

Central African Republic

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Central African Republic	
Sanctions:	Yes - UN and EU have imposed arms embargo, travel ban and asset freeze restrictions
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 Recommendations Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: cotton, coffee, tobacco, manioc (tapioca), yams, millet, corn, bananas; timber</p> <p>Industries: gold and diamond mining, logging, brewing, sugar refining</p> <p>Exports - commodities: diamonds, timber, cotton, coffee</p> <p>Exports - partners: Belgium 31.5%, China 27.7%, Democratic Republic of the Congo 8.6%, Indonesia 5.2%, France 4.5% (2012)</p> <p>Imports - commodities: food, textiles, petroleum products, machinery, electrical equipment, motor vehicles, chemicals, pharmaceuticals</p> <p>Imports - partners: Netherlands 19.5%, Cameroon 9.7%, France 9.3%, South Korea 8.7% (2012)</p>	
<p>Investment Restrictions: Information unavailable</p>	

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Section 1 - Background

The former French colony of Ubangi-Shari became the Central African Republic upon independence in 1960. After three tumultuous decades of misrule - mostly by military governments - civilian rule was established in 1993 and lasted for one decade. In March, 2003 President Ange-Felix PATASSE was deposed in a military coup led by General Francois BOZIZE, who established a transitional government. Elections held in 2005 affirmed General BOZIZE as president; he was reelected in 2011 in voting widely viewed as flawed. The government still does not fully control the countryside, where pockets of lawlessness persist. The militant group the Lord's Resistance Army continues to destabilize southeastern Central African Republic, and several rebel groups joined together in early December 2012 to launch a series of attacks that left them in control of numerous towns in the northern and central parts of the country. The rebels - who are unhappy with BOZIZE's government - participated in peace talks in early January 2013 which resulted in a coalition government including the rebellion's leadership. In March 2013, the coalition government dissolved, rebels seized the capital, and President BOZIZE fled the country. Rebel leader Michel DJOTODIA assumed the presidency, reappointed Nicolas TIANGAYE as Prime Minister, and established a transitional government on 31 March. On 13 April 2013, the National Transitional Council affirmed DJOTODIA as President.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Central African Republic is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The Central African Republic has not yet undertaken a Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards.

US Department of State Money Laundering assessment (INCSR)

Central African Republic was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Central African Republic (CAR) is not a major financial center and has an extremely limited banking sector. The economy is almost entirely cash-based, and enforcement of existing AML laws is weak. The level of violence in the country led to the removal of the former president in early 2013 and a subsequent three-year political transition period. The CAR is a member of the Economic and Monetary Community of Central Africa (CEMAC) and shares a regional central bank, the Bank of Central African States (BEAC), with other members. The lack of a cohesive national security force and porous borders allow cross-border activities to go undetected. Smuggling of contraband, including diamonds and arms, occurs across the unsecured border areas with Chad and Sudan. Undocumented trade across the river with Democratic Republic of Congo, which consists primarily of timber and domestic and agricultural goods, also occurs. The CAR is also a source and transit country for the trafficking of persons. There is little information on the extent of the drug trade or any resulting financial transactions in the CAR. Corruption is endemic throughout all levels of commerce and government.

The UN has issued an arms embargo against the CAR, and the UN, EU, and United States have imposed travel restrictions and asset freezes against former government officials and leaders of rebel groups that undermine the peace, stability, or security of the CAR or threaten or impede the political transition process or the stabilization and reconciliation process, or that promote violence.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Public treasuries, banks, investment companies, insurance companies, microfinance organizations, money exchange and transfer companies, casinos, notary offices, real estate and travel agencies, accounting and auditing offices, and merchants

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, microfinance organizations, merchants, public treasuries, and money exchanges

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

The CAR is a member of the Task Force against Money Laundering in Central Africa (GABAC), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Oversight and enforcement of AML laws and regulations are lax in most areas of governance in the CAR. The government lacks the capacity to supervise financial activity and enforce legislation, and the responsibility to do so is ill-defined among the relevant enforcement bodies.

The CAR has taken steps to establish a financial intelligence unit, but it is not operational due to lack of funding and staff. There is little expertise to investigate financial crimes. CAR law enforcement units involved in enforcing existing AML or anti-fraud laws, like CAR law enforcement overall, is very weak and lacks training and resources to conduct even basic law enforcement efforts. The Gendarmerie does have a financial crimes investigation unit, but it is unclear how many cases it processes in a given year.

Insufficient data and transparency make it difficult to assess the effectiveness of the CAR's AML efforts. Given the extremely limited scope of the financial sector, government authorities have expressed confidence in their ability to spot anomalies or significant suspicious banking

transactions. However, the economy is cash based. The Government of the Central African Republic should examine money laundering as it relates to fraud, smuggling, trade, and corruption.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Central African Republic does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

Egmont Financial Intelligence Units - .The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information concerning suspected proceeds of crime, or required by national legislation or regulation, in order to counter money laundering. These reflect those jurisdictions that are members of the Egmont Group.

System for Identifying/Forfeiting Assets - The jurisdiction has enacted laws authorizing the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

International Transportation of Currency - By law or regulation, the jurisdiction, in cooperation with banks, controls or monitors the flow of currency and monetary

EU White list of Equivalent Jurisdictions

Central African Republic is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Central African Republic is not considered to be an Offshore Financial Centre

US State Dept Trafficking in Persons Report 2014 (introduction):

The Central African Republic is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

The Central African Republic (CAR) is a source, transit, and destination country for children subjected to forced labor and sex trafficking, for women subjected to forced prostitution, and adults subjected to forced labor. The scope of the CAR's trafficking problem is unknown, and increased violence and insecurity during the year forced the suspension of NGO programs to survey the problem. Observers report that most victims appear to be CAR citizens exploited within the country, and a smaller number are transported back and forth between the CAR and Cameroon, Chad, Nigeria, Republic of the Congo, Democratic Republic of the Congo (DRC), Sudan, and South Sudan. Trafficking offenders—likely including members of expatriate communities from Nigeria, South Sudan, and Chad, as well as transient merchants and herders—subject children to domestic servitude, commercial sexual exploitation, and forced labor in agriculture, artisanal gold and diamond mines, shops, and street vending. Within the country, children are at risk of becoming victims of forced labor and Ba'aka (pygmy) minorities are at risk of becoming victims of forced agricultural work—especially in the region around the Lobaye rainforest. Girls are at risk of being exploited in the sex trade in urban centers. Girls forced into marriages are often subjected to domestic servitude, sexual slavery, and possibly commercial sexual exploitation. Reports indicate that the incidence of forced marriages, often perpetrated by members of armed groups, increased during the year. Women in prostitution, some of whom reported in previous years being subjected to gang rapes and beatings perpetrated by peacekeeping troops from other Central African countries, are vulnerable to sex trafficking.

Surges in violent conflict during the year resulted in the displacement of nearly one million people, increasing the vulnerability of men, women, and children to forced labor and sex trafficking. There is limited information about the forms of exploitation that may have increased as a result of the crisis. An organization operating locally reported that women and girls were taken to Sudan for forced labor and that armed groups subjected girls to sex slavery.

The recruitment and re-recruitment of children for use in armed groups, at times through force, increased dramatically during the year, particularly among armed groups aligned with the Seleka government and the organized village self-defense units fighting against it known as the anti-balaka. The Seleka coalition was comprised largely of former members of the Convention of Patriots for Justice and Peace (CPJP), the Union of Democratic Forces for Unity (UFDR), and the Democratic Front of the Central African Republic (FDPC)—all groups known to recruit and use children as soldiers and porters. The anti-balaka evolved from a network of self-defense units previously established by towns and villages to combat armed groups and bandits in areas where the national army or gendarmes were not present. The UN estimated in previous years that children comprised one-third of these civilian self-defense units. There are reports that Seleka groups recruited and used children from neighboring countries, including Sudan and Chad, and groups on all sides of the conflict have coerced children into participation in direct hostilities. Children formerly associated with armed groups

were at risk of re-recruitment. Despite having previously signed an action plan with the UN to end the recruitment and use of children, the CPJP continued to recruit and use children during the year. In December 2013, the UN estimated that the number of child soldiers in the CAR had increased from more than 2,000 in April to approximately 6,000.

The Lord's Resistance Army (LRA), a Ugandan rebel group that operates in eastern regions of the CAR, continued to enslave Central African, South Sudanese, Congolese, and Ugandan boys and girls for use as cooks, porters, concubines, and combatants. The LRA also committed abductions, forced girls into marriages, and forced children to commit atrocities such as looting and burning villages, killing village residents, and abducting or killing other children. Some of these children may have been taken back and forth across borders into South Sudan or the DRC.

The Government of the Central African Republic does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government did not investigate or prosecute any suspected cases of human trafficking, and it did not identify, provide protection to, or refer to service providers any trafficking victims. Armed groups aligned with the Seleka government recruited and used children in the commission of atrocities and re-victimized children who had previously been rescued and separated from armed groups.

UN

In December 2013, pursuant to resolution 2127 (2013), the UN imposed an arms embargo, travel ban and asset freeze restrictions against the Central African Republic.

[Read Regulation](#)

EU

12 March 2014 - Council Regulation (EU) No 224/2014 of 10 March 2014 concerning restrictive measures in view of the situation in the Central African Republic

The new EU measures target persons engaging in or supporting acts that undermine the peace, stability or security of the CAR and also imposes a wide range of economic and military restrictions, prohibiting the provision of technical assistance or brokering services in the CAR, in relation to goods and technology listed in the Common Military List of the European Union.

[Read Regulation](#)

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	20
World Governance Indicator – Control of Corruption -	6

Section 3 - Economy

Subsistence agriculture, together with forestry and mining, remains the backbone of the economy of the Central African Republic (CAR), with about 60% of the population living in outlying areas. The agricultural sector generates more than half of GDP. Timber and diamonds account for most export earnings, followed by cotton. Important constraints to economic development include the CAR's landlocked position, a poor transportation system, a largely unskilled work force, and a legacy of misdirected macroeconomic policies. Factional fighting between the government and its opponents remains a drag on economic revitalization. Since 2009 the IMF has worked closely with the government to institute reforms that have resulted in some improvement in budget transparency, but other problems remain. The government's additional spending in the run-up to the election in 2011 worsened CAR's fiscal situation. Distribution of income is extraordinarily unequal. Grants from France and the international community can only partially meet humanitarian needs. In 2012 the World Bank approved \$125 million in funding for transport infrastructure and regional trade, focused on the route between CAR's capital and the port of Douala in Cameroon. After a two year lag in donor support, the IMF's first review of CAR's extended credit facility for 2012-15 praised improvements in revenue collection but warned of weak management of spending.

Agriculture - products:

cotton, coffee, tobacco, manioc (tapioca), yams, millet, corn, bananas; timber

Industries:

gold and diamond mining, logging, brewing, sugar refining

Exports - commodities:

diamonds, timber, cotton, coffee

Exports - partners:

Belgium 31.5%, China 27.7%, Democratic Republic of the Congo 8.6%, Indonesia 5.2%, France 4.5% (2012)

Imports - commodities:

food, textiles, petroleum products, machinery, electrical equipment, motor vehicles, chemicals, pharmaceuticals

Imports - partners:

Netherlands 19.5%, Cameroon 9.7%, France 9.3%, South Korea 8.7% (2012)

Stock Exchange

The BVMAC, with a primary market and secondary market, was founded in 2003. It is a regional stock exchange, with headquarters in Libreville, Gabon, and it serves the following central African countries: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

Section 4 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Civil law system based on the French model

International organization participation:

ACP, AfDB, AU, BDEAC, CEMAC, EITI (compliant country), FAO, FZ, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRCS, ILO, IMF, Interpol, IOC, IOM, ITSO, ITU, ITUC (NGOs), MIGA, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 5 - Tax

Exchange control

Information unavailable

Treaty and non-treaty withholding tax rates

Information unavailable

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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