordance with the FATF standards. However, without being a deficiency with respect to the FATF Standards, the coexistence of two instruments (Regulation and national law), which are complementary at times, sometimes presents contradictions, particularly on the applicable penalty, which could lengthen the trial of cases.
4. Confiscation and provisional measures	PC	<ul style="list-style-type: none"> • Failure to confiscate laundered assets and assets of equivalent value in the context of ML; • Lack of a mechanism to manage seized and confiscated assets.
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> • Lack of a mechanism to criminalize the financing of foreign terrorist fighters' travel.
6. Targeted financial sanctions related to terrorism and terrorist financing	NC	<ul style="list-style-type: none"> • Lack of an authority in charge of designations to the Sanctions Committee under UNSCR 1267 and 1373; • failure to designate a competent authority to disseminate the lists for the implementation of the TFS; • Lack of a mechanism for implementing the TFS.
7. Targeted financial sanctions related to proliferation	NC	<ul style="list-style-type: none"> • Lack of a normative framework to ensure the implementation of proliferation-related TFS; • Lack of a competent national authority to order measures or oversee the implementation of TFS proliferation-related obligations.
8. Non-profit organisations	NC	<ul style="list-style-type: none"> • Failure to identify NPO sub-group likely to be abused for TF purposes; • Failure to identify the threats to which the most vulnerable NPOs are exposed; • Lack of risk-based supervision measures; • Lack of a designated contact point and procedures for responding to international requests for information regarding any NPO suspected of financing or supporting terrorism by any means.
9. Financial institutions secrecy laws	PC	<ul style="list-style-type: none"> • The country fulfils the requirements of this Recommendation.
10. Customer due diligence	PC	<ul style="list-style-type: none"> • Failure of the CEMAC Regulation to take into account the specificity of life insurance contracts

Recommendation	Rating	Rating Factor(s)
11. Record keeping	LC	<ul style="list-style-type: none"> • Lack of clarity on what documents FIs should keep
12. Politically exposed persons	PC	<ul style="list-style-type: none"> • Lack of express requirement for FIs to take reasonable steps to determine whether the beneficiaries or the beneficial owner of a life insurance policy is/are PEPs.
13. Banking correspondence	LC	<ul style="list-style-type: none"> • Lack of requirement obliging financial institutions to ensure that the correspondent is able to provide relevant information relating to transit accounts upon request by the correspondent bank.
14. Money or value transfer services	NC	<ul style="list-style-type: none"> • Lack of specific regulations on the licensing or registration requirements for MVTSS, • Lack of a designated authority to supervise MVTSS and ensure that they comply with AML/CFT requirements;
15. New technologies	NC	<ul style="list-style-type: none"> • Lack of regulation of the VASP sector.
16. Wire transfers	PC	<ul style="list-style-type: none"> • Lack of obligation on the originator's FI to transmit upon request the information accompanying the wire transfer to the beneficiary's financial institution or to the prosecution authorities within 3 (three) working days; • No express obligation on the intermediary financial institution to retain for at least 5 (five) years the information received from the originator's financial institution; • Failure to take into account the obligations of FIs to have risk-based policies and procedures for deciding when to execute, reject or suspend wire transfers that do not include the required originator or beneficiary information and the appropriate consequential actions to be taken;
17. reliance of Third Parties	LC	<ul style="list-style-type: none"> • FIs are not required to take any steps to ensure that the third party provides documents on the identification of beneficial owners and the origins of transactions.
18. Internal controls and foreign branches and subsidiaries	PC	<ul style="list-style-type: none"> • Lack of obligation to implement programs that take into account selection procedures that ensure the recruitment of employees according to stringent criteria.
19. Higher risk countries	PC	<ul style="list-style-type: none"> • Lack of provision obliging FIs to apply enhanced risk proportionate due diligence measures in their business relationships and transactions with natural and legal persons (including financial institutions) from countries where FATF requires them to do so; • Lack of mechanisms to implement risk-proportionate countermeasures when required by FATF or independently of any FATF requirement; • Lack of provisions explicitly covering the requirement to put in place measures ensuring that financial institutions are aware of concerns about deficiencies in other countries' AML/CFT systems.

Recommendation	Rating	Rating Factor(s)
20. Reporting of Suspicious transaction	PC	<ul style="list-style-type: none"> • Lack of clarity on the immediacy of compliance with STR obligations; • Reduced scope of the obligation to report attempted suspicious transactions.
21. Tipping-off and confidentiality	C	<ul style="list-style-type: none"> • The country fulfils the requirements of this Recommendation
22. Designated non-financial businesses and professions: customer due diligence	PC	<ul style="list-style-type: none"> • The record-keeping obligations set out in R.11 are not covered by all the DNFBPs; • Lack of express provision requiring DNFBPs to take reasonable steps to determine whether the beneficiaries or the beneficial owner of a life insurance policy is/are PEPs; • No obligation on DNFBPs to implement the due diligence requirements for new technologies under R. 15 and to comply with the third-party requirements under R. 17.
23. Designated non-financial businesses and professions: other measures	PC	<ul style="list-style-type: none"> • Reduced scope of the obligation to report attempted suspicious transactions; • Lack of clarity on the immediacy of compliance with the STR obligations; • Lack of a mechanism for applying risk-proportionate countermeasures when required by FATF or independently of the FATF requirement; • No provision explicitly covers the obligation to put in place measures ensuring that DNFBPs are informed of concerns about deficiencies in other countries' AML/CFT systems.
24. Transparency and beneficial owners of legal persons	NC	<ul style="list-style-type: none"> • Lack of information on the beneficial owner in the commercial register; • Lack of sanctions in the event of a false declaration; • Lack of sanctions against directors who do not disclose the identity of their principals and do not record the relevant information in the register of shareholders; • Lack of a mechanism to monitor the quality of assistance received from other countries in response to requests for basic information and information on BO.
25. Transparency and beneficial ownership of legal arrangements	LC	<ul style="list-style-type: none"> • Lack of proportionate and dissuasive criminal, civil or administrative sanctions for trustees who fail to comply with their AML/CFT obligations • Lack of an express binding provision on sanctions for non-compliance with the obligation to make available trust information to the competent authorities in a timely manner.
26. Regulation and supervision of Financial Institutions	PC	<ul style="list-style-type: none"> • Lack of a designated authority for the licensing, monitoring, monitoring and control of VASPs; • Difficulty in collecting information on beneficial owners • Failure of supervisory authorities to enforce the risk-based approach in conducting AML/CFT inspections of FIs and financial groups;
27. Powers of supervisors	LC	<ul style="list-style-type: none"> • The non-implementation of these sanctions provided for in the various instruments of the Supervisory Authorities makes it impossible to assess their proportionate and dissuasive nature.

Recommendation	Rating	Rating Factor(s)
28. Regulation and supervision of designated non-financial businesses and professions	NC	<ul style="list-style-type: none"> • Lack of a designated authority to control and monitor compliance with AML/CFT obligations by DNFBPs.
29. Financial Intelligence Units (FIUs)	LC	<ul style="list-style-type: none"> • No direct access to other administrations' databases.
30. Responsibilities of law enforcement and investigation authorities.	PC	<ul style="list-style-type: none"> • No parallel financial investigations
31. Powers of law enforcement and investigation authorities	PC	<ul style="list-style-type: none"> • Lack of mechanisms for holding and controlling accounts and identifying assets without prior notification to the owner.
32. Cash couriers	PC	<ul style="list-style-type: none"> • The reporting/disclosure obligation is not required for physical cross-border transport by mail or freight. • Lack of a mechanism for collecting and storing information on the reporting /disclosure of amounts above the threshold, false reporting /disclosure or suspicions of ML/TF for the purpose of facilitating international cooperation and assistance; • Lack of strict precautions to ensure the proper use of information collected through reporting/disclosure systems.
33. Statistics	NC	<ul style="list-style-type: none"> • Lack of data on investigations, prosecutions and convictions related to ML/TF, • Lack of statistics on requests for mutual legal assistance or other international requests for cooperation. • Lack of reliable and consolidated statistics on frozen, seized or confiscated assets.
34. Guidance and feedback	PC	<ul style="list-style-type: none"> • Lack of guidelines issued by competent authorities, supervisory authorities and SRBs.
35. Sanctions	PC	<ul style="list-style-type: none"> • Lack of sanctions against members of the governing body and senior management of FIs and DNFBPs for non-compliance with AML/CFT obligations under R.6 and 8-23.
36. International instruments	LC	<ul style="list-style-type: none"> • The implementation of the Additional Protocol to the Palermo Convention on the Smuggling of Migrants by Land, Sea and Air is not effective.
37. Mutual legal assistance	LC	<ul style="list-style-type: none"> • Lack of clearly established procedures for the prioritization and timely implementation of mutual legal assistance requests. • Lack of a case management system to track the progress of requests.
38. Mutual legal assistance: freezing and confiscation	PC	<ul style="list-style-type: none"> • Lack cooperation request procedures for confiscation without prior conviction; • Lack of mechanisms to share confiscated assets with other countries; • Lack of mechanisms to manage confiscated assets.

Recommendation	Rating	Rating Factor(s)
39. Extradition	C	<ul style="list-style-type: none"> • The country fulfils the requirements of this Recommendation.
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> • Lack of clear procedures for the timely prioritization of requests;