

**ADDRESSING FACTORS THAT LEAD TO MONEY LAUNDERING IN THE REAL
ESTATE SECTOR BASED ON THE FINANCIAL ACTION TASK FORCE
STANDARDS: A CASE STUDY OF SELECTED REAL ESTATE AGENTS IN LUSAKA
DISTRICT**

BY

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Strategy**

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APPROVAL

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DEDICATION

I dedicate this work to my late Cousin, Whitney Mark Kayumba who encouraged me and inspired me not to be scared of stepping out of my comfort zone. Thank you ba Wito as we used to fondly used call you.

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ABSTRACT

Money Laundering is a widespread problem that has negatively impacted many countries in various parts of the world. Zambia is one of the countries in the world that is rated as having a medium high money laundering risk. One of the sectors which have contributed to this rating is the real estate sector which was rated as posing a high money laundering risk in Zambia. Money Laundering has negatively affected Zambia's financial system and economic development because of a few individuals who earn proceeds from crime and benefit at the expense of many. Further, if left unchecked Money Laundering will allow criminals to expand their operations thereby increasing criminal activities in the society such as drug trafficking, tax evasion and corruption. The study aim was to contribute to the growing body of literature in addressing factors that lead to money laundering in the real estate sector based on the Financial Action Task Force Standards. A descriptive cross-sectional study was conducted and both quantitative and qualitative data was collected to better understand the money laundering in the real estate sector in a bid to address the factors that lead to money laundering. Simple random sampling and purposive sampling were used in this research and a total number of 62 respondents participated in the research. SPSS was used to analyse the quantitative data and the qualitative data was transcribed and analysed based on the recurring themes. The study results are that effective AML in the real estate sector relies on the AML training and effective internal controls by real estate agents. The results presented a p-value of 0.008 which was less than 0.05. This indicated that the model was statistically significant in explaining the impact of the independent variables on the effective AML in real estate sector in Zambia. It is therefore concluded that the independent variables had significant combined effects on effective AML in the real estate sector based on FATF Standards in Zambia. The research results signals that there is need to have more training and awareness activities in the real estate sector.

Key Words: Money Laundering (ML), Financial Action Task Force (FATF) Standards, Real Estate Agents

ACRONYMS

AML	Anti-Money Laundering
CFT	Countering Financing of Terrorism
FIC	Financial Intelligence Centre
FATF	Financial Action Task Force
ML	Money Laundering
MLRE	Money laundering in real estate
NRA	National Risk Assessment
PPMLA	Prohibition and Prevention of Money Laundering Act
ZIEA	Zambia Institute of Estate Agents

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The Financial Action Task Force (FATF) in its recommendations stipulates that Countries should require Designated Non-Financial Businesses and Professions (DNFBPs) to identify, assess and take effective action to mitigate their money laundering (ML) risks. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standards (FATF Recommendations, 2012). Zambia like any other country that has a number of bilateral agreements and a state party to a number of conventions and protocols is required to implement this requirement. According to the Zambia National Money Laundering and Terrorist Financing (ML/TF) Risk Assessment (NRA) Report, the DNFBPs as per FATF standards that operate in Zambia include real estate agents, legal practitioners, accountants and auditors, motor vehicle dealers, casinos, precious stones and metal dealers (NRA Report, 2016).

The FATF Forty Recommendations were originally drawn up in 1990 as an initiative to combat the misuse of financial systems by persons laundering drug money. In 1996 the Recommendations were revised for the first time to reflect evolving money laundering trends and techniques, and to broaden their scope well beyond drug-money laundering. Over the years, the FATF recommendations have undergone a number of revisions to incorporate latest developments on Money Laundering and the latest revision happened in 2012.

A briefing to the European Parliament, “Understanding Money Laundering through Real Estate Transactions”, defines Money Laundering as the process used to camouflage the illegal origin of funds generated by illicit or criminal activities. By successfully laundering the proceeds of criminal activities, the illicit gains can be enjoyed without fear of being confiscated. In real estate, money laundering involves using such funds to pay for the transaction (predicate offence of money laundering). Real estate plays a role (mainly) in the third and final stage of the money-laundering cycle, after the placement and the layering phases (European Union, 2019).

Placement consists of moving funds directly associated with a crime and introducing them into the financial system (e.g. breaking up large amounts into small deposits or purchasing financial instruments such as money orders). Layering is then designed to hide the trail and hinder pursuit by distancing the illegal proceeds from the source of the funds, using layers of financial transactions. Purchasing real property is one way to integrate black money into the legal economy, while also returning the illegally derived proceeds to the criminals concerned. In addition, when sold or rented, real property provides what appears to be a legitimate source of income.

According to the Prohibition and Prevention of Money Laundering Act (PPMLA) No. 14 of 2001 (As amended by PPML Act No. 44 of 2010), in Zambia Money laundering” means, where a reasonable inference may be drawn, having regard to the objective factual circumstances, any activity by a person-

- (a) who knows or has reason to believe that the property is the proceeds of a crime; or
- (b) without reasonable excuse, fails to take reasonable steps to ascertain whether or not the property is proceeds of a crime;

Where the person-

- i) engages, directly or indirectly, in a transaction that involves proceeds of crime;
- ii) acquires, receives, possess, disguises, transfers, converts, exchanges, carries, disposes, uses, removes from or brings into Zambia proceeds of a crime; or
- iii) Conceals, disguises or impedes the establishment of the true nature, origin, location, movement, disposition, title of, rights with respect to, or ownership of, proceeds of crime.

The PPML Act further defines “Proceeds of crime” as property or benefit that is-

- a) Wholly or partly derived or realized directly or indirectly, by any person from the commission of a crime.
- b) Wholly or partly derived or realized from a disposal or other dealing with a proceeds of a crime;
- c) Wholly or partly acquired proceeds of a crime;

And includes, on a proportional basis, property into which any property derived or realized directly from the illegal activity is later converted, transformed or intermingled, and any income, capital or other economic gains derived or realized from the property at any time after the crime.

Real estate agents are regulated by the Zambia Institute of Estate Agents (ZIEA), which is established under the Estate Agents Act, No. 21 of 2000. The role of ZIEA under section 5 of the Estates Agents Act includes;

- i) To promote and regulate the practice and business of estate agents;
- ii) To promote and maintain best standards and practices in the business of estate agents;
- iii) To register members of the institute and persons qualified to be registered as estate agents and to maintain a register for both;
- iv) To provide continuing education for its members; and
- v) To regulate the professional conduct and discipline of estate agent.

ZIEA is also designated as an AML supervisory authority under the FIC Act No. 46 of 2010 (as amended by Act No 4 of 2016). Under the same Act, the FIC is designated as the supervisor of last resort in cases where there is no supervisor or the supervisor is not effectively supervising its regulated entities on AML matters. Further, the FIC has been empowered to conduct inspections on the reporting entities as defined under Section 11 of the FIC Act (as amended).

The money laundering risk for the sector (real estate) was rated ‘**High**’ as a result of vulnerability being Medium High and threat being High. The following deficiencies or gaps in the AML controls apply to this sector:

- i. The Estates Agents Act, which is the enabling legislation for the regulation of real estate agents does not have AML provisions;
- ii. Despite ZIEA being designated as a supervisory authority under the FIC Act, with specific powers, ZIEA does not currently supervise the sector on AML as a result, ZIEA is not imposing effective sanctions for compliance deficiencies;
- iii. There are no provisions in the ZIEA Act that relate to the role of ZIEA as reflected under the FIC Act and this gives members a reason to not buy into AML regulation of the sector;
- iv. The number of unregistered real estate agents poses a regulatory challenge in the sector

- v. Lack of knowledge on AML for supervisory authority and reporting entities;
- vi. Lack of knowledge on role of supervisory authority and reporting entities in AML;
- vii. Until, April 2016 when administrative sanctions were introduced under the FIC Act, there has been a lack of a sufficiently wide range of administrative sanctions (including monetary penalties) on AML/CFT compliance deficiencies; and
- viii. Lack of enforcement action taken for entities operating without a license.

The AML controls are weak they therefore do not have any impact on reducing the vulnerability that is inherently there in the sector (NRA Report, 2016).

1.2 STATEMENT OF THE PROBLEM

There is a problem of Money being laundered through the Designated Non-Financial Businesses and Professions (DNFBPs) and particularly in the Real Estate Sector in Zambia. Despite efforts to prevent or deter Money Launderers from abusing the DNFBPs, efforts to prevent Money Laundering from taking place are not effective because the levels of Money laundering is still high in the real estate sector (Zambia NRA Report 2016). This problem has negatively affected Zambia's Financial System and economic development because a few individuals who earn proceeds from crime benefit at the expense of many. A possible cause of this problem is lack of effective mechanisms to detect and deter money laundering in the DNFBPs sector and particularly by the players in the real estate market so that the perpetrators of financial crime can be stopped. Further, there seems to be no attempt to address the factors that lead to ML in the real estate sector. The difficulty arising from this problem is communal in that it affects the whole society to a large extent. Money Laundering allows criminals to expand their operations thereby increasing criminal activities in a society such as drug trafficking, tax evasion and corruption. It further, deprives the general citizens of basic needs such as education, health and other social amenities.

Money laundering is estimated to have reached \$1.6 trillion a year equivalent to 3% of the world's GDP (Accuity, 2019). As banks and financial institutions increase their controls to combat financial crime, money launderers are looking for new targets. Criminals tend to look for the weakest link in the chain and, when it comes to modern-day money laundering, the real estate sector is in their sights. Real estate is an attractive target for those wanting to hide the proceeds of crime. It allows a lot of cash to be laundered in a single transaction, and the real estate sector

has notoriously lax controls around money laundering. According to the Financial Action Task Force (FATF), real estate accounted for 30% of criminal assets confiscated worldwide between 2011 and 2013 (FATF Report, 2013). Concern is growing in many cities around the world that high-value residential real estate has become vulnerable to criminals using shell or offshore companies to conceal their identity.

Perhaps a study which addresses Money Laundering in the real estate sector based on the FATF standards would suffice. If this study is not done and particularly money laundering in the real estate sector, there will be high levels of money laundered in the sector and this will make it difficult to fight money laundering especially at national level. The criminals that commit financial crimes in the country are likely to continue investing and integrating their ill-gotten money into the real estate sector thereby distorting economic fundamentals. This will ultimately increase poverty levels and underdevelopment of the country.

1.3 AIM OF THE STUDY

The aim of this study was to identify and address the factors that lead to Money Laundering in the real estate sector in Zambia based on the FATF standards.

1.4 RESEARCH OBJECTIVES

- i. To identify factors that lead to Money Laundering in the real estate sector.
- ii. To addresses factors that lead to money laundering in the real estate sector based on the Financial Action Task Force Standards (FATF).

1.5 RESEARCH QUESTIONS

- i. What are the main factors leading to Money Laundering in the real estate sector in Zambia?
- ii. How can we address factors that lead to Money Laundering in real estate sector based on the FATF standards?

1.6 JUSTIFICATION FOR THIS STUDY

In May 2018 and 2019, the Financial Intelligence Centre (FIC) released the 2017 and 2018 Money Laundering/Terrorist Financing Trends Report for Zambia respectively and highlighted that the DNFBP's such as lawyers, accountants and real estate agents have continued to be used as vehicles for money laundering. Most criminal elements have resorted to using these professionals to mask the source of funds and aid its movement to foreign destinations for

reinvestment or use. In the cases analysed by the FIC during 2017, approximately ZMW 50 million was channelled through lawyers' accounts. The funds were subsequently used to buy assets or withdrawn in cash presumably for the benefit of the real owners. The Centre noted a continuing trend within the Real Estate sector that involved deceptive land or property dealings, as well as money laundering activities by both foreign and Zambian nationals. In most instances the profiles of the persons substantially differed with the properties built/purchased. It was also noted that funds that were illegally obtained through government contracts were invested in assets and properties using proxies (ML/TF 2017 Trends Report). Further, this is in line with the NRA report (2016) which stated that the ML risk in the real estate sector is high due to a number of deficiencies or gaps such as lack of AML controls in the sector among others. As such, a study on an effective framework of Anti-Money Laundering in the real estate sector is of utmost importance. Therefore, the outcomes of this study are beneficial in a number of ways and the following stand out.

- 1) The study developed measures which the real estate agents in country and elsewhere can use in their quest to prevent themselves from being abused by money launderers and ultimately reduce or combat money laundering in the sector.
- 2) The study can ultimately contribute to reduction of some of the socio-economic effects that come along with money laundering in the long-run.
- 3) The results of the study were published in the Open Journal of Business and Management (OJBM) Volume 2021, 9, 385-396 issue number 2329-3292 (Chisenga and Phiri, 2021). Hence the study contributes to the body of knowledge through the peer review journal publication.

1.7 CHAPTER SUMMARY

The chapter provided the introduction of the topic and highlighted the statement of the problem. Further, the chapter outlined the aim of the research and research objectives. Research questions were formulated based on the research objectives. Lastly, the justification of this study was outlined.

CHAPTER 2

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

ML is a global problem involving both developed and developing countries around the world. Therefore, international cooperation is of critical importance for ML prevention. Over the years money laundering has been of great concern to world leaders, not only as a serious and highly sophisticated form of crime but also as a threat to human rights, democracy and the rule of law. This section reviews some literature on Anti Money Laundering that exists.

2.2 GLOBAL PERSPECTIVE

2.2.1 EUROPEAN PERSPECTIVE

The problem of money laundering has been faced worldwide and many countries have tried to tackle it using various Anti-Money Laundering frameworks. According to a European Parliamentary Research Service (EPRS) paper issued in February 2019 by Cécile Remeur, the FATF is an intergovernmental body whose objective is to set standards for the development and promotion of national and international policies to combat money laundering and terrorist financing. Its recommendations increase transparency and enable countries to take successful action against the illicit use of their financial systems. Cécile Remeur explains that in the European Union, the first anti-money-laundering framework dates back to the 1990s. It has been revised constantly in order to mitigate risks relating to money laundering and terrorist financing. It encompasses: Directive (EU) 2015/849 of 20 May 2015 on preventing the use of the financial system for money laundering or terrorist financing (the fourth AML directive) as amended by Directive (EU) 2018/843 of 30 May 2018 and Regulation (EU) 2015/847 on information accompanying transfers of funds, which makes fund transfers more transparent, thereby helping law enforcement authorities to track down terrorists and criminals. The EU's money laundering rules set minimum requirements, leaving Member States free to impose stricter requirements if they consider it necessary to do so according to the risk.

2.2.2 UNITED STATES OF AMERICA (USA) PERSPECTIVE

Cécile Remeur further assumes that as the use of real estate for laundering money is concentrated in a number of geographical areas, targeted questions can generate matches. This is the case in the US where real estate geographic targeting orders (GTOs) made in 2016 and renewed in 2018 have been issued by the US Financial Crimes Enforcement Network (FINCEN) for a number of geographical locations, with varied monetary thresholds for each area. Some of these require the identification of the natural persons behind companies used to pay all cash for luxury residential real properties. This looks like a well-targeted tool, but a geographically targeted tool bears the risk of the phenomenon moving to other areas beyond its reach.

DNFBPs are required to run customer due diligence checks based on risk assessment and record-keeping requirements. This includes real estate agents involved in transactions for their clients concerning the buying and selling of real estate and also lawyers when preparing or carrying out such transactions for their clients. To this end, guidance can help gatekeepers to identify risks and implement obligations. Among the gatekeepers, the financial sector also has a role to play when it is involved in the transaction. This role is important but should not be over-relied upon, as not all transactions pass through a financial sector intermediary, especially in the case of cash transactions. The legal professions have a particular role to play, as they sometimes provide advice on structures and contracts relating to transactions and can be involved in conveyancing.

In order to detecting and if need be reporting suspicious transactions, there is a need to ascertain the true identity of each customer by running a customer due diligence (CDD)/ know your customer process (KYC) (i.e. identifying and verifying the identity of clients, monitoring transactions and reporting suspicious transactions). This spans from the simple identification and verification of the identity of clients (in the case of real estate transactions, the vendor, the purchaser and any other parties involved) to the more complex identification of the beneficial owner. Identifying the beneficial owner, who may be shielded either behind a third party acting as legal owner or behind a corporate vehicle, such as a company (a shell company for instance), a trust or a similar vehicle. Suspicious transaction reporting (STR) must take place when there is suspicion or reasonable grounds to suspect that funds are the proceeds of a criminal activity. Financial institutions are obliged to report, and the non-financial sector has the same or a similar obligation in a series of transactions defined in the FATF recommendations. However, it is

imperative to note that there have been shortcomings in this framework in the non-financial sector.

2.2.3 GENERAL WORLD SCENARIO

World scenario: The models used for Anti-Money Laundering by various countries and by various institutions vary according to country but are aligned to international standards. It may be worthwhile to have a look at the problem of money laundering in the real estate sector world-wide.

According to an article published by Accuity et al., entitled “*Money laundering and real estate, why the real estate sector should prepare for regulation*”, Money Laundering is a world-wide problem. Accuity further explains the levels of money laundering in selected countries as shown below.

Canada; More than 650 organised criminal groups are involved in mortgage fraud to launder funds. Almost half of the 100 most valuable residential properties in Greater Vancouver are held through a structure that hides their beneficial owner.

United Kingdom; Individuals or companies with a high money laundering risk own more than £4.2 billion of property in London. According to government figures, foreign companies own about 100,000 properties in England and Wales and more than 44,000 in London.

United states; about \$8 billion is spent each year on \$5m+ homes in New York City, just over half of them to shell companies. 59% of property purchases by international clients across the US are made in cash. 62% of property purchases of more than \$2 million by international clients in New York are made in cash.

Australia; The amount of foreign money invested in Australian real estate tripled between 2013 and 2015. The financial crimes regulator AUSTRAC says that real estate transactions are ‘an established money laundering method in Australia. Around AUS\$1 billion in suspicious transactions connected to property deals from Chinese investors alone were recorded in 2015/16.

Taiwan; Chen Shui-bian, the former President of Taiwan, was sentenced to 19 years in prison in 2009 after being convicted of money laundering and bribery charges. It was alleged that some of

the money accepted as bribes by his family was used to purchase real estate overseas, including a £1.6 million apartment in New York (<https://accuity.com/>).

Southern Africa; According to Goredema (2004), Zimbabwe's former Minister of Finance, Chris Kuruneri, faced charges of violating foreign currency control laws by withdrawing foreign currency from a Harare bank and transferring it to South Africa. Papers filed in the case allege that he unlawfully withdrew R5.2 million (US\$800,000) from the Jewel Bank (previously known as the Commercial Bank of Zimbabwe) in March 2002. The money was passed on to a firm of attorneys in Cape Town to invest in the city's residential property market and was used to acquire a property in a Cape Town suburb. The house, which is reported to be valued at R30 million (US\$4,615,384.60), was registered in the name of a shell company. It also appears that some of the proceeds of grand corruption in Angola and the DRC have been invested in residential property in South Africa. More than 20 such properties in the up-market Sandton area of northern Johannesburg have been traced to serving government ministers in the DRC. 12 other properties linked to former and current military officials in Angola.

Many nations are united in the need to tackle the growing problem of money laundering through real estate. Real estate professionals, as the gatekeepers of the sector, are perfectly placed to act as de-facto regulators. The willingness of governments in key jurisdictions, combined with concerns over rising property prices and the possible link with money laundering, is creating a perfect environment for regulatory action. The sector should also expect a corresponding increase in enforcement action, regulatory checks and visits. The AML obligations placed on real estate professionals should be similar to those that already applicable to banks and casinos. In practical terms, real estate firms and brokers, title insurance companies, real estate management companies, law firms and lenders will need to;

- Carry out more detailed and intensive customer due diligence, including KYC checks and Politically Exposed Person (PEP) screening,
- Screen individual transactions for suspicious activity,
- Establish the ownership of companies involved in real estate transactions,
- Prepare regular AML compliance reports and keep documentation for the relevant authorities,

- Be able to demonstrate to regulators that they have robust AML screening and compliance procedures in place.

There is work to be done as many real estate firms are under prepared as can be seen by low levels of Compliance measures in the sector and high levels of money laundering risks.

2.3 THE DETERMINANT OF EFFECTIVE ANTI-MONEY LAUNDERING MODELS

Regulatory Quality measures how well the leadership of a country is able to develop laws and execute sound policies that create an enabling environment for the private sector to thrive. Geiger and Wuensch (2007) assert that countries have the responsibility to formulate, implement and enforce both criminal and civil laws of which AML regulations are part. The quality of International AML Policy is to a large extent dependent on the quality of domestic regulatory frameworks (Sharman, 2008). Thus, no matter how good the FATF recommendations are, they tend to be ineffective when applied to a local jurisdiction with a weak regulatory framework. In a paper published by Sharman's (2008), he found that the differences in regulatory quality among developing and developed countries who are required to adopt the same international AML policy is the low level of compliance among developing countries. One of the main causes of low compliance levels as pointed out by Yepes (2011) is the poor quality of domestic governance. Thus, the quality of the regulatory framework of a country determines to a large extent the level of AML compliance of a particular sector.

2.4 THE ROLE OF REAL ESTATE AGENTS IN THE FIGHT AGAINST MONEY LAUNDERING

According to FATF, real estate accounted for up to 30% of criminal assets confiscated worldwide between 2011 and 2013 (FATF, 2013. www.fatf-gafi.org). The Financial Action Task Force (FATF) has included real estate agents in the FATF 40 Recommendations as a Designated Non-Financial Business and Profession, 'when they are involved in transactions for their client concerning the buying and selling of real estate'. The sector is therefore subject to the relevant preventive measures, including Customer Due Diligence (CDD), suspicious reporting, and record keeping. An interpretive note clarifies that real estate agents should comply with CDD requirements 'with respect to both the purchasers and vendors of the property'. In Zambia, this implies the real estate sector is subject to the Financial Intelligence Centre Act.

2.5 THE FINANCIAL ACTION TASK FORCE (FATF) STANDARDS

In many countries, the real estate sector is vulnerable to money laundering due to a high number of factors including; the high value of assets, price fluctuations and speculation within the market, difficulties in assessing the true value of a house, and the fact that the legal owner is not necessarily the economic owner (Unger et al, 2011). The Financial Action Task Force has set out international standards that the real estate agents can adopt and implement in order to protect themselves from money laundering. The standards are in line with what has been highlighted below by Friedrich and Quick (2019) in his analysis of AML in the German Non-Financial Sector.

Table 1: Requirements for an Effective AML Framework

Requirement	Short Description
Customer Due Diligence	For some transactions, especially for cash transactions above USD 10,000, companies have to conduct CDD (Customer Due Diligence procedures). Depending on the risk, there are simplified and enhanced CDDs.
Internal Controls	Independent of trigger-transactions, all companies have to establish risk-based internal AML controls, e.g. <ul style="list-style-type: none"> • Business-customer- related • AML training for employees • Employee reliability checks
AML Officer	Designate an AML Officer
Suspicious Transaction Reports (STRs)	File suspicious transaction reports where there is a suspicion of money laundering

Source: Friedrich C., & Quick R., (2019): An analysis of AML in the German Non-Financial Sector.

2.6 RELATED STUDIES

A number of studies have been done generally on money laundering with a few studies focusing on money laundering in the real estate sector. In a criminology study on, “Money laundering in the real estate sector: Suspicious properties”, it was noted that In many countries, the real estate sector is vulnerable to money laundering due to a high number of factors including; the high value of assets, price fluctuations and speculation within the market, difficulties in assessing the true value of a house, and the fact that the legal owner is not necessarily the economic owner. In this book, the authors identify a total of 25 characteristics which render a property susceptible to money laundering. The more such characteristics a property exhibits, the more suspicious it becomes. The authors also discover that some of these characteristics weigh heavier than others. Combining economic, econometric and criminological analysis, this multidisciplinary approach shows how to detect criminal investment in the real estate sector. The most important finding of the criminological analysis is the fact that 20 per cent of the cases in the testing group were labelled conspicuous compared to 10 per cent in the control group. This result can be considered a promising start of the effort to develop innovative methods to detect irregularities in the real estate sector. However, the analysis also shows that improvements and alterations of the methodology are necessary. Refinements can be found in the development of a more specific red flag analysis aimed at specific behaviors and specific sub-markets. The results of this research indicate that specific behaviors can be linked to their own set of specific characteristics and hits, making these refinements possible. In addition, certain adaptations should be made. It appears that for this type of analysis, open source information is insufficient with regard to money laundering activities (which was the original starting point of this study) we consider it to be important to refine the indicators that were used in the economic analysis and search for different indicators to establish signals of dubious foreign investments, loan-back and back-to-back loan schemes. The researchers concluded that, we however have to keep in mind that the real estate market is a closed circuit that offers many possibilities to conceal irregularities (Unger, B et al, 2011).

Most recently, during a Conference convened by the Terrorism, Transnational Crime and Corruption Center at the Schar School of Policy and Government of George Mason University (March 25, 2018), Money laundering in real estate (MLRE) constitutes a rapidly growing problem in both developed and developing countries. In the United States, this problem is

especially evident in major metropolitan cities, including New York City, Miami, Los Angeles, and San Francisco. Money laundering in the real estate sector involves various techniques, such as the use of complex loans, credit finance, monetary instruments, mortgage schemes, investment institutions, and anonymous corporate entities, as well as manipulation of the appraisal or valuation of properties. The lack of beneficial ownership transparency is the most important single factor facilitating MLRE in the U.S. Often, MLRE is facilitated by non-financial professionals, including lawyers, real estate agents, sales representatives, and brokers, among others.

MLRE has many negative consequences for local communities and the national economy. They include adverse effects on asset and property prices, the dislocation of residents from and within major metropolitan areas, the threat of monetary instability due to the misallocation of resources, the loss of policy control over the real estate and building industries, accumulation of political influence by foreign politically exposed persons, and the formation of hubs for other criminal activities. MLRE also poses a national security threat by worsening instability in conflict and post-conflict countries that are particularly vulnerable to corruption, violence, organized crime, and terrorist finance. Another threat to national security relates to the export of economic criminality from kleptocratic states to democratic countries through their financial and real estate channels.

According to a study by an expert panel on Money Laundering in British Columbia, Money laundering, especially as it applies to real estate in the urban markets of British Columbia has become one of the most hotly debated public policy issues of the time. And yet, because of its secretive nature, little is known about the quantum of money laundering in real estate or its impact on market prices and housing affordability. What is clear is that, decades after money laundering was identified as an issue requiring a coordinated and sustained international response, Canada's approach – focusing on a criminal justice response – has not been effective. Urgent action is required. It is clear that BC cannot be effective on its own. Accordingly, the study also identifies improvements to the core federal anti-money laundering (AML) legislation and practice, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and the operations of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

There is a complex system of regulatory and AML agencies at the federal and provincial level that inevitably operate as silos to some extent. Coordination and cooperation are key in the fight against money laundering. The panel concluded the following among others;

1. Money laundering significantly damages our society and causes ongoing harm, not limited to the real estate sector or other economic sectors. Money laundering is a contagious, corrupting influence on society, damaging the reputations and stability of professions and institutions needed to enable complex money laundering schemes and spreading that damage throughout civil society. It facilitates other criminal activities, contributing in particular to drug trafficking and the violent crime and opioid deaths that result, as is sadly so evident in BC. It deprives the public and public services of the benefit of taxation revenue. It affects real estate markets and contributes to the housing affordability problem.

2. The amount of money laundering is significant, but it is difficult to measure. The Panel conservatively estimates annual money laundering activity in 2015 in Canada at \$41.3 billion (\$46.7 billion for 2018) and in BC at \$6.3 billion (\$7.4 billion for 2018). This is the first money laundering estimate for Canada or a province generated on the basis of economic analysis and modelling and the first estimate of money laundering over time. However, it must be stressed that the inherent secrecy of an activity designed to hide the true nature of financial transactions, together with the lack of reliable, internationally consistent data, means that there is no definitive way to measure money laundering activity. The methodology used is likely to generate an estimate of money laundering near its lower bound (Professor Maureen Maloney- Chair, Professor Tsur Somerville, Professor Brigitte Unger- Expert Panel on Money Laundering in British Columbia Real Estate, March 31, 2019)

Table 2: Content analysis of some of the reviewed literature

AUTHOR	ARTICLE OBJECTIVES	METHOD OLOGY	FINDINGS CONCLUSIONS	COMMENTS CRTIQUE IF ANY	RESEARH GAPS
Surendran Sundarakaniand M. Ramasamy (2015)	<p>1.To study the awareness of people of Chennai city about money laundering in real estate</p> <p>2. To study the possible ways through which the money laundering happening in real estate.</p> <p>3. To examine the legal provisions for anti-money laundering in India and to suggest measures</p>	Self-administere d Questionnai res.	Money laundering happens among common people both knowingly and unknowingly through several means. While registering the real property, the value is quoted below actual price. The difference of price evades tax and the money is spent somewhere legally, which results into money laundering at miniaturized level.		The study was restricted to Chennai city and it was supposed to address on developing an effective AML framework that will be used to reduce money laundering activities in India.
Bajrang, Pavitra, Ritika, Piyush, Puneet, Neha Parashar (2009)	1. To identify the macroeconomic factors responsible for the pervasiveness of Money Laundering Activities in developing countries.	Descriptive design that was administere d the use of questionnair	In the Indian context, one of the primary reasons for individuals engaging in Money laundering is for the evasion of tax.		The study should have also looked at the economic effects on money laundering in the other active

	<p>2. To determine the influence of each factor on the volumes of illicit fund flows.</p> <p>3.To understand the legal framework for combating Money Laundering in India</p>	es.			sectors of the economy.
Gotz E Jonsson, M (2009)	The objective was to provide an overview of AML efforts and high risk sectors in Georgia and explain the changes in this field over time.	Questionnaires were administered through the use of a descriptive design	The study finds that AML efforts have drastically improved in Georgia following the Rose Revolution, even though significant high-risk sectors remain and a certain tendency towards “selective implementation” (where political opponents of the ruling government are targeted the most) of AML regulations can be detected		The study did not address the reasons of why high sectors have significant remained negatively affected With money laundering activities.
Rosalind Rima Murithi (2013)	The effect of anti-money laundering regulation	Descriptive survey that	The study concluded that bank reporting affects AML that led		The study was restricted to the

	implementation on the financial performance of commercial banks in Kenya	was administered through the use of questionnaires.	to increased transactional costs due to screening and the reporting frequency that the bank has instituted as well broadened the types of reports prepared. The study further concludes that operational costs affect the performance of commercial banks in Kenya to a very great extent due to increased/high transaction costs that the bank incur including training staff on identification of suspicious activities.		banking sector and there is need to do more studies on ML in the sectors on the economy.
Friedrich Schneider (2010)	Examining how money laundering is tackled. Are there effective and efficient international organizations that fight against money laundering?	Descriptive survey that was administered through use of questionnaire	The study concluded that money laundering is extremely difficult to tackle and there is no efficient and powerful international organizations to fight against money laundering.	There are efficient and powerful international organizations that fight against money	The study used a smaller sample size that was not a good representative of the entire population.

		es		laundering.	
VIRITHA B. (2016)	Anti-money laundering regulation and practices in commercial banks: the banker and customer perspective	Descriptive survey that was administered through use of questionnaire. Secondary data also used.	Most of the customers are not aware that banks are used as a channel for money laundering and terrorism financing activities. They exhibited a very vague knowledge of AML/CFT laws, reporting requirements of the bank and about the existence and role of FIU-India. However, though many customers are not aware of the reporting requirement of the banks, they are aware of the importance of reporting in minimizing money laundering activities.		The study needed to address the reasons as why their customer lack knowledge on money laundering and how best can best can it be reduced. The study did not address how effective the AML is for the nation.
Hanna Davidson (2014)	Whose money is dirty and what are the effects?	Descriptive design that was administered	There are negative macroeconomic consequences of unchecked money laundering. It challenge		

		<p>d the use of questionnaire. The strategy for these research is qualitative.</p>	<p>strange changes in money demand, risks to bank soundness, contamination effects on legal financial transactions, and increased volatility of international capital flows and exchange rates due to unexpected cross-border asset transfers. It supports corruption and crime and damages the honest society and weakens democracy and the rule of the law.</p>		
Abdulaziz Alhassan (2011)	Does the Saudi Arabian Financial Intelligence Unit Comply with International AML Standards?	Quantitative research was employed and the survey questionnaire	Some of the staff comments indicated that Saudi Arabian financial intelligence unit should introduce electronic systems to receive STRs from reporting bodies. Saudi Arabian		The study should have looked at the factors that lead to money laundering in their active sectors of the economy

		es were used, the results through a statistical approach.	financial intelligence unit currently receives strs mainly through facsimile, post and by hand delivery. Receiving STRs electronically will not only fasten the receiving process but will also reduce handling errors when inputting information into the Saudi Arabian financial intelligence unit database.		especially the real estate sector and banking sector.
FATF, 2013 Typology report	ML & TF vulnerabilities of legal professionals.	Descriptive survey that was administered through questionnaires.	-FATF has included real estate in the recommendations - The sector is subject to the relevant preventive measures, including CDD, STR& record keeping. -real estate accounted for up to 30% of criminal cases confiscated world between 2011and 2013.		

Mekpor E, S (2017)	The determinants of AML compliance among the FATF member's states.	Descriptive survey that was administered through the use of questionnaires and interview guide.	-Countries are focused on preventing the laundering of funds through financial institutions. - This shows that criminals who launder cash through the real sector are currently having a field day.		
Remuer C European parliamentary Research Service (EPRS) paper (feb 2019)	Understanding money laundering through real estate transactions.	Descriptive survey and interview guide.	-ML framework encompasses directives that are issued. - Targeted questions can generate matches for instance geographic targeted orders.		
Accuity (2019)	Money laundering and real estate, why the real estate should prepare for regulation.		-explains the levels of money laundering in selected countries to real estate. -real estate need to carry out more detailed and customer due diligence, including KYC checks.		

Geiger and wuensch (2007)	Journal of money laundering control: the fight against money laundering.	The research was conducted through a descriptive survey.	-countries have the responsibility to formulate, implement and enforce AML regulations. -FAFT recommendations tend to be ineffective when applied to local jurisdiction with a weak regulatory framework.		
Christian Friedrich (2012)	An analysis of anti-money laundering in the German nonfinancial sector	Descriptive survey and interview guide were administered.	It is based on a framework as a result of grounded theory which was used to analyze eight in-depth semi-structured interviews. The survey instrument is instantiated with eleven companies and four hypotheses are developed. Overall, results show that AML in the German non-FS is heterogeneous and on a rather low level. Next to the unfulfilled responsibility of the companies, this may partly be		The study did not look at effects of ML in crypto currency and its impact on the Germany economy.

			attributed to deficiencies of the regulatory authorities.		
Emmanuel Senanu Mekpor (2017)	The determinants of anti-money laundering compliance among financial action task force (Financial Action Task Force) member states	This study adopted a Quantitative approach, using an econometric model to explain the relationship between the factors that drive AML Compliance.	The study sought to examine how well countries across the globe comply with the AML/CFT Recommendations enacted by the Financial Action Task Force (FATF) to wipe out or at least curb the menace of Money Laundering and Terrorist financing. A thorough review of existing literature confirmed the fact that ML/TF pose severe threats to the global financial system as well as threats to the safety of life and property.		

Uyoyou Ogbodo and Ebipanipre Mieseigha (2013)	Kingsley Gabriel	The objective of the study is to analyze the economic effect of money laundering in Nigeria	The research design used in this study is the descriptive survey method; it involves the use of representative sample from the population.	The effect of money laundering in frustrating legitimate business, and in corrupting the financial and socio political system should not be taken for granted. It is against this backdrop that this study seeks to examine the economic implication of money laundering in Nigeria. The accidental sampling method was used in the selection of 635 persons out of which 624 representing 98.27% of the sampled persons completely filled and returned the questionnaires administered to them. Data collected were analyzed using the simple percentages method, the first	Lack of research in Nigeria on this topic from a border perspective.
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			<p>hypothesis was tested using the chi-square test and it was found that money laundering do have significant effect on Nigeria's economy with f-ratio of $476.163 > f\text{-critical of } 12.592$ at 0.05 level of significance with 6 degree of freedom, thus, the null hypothesis was rejected and the alternative was accepted. The ANOVA test on the second hypothesis confirms that Anti Money</p>		
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Bonga Garikai (2014)	Wellington	<p>The research objectives of the study have been crafted as follows;</p> <ul style="list-style-type: none"> - To explore the intensity of corruption. - To explore the types of corruption. - To rank corruption forms as they prevail. - To determine the easiness of forms of corruption. - To explore corruption networks 	<p>The study relied on qualitative data, Questionnaires were chosen to answer the research questions of the study.</p>	<p>In exploring the nature of corruption in Zimbabwe, the study discovered that corruption is a world-wide phenomenon that is multi-faceted. Corruption do exist in the private sector, however it primarily involves government officials. As indicated by Nye (1967), it is not shocking that corruption is labelled as endemic in all governments. Glynn <i>et al</i> (1997) also indicated that no region, and hardly any country, has been immune. That is why it is commonly said that corruption is probably as old as government itself. Corruption touches nearly all parts of</p>	<p>Incomplete representation among disciplines within regions</p>
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			<p>society.</p> <p>As argued by Amundsen (1999), like cancer, corruption eats into the political, cultural and economic fabric of society, and destroys the functioning of key organs.</p>		
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<p>Aliu, Adijatu .K (2018)</p>	<p>The broad objective of the study is to examine the impact of money laundering on the Nigerian economy. The specific objectives are to:</p> <ol style="list-style-type: none"> 1. Ascertain the effect of money laundering on the Nigerian economy; and 2. Determine whether moving stolen money to offshore or SWISS Banks affect the Nigerian economy 	<p>A cross-sectional survey research design was used in this study.</p>	<p>From the foregoing analysis done it can be stated that there is a significant relationship between the money laundering and its impact on the economy which from our analysis is negative. This implies the more financial crimes in general and money laundering in particular is carried out, the Nigerian economy will worsen. This finding is in alignment with those of Ihsan & Razi (2012), Ogbodo & Mieseigha (2013), Okoye & Gbegi, (2013). Interest rate was found to have a negative relationship with the Nigerian economy, indicating</p>		
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			<p>that as the value for interest rate increases, it will impact the Nigerian economy by increasing the cost of investment in the country as the cost of doing so will go up making it unsuitable for foreign investors to invest in the country.</p>		
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2.7 CHAPTER SUMMARY

This chapter gave a comprehensive review of literature on money laundering and highlighted some of the studies that have been done on money laundering. Brief notes were highlighted on money laundering on the global perspective, the determinant of effective anti-money laundering models, the role of the real estate agent in the fight against money laundering. A conceptual framework was also highlighted depicting various variables that influence an effective anti-money laundering framework. The chapter concludes with a summary of related works in table 2.

CHAPTER 3

METHODOLOGY

3.1 INTRODUCTION

This methodology chapter discusses the analytical framework used in the study. The sections covered include study design, Conceptual Framework, the population and sample of the study, data collection and data analysis. This section therefore captures all the tools, techniques and procedural framework that were used to achieve the set research objectives. This research was a combination of both library research as well as field research to achieve the research objectives.

3.2 STUDY DESIGN

A descriptive cross-sectional study was carried out in Lusaka District among the real estate agents based in Lusaka district. Lusaka province where Lusaka district is located is the capital city of Zambia and one of the most densely populated cities in Zambia. A mixture of qualitative and quantitative research was conducted through administering of questionnaires to a sample of the target population. According to Boateng (2014), a qualitative research is used to describe variation, explain relationships, describe individual experiences and describe group norms whereas a quantitative research is used to quantify variation, predict causal relationship and describe characteristics of a relationship. This study adopted a mixed method approach incorporating both qualitative and quantitative approach.

3.3 STUDY POPULATION AND SAMPLE SIZE

Population refers to the larger group from which a sample is taken for measurement (Kombo and Tromp, 2006). This group has at least one thing in common, for instance all formal real estate agents are licensed and regulated by the ZIEA. The population in this study consisted of all registered Agents with the ZIEA who were enlisted as potential respondents. There was a total number of 170 registered agents as at 26th September, 2019.

A sample is defined by Leedy (2001) as the smaller group of examples chosen from the population that you actually measure. The sample size that was chosen for this research was 100

respondents using simple random sampling. According to Borg and Gall (1996), a minimum sample size of 100 respondents or observations is sufficient for survey research.

The creditability of any research finding or conclusion largely rests on the adequacy of the sample size on which it is based (Oppong, 2013). The saturation point, it has been argued is the determinant of the sample size in qualitative research. According to Bowen (2008:140) “saturation is reached when the researcher gathers data to the point of diminishing returns, when nothing new is being added. Morse (2015) defined saturation as “the building of rich data within the process of inquiry, by attending to scope and replication, hence, in turn, building the theoretical aspects of inquiry”. However, it has been argued that “there are no published guidelines or tests of adequacy for estimating the sample size required to reach saturation...the signals of saturation seem to be determined by investigator proclamation and by evaluating the adequacy and comprehensiveness of the results” (Morse, 1995)

According to Malterud et al (2015), “an initial approximation of sample size is necessary for planning, while the adequacy of the final sample size must be evaluated continuously during the research process. The results presented in the final publication will demonstrate whether actual sample held had adequate information power to develop new knowledge, referring to the aim of the study at hand”

The adequacy of the sample size was continuously evaluated in the course of the study. Further the study findings were appraised to determine whether the sample size was adequate in relation to the research objectives.

A sample of 62 was drawn based on the population of 170 registered Real Estate Agents in Lusaka District. A confidence level of 95% and a margin of error of 10% were used. A combination of probability (simple random Sampling) and non-probability sampling were used to sample the participants. A questionnaire-based approach was selected for the data collection in this study. The formula used for sample size calculation was:

$$n = \frac{(Z)^2 * StdDev * (1 - StdDev)}{(\text{Margin of Error})^2}$$

where;

n = Sample size= 62

Std = Standard deviation= 2.01

$Z = Z \text{ Score at } 95\% \text{ confidence level} = 1.96$

Margin of Error = $\pm 0.1\%$

3.4 SAMPLING TECHNIQUES

Initially, Simple random sampling had been employed but when the researcher realised that this failed to yield the required response rate (only 42 out of the 62 questionnaires were filled in and returned), then another technique had to be employed. Purposive sampling allowed the researcher to pick respondents who were conveniently and readily available to complete the questionnaires. A total number of 62 questionnaires were filled in and returned upon employing purposive sampling.

3.5 DATA COLLECTION

Data was collected using a survey questionnaire. A survey questionnaire assessed various issues about anti-money laundering that was developed. The questionnaire had sections that were asking respondents about general issues and a section about elements of an effective Anti-Money Laundering framework. A participatory research based on the survey questionnaires was used that seek to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to the issues at hand. The questionnaire included closed ended questions which were a majority and a few open ended questions. Open-ended questions were used to solicit for additional information from respondents while close-ended ones provided answers for respondents to choose from.

3.6 DATA ANALYSIS

There were two types of data that was analysed and this comprised of quantitative as well as qualitative data. Quantitative data was analysed using Statistical Package for Social Scientists (SPSS). As for qualitative data, since the data was in textual form, the data was analysed using the deductive approach. This involved analysing data based on a predetermined structure. The qualitative data from the open-ended questions were grouped into relevant themes and then described within those themes. The data was transcribed thereafter, recurring themes was identified and this then guided the narrative analysis process. The research objectives and conceptual framework was used as a guide for grouping and analysing the data.

3.7 DATA MANAGEMENT AND QUALITY

The data was collected using paper-based questionnaires and this was then followed by data entry on an encrypted laptop. After the data was entered the questionnaires were stored in lockable cabinets.

3.8 CONCEPTUAL FRAMEWORK OPERATIONALIZED

According to Regoniel, Patrick A. (January 5, 2015), a conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given the previous knowledge of other researchers' point of view and the researcher's observations on the subject matter. In other words, the conceptual framework is the researcher understands of how particular variables in his study connect with each other. Thus, it identifies the variables required in the research investigation. It is the researcher's "map" in pursuing the investigation.

In order to demonstrate the methods or techniques that were used in this study, the researcher intended to outline the overall framework as a conceptual diagram based on the concepts obtained in the literature review under the Friedrich and Quick (2019) analysis of AML in the German Non-Financial Sector. This is a tool to think and work with.

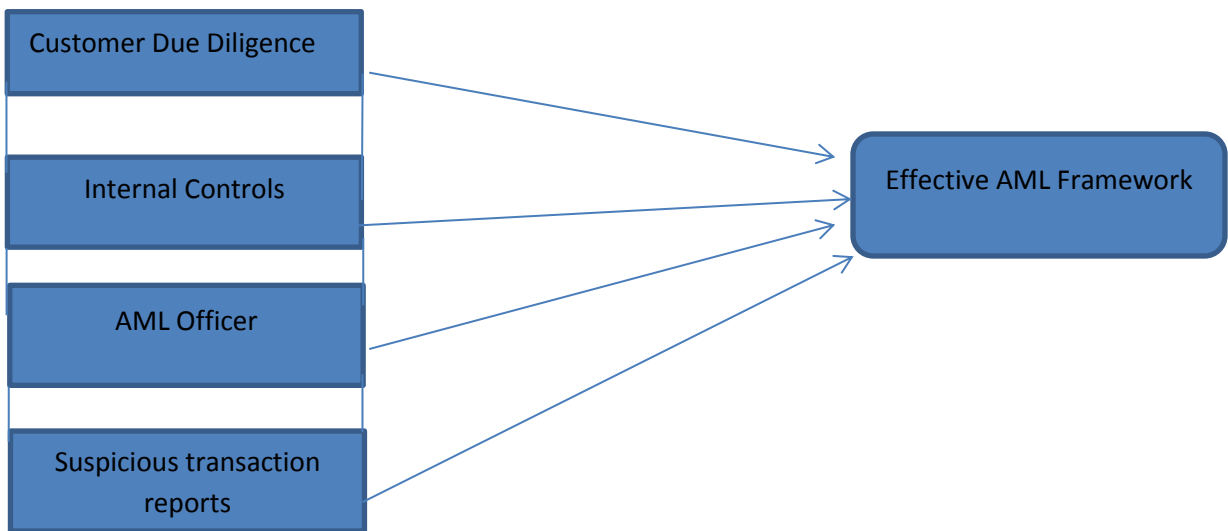


Figure 1

Statement of Hypothesis:

1. Null hypothesis: There is no relationship between CDD and effective AML.

Alternative hypothesis: There is a relationship between CDD and effective AML.

2. Null hypothesis: There is no relationship between internal controls and effective AML.

Alternative hypothesis: There is a relationship between internal controls and effective AML.

3. Null hypothesis: There is no relationship between AML Officer and effective AML.

Alternative hypothesis: There is a relationship between AML Officer and effective AML.

4. Null hypothesis: There is no relationship between STR and effective AML.

Alternative hypothesis: There is a relationship between STR and effective AML.

It has been asserted that putting up the above framework in place, lead to an effective Anti-Money Laundering framework which in turn reduces the levels of money laundering in the real estate sector (Friedrich and Quick, 2019). The above assertion has been heavily supported by the FATF standards (FATF, 2012). This research tried to establish this assertion based on the variables that have were identified in the diagram above.

3.9 ETHICAL CONSIDERATIONS

Ethical consideration in research is very critical, therefore in order to protect the respondents. Consent forms were provided to elicit permission from them. The research did not harm the respondents and their confidentiality was respected. This study considered the following key ethical issues and ensured they were given due consideration;

- a) Informed consent,
- b) Beneficence- Do not harm
- c) Respect for anonymity and confidentiality
- d) Respect for privacy.
- e) Sources of information to be acknowledged

The above entailed that, participants were informed about the nature and purpose of the study and that participation was voluntary. Issues of confidentiality, anonymity, right to withdraw at any point in the study and what would be done with the information was outlined. In this way,

the principle of informed consent was guaranteed as participants freely chose to take part (or not) in the research based on the information given. Further, permission from relevant authorities was sought in particular the University of Zambia Directorate of Research and Graduate Studies.

3.10 CHAPTER SUMMARY

The chapter outlined the methods used to gather data, the sampling method used and also highlighted the target population and the sample size adopted in the study. This chapter also presented a description of the analytical methodology used in analysing the data collected during the research. The conceptual framework was operationalized depicting independent variables and the dependant variable. The chapter concluded with an outline of the ethical consideration considered during the research.

CHAPTER 4

PRESENTATION OF RESEARCH FINDINGS AND DISCUSSION

4.1 INTRODUCTION

The aim of this study was to address the factors that lead to Money Laundering in the real estate sector in Zambia based on the FATF standards. The study identified the factors that lead to Money Laundering in the real estate sector and then developed a framework that addressed money laundering in the real estate sector based on the Financial Action Task Force Standards. The study used various variables highlighted in Chapter 2 to determine whether they have an effect on the level of money laundering in the real estate sector. The specific determinants that were used to explain whether money laundering in the real estate sector is affected with their existence are suspicious transaction reports, AML Officer, Internal Controls, Customer Due Diligence and AML Knowledge/Training.

The above-mentioned variables were analysed using regression analysis to examine the relationship between two or more variables of interest in order to examine their influence on the dependent variable (money laundering in the real estate). Further, the chapter discusses descriptive statistics on the entire sample of observations and cross tabulations were employed in some cases.

4.1.1 RESPONSE RATE

A total of 62 questionnaires were prepared and all of them were returned. The questionnaires were sent to respondents with different characteristics in the sample. The response rate was 100%.

4.2 CHARACTERISTICS OF RESPONDENTS

This section gives information on characteristics of the respondents such as gender, age, marital status, education level and place of residence.

4.2.1 GENDER

The study sought to establish the gender of the respondents. The findings are shown in table 1.

Table 3: Gender of the respondents

	Frequency	Percent	Cumulative Percent
Male	46	74.2	74.2
Female	16	25.8	100.0
Total	62	100.0	

The findings showed that 74.2 percent (46) of the respondents were male while 25.8% (16) were female. This could entail that there are more males than females in the real estate sector in Zambia.

4.2.2 AGE

The study sought to establish the age of the respondents. The results are shown in the table 2.

Table 4: Age of the respondents

Age	Frequency	Percent	Cumulative Percent
20 or under	1	1.6	1.6
21-30	31	50.0	51.6
31-40	22	35.5	87.1
41-50	6	9.7	96.8
51-60	1	1.6	98.4
61 and above	1	1.6	100.0
Total	62	100.0	

The findings revealed that 50 percent of the respondents are between 21-30 years. Furthermore, 35.5 percent of the respondents were between the age bracket of 31-40 years. In addition, 1 percent and 2 percent of the respondents were 20 years or below and 51 years and above

respectively. This entails that respondents were within the age bracket of people who are active in terms of business and other economic activities.

4.2.3 MARITAL STATUS

The study sought to establish the marital status of the respondents and the results are shown in table 3.

Table 5: Marital Status:

	Frequency	Percent	Cumulative Percent
Single	27	43.5	43.5
Married	31	50.0	93.5
Divorced	3	4.8	98.4
Other	1	1.6	100.0
Total	62	100.0	

The findings revealed 50% and 43.5% of the respondents were married and single respectively. Furthermore 4.8% had divorced and 1% of these had reasons known to themselves pertaining their marital status.

4.2.4 EDUCATION LEVEL

The researchers thought it was significant to find the level of education of the respondents since it would be important in understanding the topic at hand.

Table 6: Education level

Level of Education	Frequency	Percent	Cumulative Percent
Secondary and below	8	12.9	12.9
Diploma	17	27.4	40.3
First Degree	30	48.4	88.7
Masters	7	11.3	100.0
Total	62	100.0	

Findings point out that 48.4 percent of the respondents have bachelor’s degree, 27.4 percent of the respondents have diploma level, and 12.9 percent have secondary level and below. 11.3 percent with master’s degree. The findings entail in the real estate sector there are more people with higher education than those with lower levels of education.

4.2.5 PLACE OF RESIDENCE

The researcher thought it was necessary to find out about the place of the residence of the residents since would be vital in investigating the understanding of the factors that lead to money laundering in the real estate sector.

Table 7: Place of residence

Place of residence	Frequency	Percent	Cumulative Percent
High density area	17	27.4	27.4
Medium density area	20	32.3	59.7
Low density area	25	40.3	100.0
Total	62	100.0	

Findings point out 40.3 percent of the respondents come from low density areas, while 32.3 Percent come from medium density area and lastly 27.4 percent of these come from high density area.

4.3 ATI MONEY LAUNDERING (AML) KNOWLEDGE

In order to find out the level of AML/CFT knowledge among real estate agents, various questions were asked to the respondents and the tables below summarize their responses.

Table 8: Heard of AML

Heard of AML	Frequency	Percent	Cumulative Percent
Yes	59	95.2	95.2

No	3	4.8	100.0
Total	62	100.0	

Respondents were asked to indicate if they have heard of AML and the findings are presented in table 08 above. Findings reveal that among the 62 respondents 95.2% (59) of them had heard about anti-money laundering and only 4.8 (3) of these had literally no knowledge about anti-money laundering. This implied that majority of the respondents had heard about money laundering.

Table 9: Means through which respondents heard about AML (Multiple responses)

Means	Responses		Percent of cases
	Frequency	Percent	
Social Media	23	16.7%	37.1%
TV	22	16.1%	35.5%
Radio	13	9.5%	21.0%
Newspaper	13	9.5%	21.0%
Family members	3	2.2%	4.8%
At school	19	13.9	30.6%
Friends	4s	2.9%	6.5%
Work	17	12.4%	27.4%
FIC	18	13.1%	29.0%
ZIEA	1	0.7%	1.6%
Social interaction	1	0.7%	1.6%
N/A	3	2.2%	4.8%
Total	137	100.0%	220.9%

a. Dichotomy group tabulated at value 1.

Respondents were asked to indicate how they heard about AML. In the above output, Percent of responses and percent of cases are displayed. Percent of response is the percentage of each response out of total responses from the given data-set (in this case 137). Thus the sum total of percent of response is 100. On the other hand, percent of cases is the percent of cases or respondents saying "yes" for the particular means through which they heard about AML .i.e. 37.1% of cases had heard about AML through social media, 35.5% cases through TV, 30.6% at School, 29.0% hear about AML from FIC, 27.4% heard about AML at work, 21.0% through Radio and Newspapers respectively. 6.5% of the respondents heard about AML through friends and 4.8% through family members.

Table 10: Description of anti-money laundering knowledge

Level	Frequency	Percent	Cumulative Percent
Very poor	5	8.1	8.1
Poor	4	6.5	14.5
Moderate	23	37.1	51.6
Good	18	29.0	80.6
Very good	12	19.4	100.0
Total	62	100.0	

Findings revealed that 48.4 of the respondents had either very good or good AML knowledge of which 39.6 percent of the 48.4 percent had indicated that they had a very good knowledge on anti-money laundering. Furthermore 37.1 percent of the respondents had a moderate level of knowledge of anti-money laundering and finally 14.6 percent had a poor or very poor level of knowledge on AML. The above results are in line with the findings on number of respondents who have heard about AML and confirm that most of the respondents were familiar with anti-money laundering issues.

The researcher sought to establish how important AML is in the real estate agency sector and the findings are summarized in the figure below.

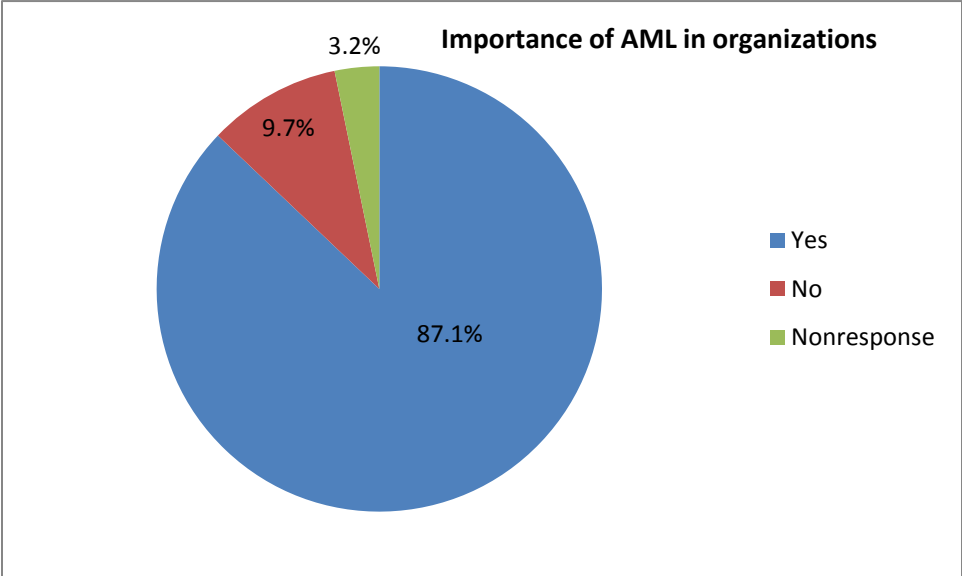


Figure 2: Importance of AML in organizations

The findings show that 87.1 of the respondents said that AML is important to organizations whereas 9.7 percent of them said it is not. Furthermore 3.2 percent of the respondents did not provide a response which could indicate that they were not certain whether AML is important to organizations or not. From the findings we can clearly see that real estate agents think that AML is very important to organizations as indicated by most of the respondents.

The researcher sought to establish how well the specific methods of money laundering were known to the respondents and the results are summarized in the table and figure below.

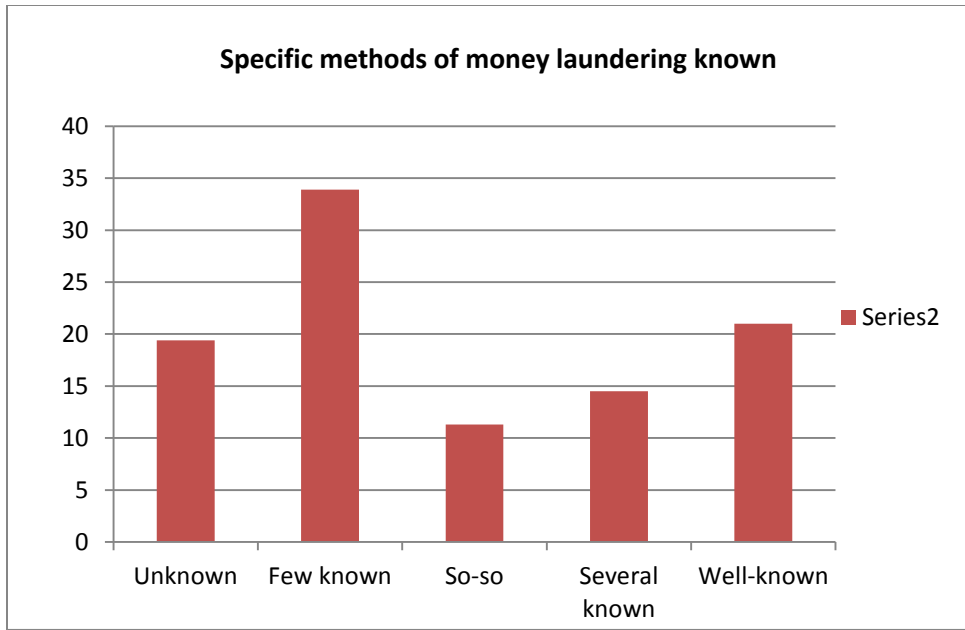


Figure 3: Specific methods of money laundering known

The findings point out that 33.3 percent of respondents said the specific methods of money laundering known by them are few. 21 percent and 19.4 percent of the respondents said the specific methods were well-known and unknown respectively. Among the respondents only 7 percent of them said the specific methods were moderately know. This entails that there is need for companies to make sure that their employees are aware of the specific methods of money laundering. This finding also points out to the fact that an individual may be aware about the topic of money laundering but may not necessary know the methods in which money laundering manifests.

The researcher wanted to find out how frequently real estate agents within their industry have discussion regarding AML and the findings are summarized in the table below.

Table 11: Exchange regarding AML

	Frequency	Percent	Cumulative Percent
Continuously	1	1.6	1.6
Often	5	8.1	9.7

Sometimes	19	30.6	40.3
Rarely	23	37.1	77.4
Never	12	19.4	96.8
Nonresponse	2	3.2	100.0
Total	62	100.0	

The results shows that 37.1 percent of the respondents said companies rarely have discussions regarding to AML, where as 30.6 percent of the respondents do sometimes have discussion regarding the topic at hand. 19.4 percent and 8.1 percent of the respondents said that companies never and often have discussions regarding this topic respectively. Only 1.6 percent of them said companies continuously have discussions pertaining AML with their peers within the industry. From the findings we can clearly see that there is need for constantly having discussions forums regarding AML in the industry as this will increase awareness levels thereby reducing money laundering in the real estate.

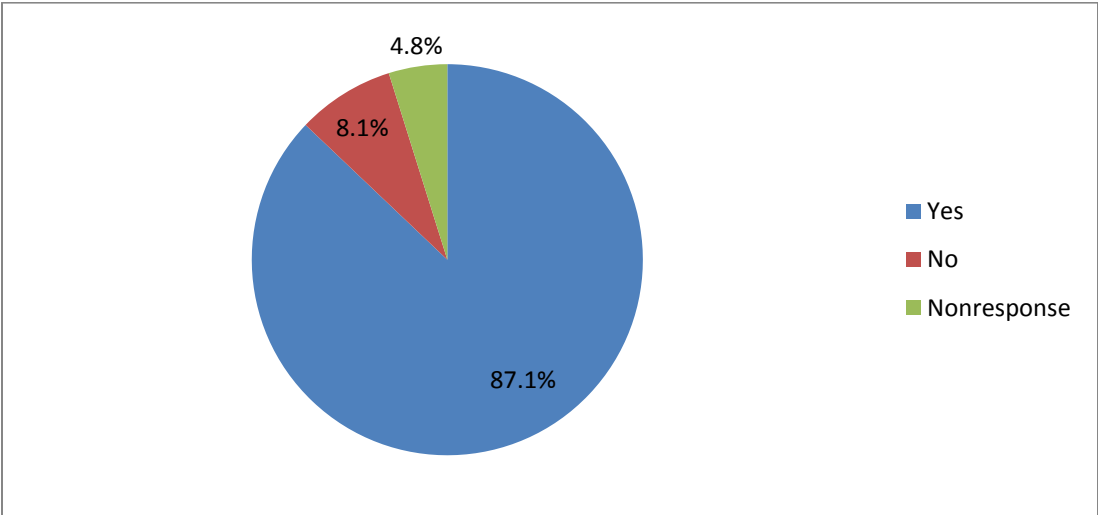


Figure 4: Money Laundering Problem

The researcher wanted to establish whether money laundering is an issue in Zambia and the results are summarized in the table and figure above. The findings revealed that 87.1 percent of the respondents said that money laundering is indeed a problem in Zambia, only 8.1 percent of them thought money laundering is not a problem in Zambia. Furthermore, 4.8 percent of the

respondents did not provide a response which could indicate that they were not certain whether money laundering is a problem or not in Zambia. This is evidence enough that money laundering is perceived to be a problem in Zambia, henceforth, the need for authorities to put up measures to reduce it.

4.4 CUSTOMER DUE DILIGENCE (CDD)

The researcher wanted to find out whether the respondents were knowledgeable about customer due diligence. The researcher further wanted to find out if lack of CDD was one of the factors that lead to money laundering in the real estate based on FATF Standards. The results are shown in the subsequent tables.

Table 12: Awareness of Customer due diligence

	Frequency	Percent	Cumulative Percent
Yes	34	54.8	54.8
No	28	45.2	100.0
Total	62	100.0	

The findings show that 54.8 percent of the respondents are aware of CDD whereas 45.2 of them are not aware of the topic at hand. The findings entails that there is much work for ACC, FIC and other wings of the government to educate companies and most bussiness in our nation about CDD in order to contribute to the reduction of money laundering.

Table 13: Importance of CDD

	Frequency	Percent	Cumulative Percent
Agree	46	74.2	74.2
Disagree	8	12.9	87.1
Nonresponse	8	12.9	100.0
Total	62	100.0	

The findings revealed that 74.2 percent of the respondents agreed that CDD is very important to organizations in order to prevent money laundering whereas 12.9 percent disagreed to this. Lastly but not the least 12.9 percent of the respondents were uncertain whether CDD is important or not. This could show that majority of the respondents were of the view that CDD is very important for prevention of money laundering in their businesses.

The researcher wanted to know if respondents had procedures of undertaking CDD when carrying out a business transaction. The results are summarized in the table below.

Table 14: Procedures of CDD in organization

	Frequency	Percent	Cumulative Percent
Yes	30	48.4	48.4
No	24	38.7	87.1
Not sure	8	12.9	100.0
Total	62	100.0	

The findings show that 48.4% of the respondents said that they had procedures of undertaking CDD when conducting a business transaction whereas 38.7 percent of the respondents said they did not have any CDD procedures. 12.9 percent of the respondents were not sure whether CDD procedures were undertaken during their business transaction. This clearly entails there is a serious need for companies and organizations to come up with efficient and effective procedures of CDD in order to reduce money laundering in our country.

The researcher wanted to find out how effective the procedures of CDD are in the real estate sector. The results are shown in the table below.

Table 14: Effectiveness of CDD procedures

	Frequency	Percent	Cumulative Percent
Very poor	6	9.7	9.7
Poor	11	17.7	27.4

Moderate	14	22.6	50.0
Good	11	17.7	67.7
Very good	2	3.2	71.0
Not sure	15	24.2	95.2
Nonresponse	3	4.8	100.0
Total	62	100.0	

The findings show that 22.6 percent of the respondents said that the procedures are moderate, 17.7 percent of the respondents said the procedures are good and 17.7 percent said they were poor respectively. Furthermore, 9.7 percent and 3.2 percent of the respondents said the procedures were very poor and very good respectively. 29 percent of the respondents indicated that there were uncertain or did not respond to the question about the effectiveness of the CDD procedures. The findings entail that the real estate sector needs improvement in terms of effectiveness and efficient CDD procedures.

Table 16: Willingness to set common regulatory standards regarding CDD

	Frequency	Percent	Cumulative Percent
Yes	35	56.5	56.5
No	20	32.3	88.7
Not sure	3	4.8	93.5
Nonresponse	4	6.5	100.0
Total	62	100.0	

The findings show that 56.5 percent of the respondents said that the real estate agents are willing to set common regulatory standards regarding CDD while 32.3 percent of them said they are not. Lastly but not the least 11.3 percent said that they were not sure whether companies and organizations are willing to take set common regulatory regarding CDD or simply did not provide a response to the question. This could entail that government wings and other regulatory bodies in charge of CDD regulations need to find ways of setting a common regulatory standard on CDD and ensure compliance so that money laundering can be reduced in our nation.

Table 15: Level of CDD compliance amongst competitors

	Frequency	Percent	Cumulative Percent
Yes	44	71.0	71.0
No	11	17.7	88.7
Not sure	4	6.4	95.2
Nonresponse	3	4.8	100.0
Total	62	100.0	

Findings show that 71.0 percent of the respondents were aware of the level of CDD compliance amongst its competitors whereas 17.7 percent were not aware. This implies there is need to work hand in hand with their competitors in order to know about their competitor's level of CDD. This will help out our nation in getting rid of money laundering.

The researcher wanted to investigate the influence of CDD on regular business of companies or organizations in the real estate sector. In other words the researcher wanted to find out what will be the expected impact on implementing CDD on the running of the business. The results are summarized in the table below.

Table 18: The Influence of CDD on regular business

	Frequency	Percent	Cumulative Percent
Barrier	8	12.9	12.9
Mostly barrier	2	3.2	16.1
So-so	15	24.2	40.3
Assisting	26	41.9	82.3
Mostly assisting	3	4.8	87.1
Not sure	3	4.8	91.9
Nonresponse	5	8.1	100.0
Total	62	100.0	

The findings shows that 46.7 percent of the respondents said that CDD will assist effectively and efficiently in the running of the business and 16.1 percent of the respondents said that CDD will be a barrier in the running of the business. 24.2 percent of the respondents said that implementation of CCD will either affect or not the running of the business. From these findings we can clearly see that implementation of CDD will help effectively in the running of the business. Henceforth companies must effectively adopt CDD as a way of reducing money laundering.

Table 19: Rate of compliance with the requirements made by CDD regulators

	Frequency	Percent	Cumulative Percent
Highly complaint	5	8.1	8.1
Complaint	15	24.2	32.3
Medium level	13	21.0	53.2
Low level	19	30.6	83.9
Incompliant	3	4.8	88.7
Not sure	3	4.8	93.5
Nonresponse	4	6.5	100.0
Total	62	100.0	

The researcher wanted to find out the rate at which real estate agents comply with the requirements made by the CDD regulators. The findings revealed that 32.3 percent of the respondents said that real estate agents comply with the requirements made by the CDD regulators whereas 31.1 percent of the respondents said they do not comply with the requirements. Furthermore 21 percent of the respondents said that companies on average comply with these requirements. Lastly 11.3 percent of the respondents were uncertain on the rate at which companies comply with these requirements. This could show that companies need to improve the way they respond to the requirements set by the CDD regulators.

4.5 INTERNAL CONTROLS

This section sought to find out more on the internal controls from the respondents.

Table 20: Risk that players in the real estate sector will commit fraudulent acts

	Frequency	Percent	Cumulative Percent
Very high risk	2	3.2	3.2
High risk	10	16.1	19.4
Medium	18	29.0	48.4
Low risk	23	37.1	85.5
No risk	6	9.7	95.2
No response	3	4.8	100.0
Total	62	100.0	

The study reveals that 37.1% of the respondents rated a “low risk” of their company committing to fraudulent acts. 29% and 16.1% of the respondents rated this as “medium” and “high risk” respectively. Those respondents who did not answer were only 3 out of 62.

Table 26: Extent to which companies take part in complex transactions

	Frequency	Percent	Cumulative Percent
All the time	5	8.1	8.1
Mostly	14	22.6	30.6
So-so	12	19.4	50.0
Barely	21	33.9	83.9
Not at all	6	9.7	93.5
No response	4	6.5	100.0
Total	62	100.0	

The respondents were asked to what extent their company take part in complex transactions and the findings according to their response is shown in table 19 above. From the findings, 33.9% of the respondents said that they barely take part in complex transactions while 8.1% indicated “all

the time” and 22.6% indicated “mostly”. Those who whose companies do not take part in complex transactions were 9.7% and lastly 6.5% did not give any response. In can be concluded that majority of the respondent’s companies barely take part in complex transactions.

Table 22: Fraction of overall internal controls which includes AML related controls

	Frequency	Percent	Cumulative Percent
0%	8	12.9	12.9
<20%	14	22.6	35.5
<40%	14	22.6	58.1
<60%	9	14.5	72.6
<80%	6	9.7	82.3
>80%	7	11.3	93.5
No response	4	6.5	100.0
Total	62	100.0	

The findings from table 22 revealed that 12.9% of the respondents suggested that a 0% fraction of their overall internal controls includes AML related controls. The study further revealed that a fraction of less than 20% and 40% both had respondents with a percentage of 22.6% each. While those that said that a fraction of less than 60% and 80% of their overall internal controls includes AML related controls had a percentage of 14.5% and 9.7% respectively. A percentage of 6.5 of the respondents did not give any response. From this it can be seen that a good number of the respondents gave a fraction of less than 40%.

Table 7: Fulfillment of the company’s obligations of the FIC Act

	Frequency	Percent	Cumulative Percent
Nothing fulfilled	8	12.9	12.9
Little fulfilled	23	37.1	50.0
So-so	8	12.9	62.9
Mostly fulfilled	14	22.6	85.5

Completely fulfilled	4	6.5	91.9
No response	5	8.1	100.0
Total	62	100.0	

The respondents were asked to what extent your company fulfills the obligations of the FIC Act and the study revealed that most of the respondents indicated “Little fulfilled” and this was represented by a percentage of 37.1%. 22.6% of the respondents said that their company fulfills the obligations of the FIC Act. 6.5% of the respondents answered that their companies completely fulfilled the obligations of the FIC Act. 12.9% of the respondents were neutral on this. This clearly entails that most of the respondent’s companies do not fulfill the obligations of the FIC Act.

Table 8: Anti-Money Laundering Policy

	Frequency	Percent	Cumulative Percent
Yes	25	40.3	40.3
No	34	54.8	95.2
No Response	3	4.8	100.0
Total	62	100.0	

Table 24 above indicates the findings on whether the respondents have an Anti-Money Laundering policy or not. The study revealed that a majority percentage of 54.8% of the respondents said that they do have an Anti-Money Laundering policy while only 40.3% of the respondents indicated that they have the AML policy. Of the 62 respondents, 4.8% of them did not give a response to this question. From this analysis, it’s clear that a good number of real estate market players do not have Anti-Money Laundering policies.

Table 25: Fraction of clientele not identified formally

	Frequency	Percent	Cumulative Percent
0%	20	32.3	32.3
<20%	11	17.7	50.0

<40%	8	12.9	62.9
<60%	8	12.9	75.8
<80%	6	9.7	85.5
>80%	4	6.5	91.9
No response	5	8.1	100.0
Total	62	100.0	

The findings from table 25 above revealed that 32.3% of the respondents suggest that a 0% fraction of the respondent's clientele is not identified formally. The study further revealed that a fraction of less than 40% and 60% both had respondents with a percentage of 12.9% each. While those that said that a fraction of less than 20% and 80% of their overall internal controls includes AML related controls had a percentage of 17.7% and 9.7% respectively. A percentage of 8.1% of the respondents did not give any response while 6.5% of the respondents indicated a fraction of above 80% of the clientele is not identified formally. From this it can be seen that a good number of the respondents gave a fraction of 0%.

This next section looked at how well developed the internal controls of the respondents are. According to what is presented in table 24 below, we can see that 32.3% of the respondents said that with respect to their internal controls, little has been developed while 21% suggested that there is kind of a fair ratio. 11.3% of the respondents confidently said that their internal controls are very well developed while another 11.3% said that nothing has been developed. From the 62 respondents, 4 of them did not indicate anything.

Table 26: How well developed are your internal controls

	Frequency	Percent	Cumulative Percent
Very well developed	7	11.3	11.3
Mostly developed	11	17.7	29.0
So-so	13	21.0	50.0
Little has been developed	20	32.3	82.3

Nothing developed	7	11.3	93.5
No response	4	6.5	100.0
Total	62	100.0	

4.6 AML OFFICERS

This section was meant to find information from the respondents on the Anti-money laundering compliance officers.

Table 27: Existence of AML Officer

	Frequency	Percent	Cumulative Percent
Yes	14	22.6	22.6
No	42	67.7	90.3
No response	6	9.7	100.0
Total	62	100.0	

The volunteered individuals were asked if they had AML officers in their institution and their response to this is presented to table 27 above. The study reveals that 67.7% of the respondents do not have an AML officer in their institution while 22.6% do have, 9.7% of the respondents did not give any response on this. This clearly shows that in most institutions, having an AML officer is barely considered.

Table 28: How is AML responsibility assigned in your business?

	Frequency	Percent	Cumulative Frequency
Nobody is responsible	22	35.5	35.5
Mostly unclear	10	16.1	51.6
So-so	7	11.3	62.9
Mostly clear	8	12.9	75.8
Clear responsibility	10	16.1	91.9

No response	5	8.1	100.0
Total	62	100.0	

The respondents were asked to state how AML responsibilities are assigned in their business and their responses to this is presented in the table above. The study reveals that 35.5% of the respondents stated that nobody is responsible for AML in their institution or business while 16.1% stated that responsibility is mostly unclear, 11.3% of the respondents stated that the responsibility was so-so in in the organization or business. 12.9% stated the responsibility was mostly clear whilst 16.1% indicated that responsibility was clear. 8.1% did not give any response on this. This clearly shows that in most institutions or businesses, there was no AML responsibility given to anyone or was unclear.

4.7 SUSPICIOUS TRANSACTIONS REPORTS

The researcher wanted to found how attractive companies are to money laundering. This results are summarized in the table below.

Table 29 attractiveness of money laundering to the sector

	Frequency	Percent	Cumulative Percent
Not attractive	10	16.1	16.1
Low attractive	16	25.8	41.9
Medium attractive	16	25.8	67.7
Highly attractive	12	19.4	87.1
Very attractive	5	8.1	95.2
Uncertain	3	4.8	100.0
Total	62	100.0	

The findings showed that about 41.1 percent of the respondents said that real estate agents are either not attractive to money laundering or low attractive, 25.8 percent of the respondents said that real estate agents are moderately attractive to money laundering activities, 27.5 percent of the respondents said that real estate agents are either highly attractive to money laundering or very attractive. Lastly but not the least 4.8 percent of the respondents they were not sure on how attractive companies are to money laundering. This further entailed that on average about 55 percent of the respondents were of the view that the real estate sector is attractive to money laundering which indicates that money laundering need to be effectively worked in our nation.

The researcher wanted to establish how suspicious transactions of money laundering are dealt with and in particular how quickly it is reported to the relevant authority. The results are summarized in the table below.

Table 30 reporting of suspicious transaction of ML

	Frequency	Percent	Cumulative Percent
When one is ready	22	35.5	35.5
Within a day	15	24.2	59.7
Within 3 days	6	9.7	69.4
Within a week	2	3.2	72.6
Within a month	1	1.6	74.2
Don't know	13	21.0	95.2
Undecided	3	4.8	100.0
Total	62	100.0	

The findings indicate that 35.5 percent and 24.2 percent of the respondents said suspicious transactions of ML are reported when one is ready and within a day respectively. 9.7 percent of and 3.2 percent the respondents said these suspicious transactions are often reported within 3 days and within a week respectively. However, 21.0 percent said they were not sure of how quickly these suspicious transactions are reported to the relevant authority. These findings clearly entail there is a huge gap in terms of knowledge on how quickly a suspicious transactions

need to be reported as per international standards and the legal framework in Zambia which is within 3 working days of forming the suspicion.

The researcher wanted to establish whether real estate agents had filed in a suspicious transactions of money laundering and the results are summarized below.

Table 31 Reported suspicious transaction before

	Frequency	Percent	Valid Percent
Yes	10	16.1	16.1
No	49	79.0	95.2
Nonresponse	3	4.8	100.0
Total	62	100.0	

Among the respondents 79 percent of them said that they never reported a suspicious transaction of money laundering and 16.1 percent stated that they had reported a suspicious transaction before. 4.8 percent said there aren't sure of reporting suspicious transactions. This entails that there is more work for most wings of the government that deals with ML to encourage the public to be report all these suspicious transactions.

4.8 FINDINGS FROM OPEN-ENDED QUESTIONS (QUALITATIVE RESEARCH)

4.8.1 INTRODUCTION

This section analyzes and interprets the data that was collected by the researcher through open ended questions in the questionnaire. The section also discusses the results of the data collected. Open ended questions in the questionnaires were utilized in collecting primary data on the qualitative aspect of the research.

4.8.2 PRESENTATION OF RESEARCH FINDINGS.

The researcher formulated 4 open-ended questions in the research questionnaire which were meant to solicit for information from the research participants. The formulated questions are discussed below;

Question 1: Are you facing any challenges in Complying with AML requirements in your sector? If yes explain

In an open-ended response question, respondents were then asked to give challenges they faced in terms of complying with AML requirements in the real estate sector. The challenges given included the following:

39 real estate agents indicated that there was lack of or inadequate proper guidance, awareness and training on AML issues in the real estate sector as a result of this, there is no effective management of money laundering in the sector. Additionally, some respondents indicated that there was lack or slow response from officers when cases of money laundering are reported and this leaves the real estate agents to wonder whether their reports were useful. Further, some respondents felt that asking questions regarding AML may affect their customer base as it may lead to the clients feel uncomfortable who will then go to other real estate agents. As a result most real estate agent market players will only be interested in making a sale or profit thereby foregoing AML requirements. Other challenges advanced were the costly nature of implementing AML requirements, difficulty with some clients providing their business lines and source of revenue (CDD information) and lack of funding to the supervisory authority in order to carry out AML activities. Added to this, was the fact that due to globalization and digitalization, criminals have become more sophisticated making it very difficult for real estate agents to identify some money laundering schemes. One respondent went on to say,

“We lack financial and human resources to develop AML compliance capacity internally.”

It was observed that most respondents indicated that there was lack of awareness and knowledge on AML matters in the real estate sector. The lack of awareness and knowledge on AML is a major contributor of increased money laundering levels in the sector. It means real estate agents are unable to identify money laundering schemes and thereby put up measure that are required in order to prevent criminals from laundering the money through the sector. This result agrees with the statistics that 33.3 percent of respondents said that the specific methods of money laundering known to them are few and 19.4 percent of the respondents that said that specific methods of money laundering were unknown to them.

Question 2: Are you aware about AML Laws in Zambia? If yes kindly name a few.

AML laws can be considered as a benchmark on which AML compliance is premised and therefore being aware and knowing the laws that govern AML regulatory requirements is very critical. Respondents were asked whether they were aware about any AML laws in Zambia and to name a few. The responses given were can be summarized as follows:

35 respondents indicated that they do not know any AML laws while 17 respondents indicated that they know some AML related laws and named a number of them. The named laws included; Financial Intelligence Centre Act (FIC), Drug Enforcement Act (DEC), Prohibition and Prevention of Money Laundering Act (PPMLA), Zambia Police, Immigration Act, Zambia Revenue Authority Laws (ZRA), Banking and Financial Services Act (BFSA), National Anti-Terrorism Centre Act (NATC) and the Forfeiture of Proceeds of Crime Act (FPCA). The remaining 10 respondents did not provide a response with regards to this question which could indicate that they were unaware of any AML laws in Zambia.

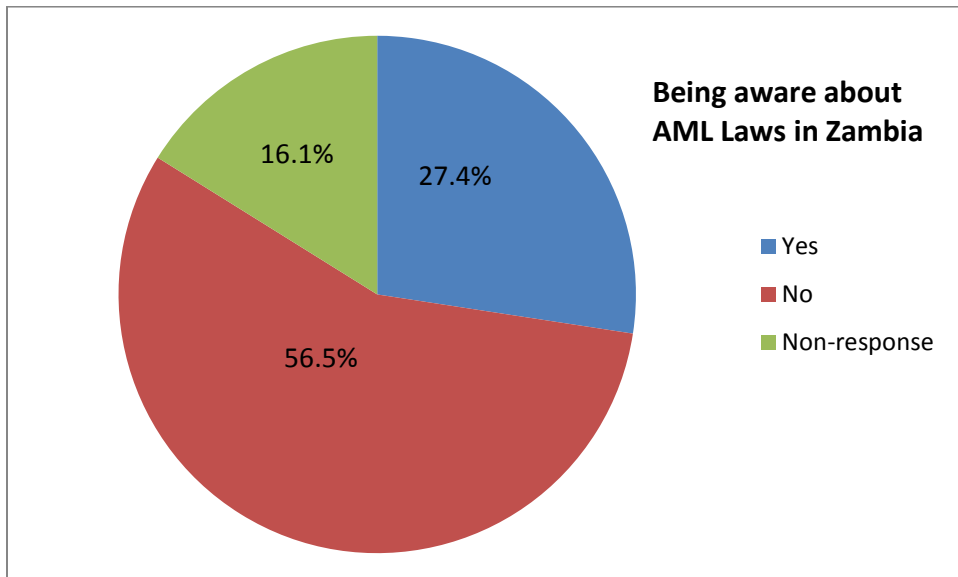


Figure 5: Being aware about AML Laws in Zambia

The result signals the training needs for real estate agents with regards the AML legal framework that impacts on money laundering levels in the real estate agents. Real estate agents need training on laws such as the FIC Act, PPMLA etc.

Question 3: How can AML risks be reduced in the real estate sector?

18 respondents indicated that by formally sensitizing the clients and real estate agents as well as the public, AML risk can easily be identified thereby reducing the risks in the sector. 17 respondents indicated that by reporting suspicious transactions to the relevant authorities when conducting business transactions will significantly reduce money laundering risks. 15 respondents indicated that by complying with regulatory requirements, money laundering risk will be reduced in the real estate sector. 9 respondents indicated that by employing effective customer due diligence procedures and strengthening the legal framework for AML compliance in the real estate sector would significantly reduce money laundering risk in the sector. 4 respondents did not provide any suggestion as to how the risks in the sector can be reduced which could indicate lack of knowledge on AML issues. Other respondents suggested other measures such as; legalizing unregistered agents and urging clients only to deal with a registered agent, stiff punishment for offenders and graduated AML regulation for the real estate sector.

One respondent who also holds a position in the ZIEA council went on to suggest that;

“By making it mandatory at the ministry of lands that before consent is given to assign title deeds, a form should be signed by a ZIEA registered estate agent where CDD will be conducted to ascertain the true beneficial owner. Also, this will help ZRA collect the right taxes and the agents will find it very easy to collect his commission from both parties in the transaction. Furthermore, this will reduce the number of criminals participating and committing financial crimes in the sector.”

Another respondent suggested that,

” by giving grants to the regulator (in this case ZIEA) from the line ministry to enable the regulator carry out more sensitization programmes.”

Question 4: Do you have any other comments or suggestions you would like to submit on the AML framework in the real estate sector? Please explain in the response section.

As a wrap up, respondents were then asked to comment or suggest anything regarding the AML framework in the real estate sector in order to improve the levels of money laundering in the

sector. The majority of the respondents did not have any other comments on the AML framework in the real estate sector as 49 of them did not comment or indicated that they had no further comments. Four (4) of the respondents indicated the urgent need for authorities to sensitize the real estate companies on AML matters so that they learn how to put up AML frameworks in the real estate sector as one respondent stated,

“The Financial Intelligence Centre needs to be adequately funded in order to carry its mandate to capacitate more regulators and reporting entities in the country on AML matters so that awareness is taken to all the provinces in Zambia”

This reflects the fact that there is a dire need for massive sensitization in the real estate sector by the supervisory authority and other competent authorities. Other notable comments and suggestions by the respondents included: poor legislature in the sector should be worked on as there was inadequate legislation leaving room for unregistered agents to operate; there is need for more interaction in the real estate sector among the market players, there is need for people to be patriotic and protect our country (Zambia) from financial crimes, authorities should be quick in responding when someone reports the matter to them and increased visibility by law enforcement agencies in the sector.

4.9 REGRESSION ANALYSIS

This section presents the results after performing a multiple regression analysis; regression analysis is set of statistical process for estimating the relationship among the variables.

Table 32: Regression analysis results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.735	.629		1.169	.247
	AML	.598	.159	.464	3.752	.00

knowledge/training,						0
Customer Due Diligence	.006	.005	.157	1.229	.22	4
Internal controls	-.035	.015	-.580	-2.430	.01	8
AML Officer	.082	.091	1.192	.907	.36	8
Suspicious transaction reports	-.043	.090	-.615	-.476	.63	6
a. Dependent Variable: Effective AML						

The study conducted a multiple regression analysis and from the regression model above holding AML knowledge/training, Customer Due Diligence, Internal Controls, AML Officer and Suspicious transaction reports constant at zero effective AML will at .735. A unit increase in AML knowledge/training will lead 0.598 increases in effective AML; a unit increase in CDD will lead to a 0.006 increase in effective AML. A unit increase in in internal controls will to lead to a reduction of 0.035 in effective AML and a unit increase in AML Officers will lead to a 0.082 increase in effective AML. Finally a unit increase in suspicious transaction reports will lead to reduction of 0.043 in effective AML. From the table above AML knowledge/training and internal controls had relationship on the effective AML ($P < 0.05$) at 5% level of confidence. Customer Due Diligence, AML Officer and Suspicious transaction reports had an insignificant relationship with effective AML ($P > 0.05$) and ($P > 0.1$) at both 95% and 90% level of significance.

4.10 GOODNESS OF FIT MODEL SUMMARY

The significance of the model was reaffirmed by the goodness of fit test. The coefficient of determination (R squared) of 0.240 demonstrated that the model explained 24% of the variations in the dependent variable. The adjusted R squared of 0.172 had a noteworthy effect since the model now explained 17.2 % of the variations in the dependent variable.

Table 33: Goodness of fit model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.490 ^a	.240	.172	1.320
a. Predictors: (Constant), suspicious transaction reports, AML knowledge/training, Customer Due Diligence, Internal controls, AML Officer				

4.11 ANOVA ANALYSIS FOR THE OVERALL MODEL

The ANOVA analysis presents the influence of all the independent variables on the effective AML in real sector estate in Zambia. The results presented a p-value of 0.008 which was less than 0.05. This indicated that the model was statistically significant in explaining the impact of the independent variables on the effective AML in real estate sector in Zambia. It is therefore concluded that the independent variables had significant combined effects on effective AML in the real estate sector based on FATF Standards in Zambia.

Table 34: Anova analysis for the overall model

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.772	5	6.154	3.531	.008 ^b
	Residual	97.615	56	1.743		
	Total	128.387	61			
a. Dependent Variable: Effective AML						
b. Predictors: (Constant), Suspicious transaction reports, Anti-Money Laundering Knowledge/Training, Customer Due Diligence, Internal controls, AML Officer						

4.12 CHI-SQUARE TESTS

Null hypothesis: there is no relationship between highest level of education and effective AML

Table 35: Chi-square tests

Test Statistics		
	Effective AML	Highest Level of Education
Chi-Square	9.290	22.000
Df	4	3
Asymp. Sig.	.054	.000
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 12.4.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 15.5.		

Interpretation: as the chi-square test suggests that the parameters chosen for were not having any significance between each other. So the hypothesis had been accepted.

4.13 CHAPTER SUMMARY

This chapter presented the data findings of our study. It first outlined the descriptive statistics (frequencies of demographics characteristics). The chapter further discusses findings from open ended questions meant to solicit for new information from the participants. Thereafter, relationships between interest variables were analyzed using regression analysis, chi-square tests, goodness of fit independence and anova analysis so as to address our research objectives.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSIONS

5.1 INTRODUCTION

This last chapter contains a detailed study conclusion and also some policy lessons drained from the empirical results of the previous chapter. In addition, the chapter also provides possible areas of future research.

5.2 SUMMARY OF THE FINDINGS IN THE RESEARCH

The study which aimed at identifying factors that lead to Money Laundering in the real estate sector was done using primary data collection using research questionnaires administered to various persons. The objectives of the study were to develop a framework that addresses money laundering in the real estate sector based on the Financial Action Task Force Standards.

Regarding the second objective on developing a framework that addresses money laundering in the real estate sector based on the financial action task force standards is that effective AML depends on the effective AML knowledge and training and internal controls. To combat money-laundering activities in the real estate sector, it is essential for the authorities and enforcement agencies to keep themselves updated with the latest methods adopted by criminals and syndicates. More importantly, any detected loopholes must be addressed as soon as possible.

The research database exhibits diversified profile as the education profile of the respondents varied from secondary to master's degree. But 87.1 % of them fall from diploma to master's degree category. This kind of educational maturity was expected because the study targeted real estate agent and companies based in Lusaka district. This maturity will help in developing the framework that addresses money laundering in the real sector based on the financial action task force standards. The study found that there is no relationship found between highest level of education and effective AML. So our first objective regarding the factors that lead to money laundering in the real estate sector can be concluded that only few people have an understanding of money laundering. Most companies and real estate agents rarely reports suspicious transactions of money laundering hence making it as one the factors lead to it. Furthermore they rarely follow the CCD and KYC procedures hence making it a factor that lead to money

laundering in the real estate sector. The other factor that leads money in the real estate is the lack of effective and efficient internal controls for most companies that are in this sector. Money laundering happens among common people knowingly and unknowingly through several means. If the people had sufficient knowledge and understanding on how serious a crime such as money laundering worsens the well-being of the economy they would not having being involving themselves in the activities.

5.3 CONCLUSIONS

Money laundering has been recognized as a major crime at the international level. Terrorists, drug traffickers, smugglers, black money owners, etc. use different money laundering methods to finance their activities, to traffic drugs, and to clean their illegitimately earned assets. Whichever method is implemented, the three steps of money laundering are placement, layering, and integration of funds (Kumar, B.V, 2003)

Money laundering happens among common people both knowingly and unknowingly through several means. While registering the real estate property, the value is quoted below the actual price. This difference of price evades tax and those money is spent somewhere legally, which results in money laundering at miniaturized level (Forman.M, 2006).

Money laundering causes negative effects to the economy, such as devaluing capital, lowering the growth rate, affecting interest rates and the Consumer Price Index, causing inflation, and defaming financial institutions, which leads to curbing opportunities for domestic and foreign direct investment. In addition, the social costs of money laundering are of an adverse nature as it can result in providing safe havens to criminals, i.e., the drug traffickers, terrorists, and other criminals who are benefitting from laundering cash. The primary reasons for the social costs of money laundering is found in the fact that this crime is entwined with other serious crimes, such as tax evasion, smuggling, whitening of black money, corruption, terrorist financing, and trafficking of illicit drugs and arms.

For this purpose, law enforcement agencies need to devise effective strategies and mechanisms to increase cooperation at the domestic, regional, and international level to keep track of the activities that are directly or indirectly linked to money laundering. A continual and strict

security on porous international borders and at airports will prevent smugglers and money launderers from moving cash from one region to another. Furthermore, by keeping a strict check on wire transfers and other methods of currency transfers, financial institutions can also play their role in tracking laundered money as well as the sources of the money, and consequently report any suspicious money transfer to the security agencies. In addition, tax authorities need to devise thorough and investigative auditing strategies in order to keep track of elites' incomes, so that no one can launder cash to avoid taxes. For this purpose, tax revenue departments should also be made independent and sufficiently powerful so that they may not be bribed or influenced politically by any powerful elite. Furthermore, corruption and bribery are other problems that accompany money laundering, because a corrupt person will prefer to hide money acquired from bribes or corruption to avoid being tracked and penalized by law enforcement authorities.

5.4 RECOMMENDATIONS

The study addressed the factors that lead to money laundering activities in the real estate sector based on FATFS in Zambia and has found interesting and helpful results. For the economy to have effective ant-money laundering it should have adequate policies that should be applied to ML activities. The study found that most real estate agents have less knowledge on ML and there is need for the relevant authorities such as FIC, ACC, BOZ and BAZ to mention a few to find means of educating and sensitizing the public how ML is harmful to our economy.

Most important in lessening Money laundering in the real estate is the political will. The study recommends that the government of the day should be in the forefront in the fight against money laundering. Political discipline is of great importance because leaders must lead by examples. This will install discipline on parastatals and transform the economy into a clean environment and this builds more confidence in investors. Regional cooperation to address money laundering should be enhanced.

The private sector is recommended to ensure that they maintain a culture of integrity, transparency and fairness in their operations as one of the ways of reducing ML activities in our nation. Companies should design well stipulated procedures which each one of them should observe in avoiding ML in their unique sectors.

The study recommends that individual solutions are very necessary in getting rid of dirty money in the real sector. This can be made possible by people acquiring knowledge of procedures, requirements and possible time of completion of important activities. Individuals should be get used of acquiring information from the right offices, right authorities and avoid intermediation that will support money laundering activities in the real estate sector and other sectors of the economy. Reporting of ML whenever observed is critical for the development of our economy and it's a responsibility of every citizen to do so.

Finally, the study recommends that the relevant authorities should empower anti-money laundering bodies with enough powers to address every piece of money laundering in the real estate sector and act accordingly.

The body must be separate from politics; laws should be made in a proper and effective manner. The laws must ensure that everyone does not support the minority group that involve themselves into these activities at the expense if the general public.

Organizations and institutions have suffered administrative efficiency, brain drain, social tension and even their financial stability performance at the expense of money laundering.

5.5 FUTURE AREAS OF RESEARCH

The study looked at factors that lead to money laundering in the real estate sector based on FATFS and how to develop the effective AML. The study found that AML training and internal are very important when developing a framework for AML. There is need for institutions to explore specific solutions and methods on how money laundering can be dealt with accordingly. This is because the sample size is far small for a true representation of the country and there is need for proper funding for more data to be collected countrywide on this topic. This may help the nation to reduce these cases of corruption, drug trafficking and money laundering. This will further build more confidence in investors.

5.6 LIMITATION OF THE STUDY

The researcher encountered various limitations; firstly, the respondents hindered access to information sought by the study. The main limitation of study was the inability to include all the real estate agents and companies in Zambia due to the cost involved in reaching out the distant localities. Secondly the researcher encountered problems of time as the research was undertaken

in a short period which limited time for doing a wider research especially when carrying out the research across the selected real estate agents and companies which facilitated the generalization of the study findings. Thirdly, the respondents were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or the company. The researcher however handled the problem by carrying an introduction letter from the University and assured them that the information they were to give was to be treated with confidentiality and it be used purely for academic purposes.

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APPENDICES

APPENDIX I: LIST OF PUBLICATIONS

Open Journal of Business and Management, 9, 385-396.

<https://doi.org/10.4236/ojbm.2021.91020>

APPENDIX II: RESEARCH QUESTIONNAIRE

Dear Respondent,

I am a student at the University of Zambia in my final stage pursuing an MBA in Management Strategy. As partial fulfillment for the award of a Master's degree, I am conducting a research on: *“Addressing Factors that Lead to Money Laundering in the Real Estate Sector Based on the Financial Action Task Force Standards.” A Case Study of Real Estate Agents based in Lusaka District .*

You have been randomly selected to provide information for the topic indicated above. The information being collected is purely for academic purposes as such, it will be treated with maximum confidentiality. Subsequently, you are not supposed to indicate your name or any personal information that can lead to revealing of your identity.

Your co-operation will be greatly appreciated.

For more information or any queries, kindly get in touch with the following:

Project Supervisor: Dr. Jackson Phiri jackson.phiri@cs.unza.zm

INSTRUCTIONS

1. Please circle (O) the response which applies to you and where applicable please explain.
2. Where multiple responses apply to you, you may indicate more than one response.

QUESTIONNAIRE IDENTIFICATION INFORMATION

Code	Variable	Response
01	Date (DD/MM/YYYY)	
02	Name of Real Estate Company (if not N/A please indicate)	

SECTION 1- SOCIO-DEMOGRAPHICS

<i>Code</i>	<i>Question</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
Q1.	Sex of the Respondent	1= Male 2= Female		Single Response
Q2.	Age?	1= 20 or under 2= 21-30 3= 31-40 4= 41-50 5= 51-60 6= 61+		Single Response
Q3.	Marital Status:	1= Single 2= Married 3= Divorced 4= Other		Single Response
Q4.	Highest level of education:	1= Secondary and below 2= Diploma 3= First degree 4= Masters 5= Ph.D		Single Response
Q5.	Where do you live?	1= High-Density Area (e.g Garden, Kalingalinga, Ngombe, Kanyama etc) 2= Medium Density Area (e.g Chilenje, Kabwata, libala etc) 3= Low Density Area (e.g Olympia, Roma, Kabulonga, Ibex Hill,		Single Response

<i>Code</i>	<i>Question</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
		Kalundu etc)		
Q6.	Occupation/ Business	1= Property manager 2= Real estate agent 3= Valuation Surveyor 4= Other (Please specify)		Multiple Response

SECTION 2- ANTI-MONEY LAUNDERING (AML) KNOWLEDGE

<i>Code</i>	<i>Question</i>	<i>Response Options</i>	<i>Coded Response</i>	<i>Remarks</i>
Q7.	Have you ever heard of AML? If No, skip Q8.	1=Yes 2=No		Single Response
Q8.	Where did you hear about AML?	1=Social Media (e.g. Facebook, Instagram, twitter etc) 2=TV 3=Radio 4=Newspaper 5=Family Member 6=Friend 7=School 8. Work 9. FIC 10=Other (Specify)		Multiple Responses
Q9.	How do you describe your general knowledge about Anti-Money Laundering?	1= Very poor 2= Poor 3= Moderate		Single Response

<i>Code</i>	<i>Question</i>	<i>Response Options</i>	<i>Coded Response</i>	<i>Remarks</i>
		4= Good 5= Very good		
Q10.	Is AML knowledge important for your business or organization?	1=Yes 2=No		Single Response
Q11.	How well known are specific methods of money laundering in your company?	1= unknown 2= Few known 3= so-so 4= several known 5= well-known		Single Response
Q12.	How often do you and your industry peers have an exchange regarding AML?	1= Continuously 2= Often 3= Sometimes 4= Rarely 5= Never		Single Response
Q13.	Is Money Laundering a problem in Zambia?	1=Yes 2= No		Single Response

SECTION 3- CUSTOMER DUE DILIGENCE (CDD)

<i>Code</i>	<i>Question</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
Q14	Do you know what CDD is?	1= Yes 2= No		Single Response
Q15	Is CDD important for your organization in order to prevent Money Laundering?	1= Agree 2= Disagree		Single Response
Q16	Do you have CDD procedures in your organization? If No skip Q17	1= Yes 2= No		Single response
Q17	How would you rate the effectiveness	1= Very poor		Single

	of your CDD procedures?	2= Poor 3= Moderate 4= Good 5= Very good		Response
Q18	Is there the willingness to set common regulatory standards in your industry/market with regards to CDD?	1=Yes 2= No		Single Response
Q19	Do you want to know something about the level of CDD Compliance of your competitors?	1= Yes 2= No		Single Response
Q20	How does CDD influence your regular business or what do you expect it will do to your business if you implement it (if there is no CDD yet)?	1= Barrier 2= Mostly barrier 3= So-so 4= Assisting 5= Mostly assisting		Single Response
Q21	What preventive elements outside an AML system including CDD are in place against money laundering or any other financial crimes?	1= Credibility checks 2= Side issue in code of conduct 3= Avoidance of cash 4= active AML responsibility 5= Others (please elaborate)		Multiple response
Q22	How would you rate the level of how you comply with the CDD requirements by your regulators?	1= Highly compliant 2= Compliant 3= Medium level 4= Low Level Compliant 5= Uncompliant		Single Response

SECTION 4- INTERNAL CONTROLS

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
Q23	How much is the risk that employees of your company commit fraudulent acts?	1= Very high risk 2= High risk 3= Medium risk 4= Low risk 5= No risk		Single Response
Q24	To what extent does your company take part in complex transactions?	1= All the time 2= Mostly 3= so-so 4= Barely 5= Not at all		Single Response
Q25	What fraction of your overall internal controls includes AML related controls?	1= 0% 2= <20% 3= <40% 4= <60% 5= <80% 6= ≥80%		Single Response
Q26	To what extent does your company fulfil the obligations of the FIC Act?	1= Nothing fulfilled 2= Little fulfilled 3= So-so 4= Mostly fulfilled 5= Completely fulfilled		Single Response
Q27	Do you have an AML Policy?	1= Yes 2= No		Single Response
Q28	What fraction of your clientele is not identified formally?	1= 0% 2= <20% 3= <40% 4= <60% 5= <80%		Single Response

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
		6= ≥80%		
Q29	How well developed are your internal controls?	1= Very well developed 2= Mostly developed 3= So-so 4= Little has been developed 5= Nothing developed		Single Response

SECTION 5- AML OFFICER

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
Q30	Do you have an AML Officer in your institution? If No skip Q31	1= Yes 2= No		Single Response
Q31	Is the AML Officer approved by the FIC?	1= Yes 2= No		Single Response
Q32	How is AML responsibility assigned in your company or business?	1= Nobody is responsible 2= Mostly unclear 3= so-so 4= Mostly clear 5= Clear responsibility		Single Response
Q33	How often do you or the Compliance Officer have contact with your regulatory authority?	1= Never 2= Less than once a year 3= Once a year 4= Twice to four times a year		Single Response

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
		5= More often		
Q34	Do you or the Compliance Officer prepare any AML report to Management? If No skip Q35	1= Yes 2= No		Single Response
Q35	How often do you prepare the AML report?	1= Every Week 2= Every Month 3= Every Quarter 4= Every Year 5= Other (specify)		Multiple Response
Q36	Do you have a Compliance Management system?	1= Yes 2= No		Single Response
Q37	Do you or the Compliance Officer Conduct AML training for your staff?	1= Yes 2= No		Single Response

SECTION 6- SUSPICIOUS TRANSACTION REPORTS

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
Q38	How attractive is your company for potential money laundering?	1= No attractiveness 2= Low attractiveness 3= Medium attractiveness 4= High attractiveness 5= Very high attractiveness		Single Response
Q39	How quickly must a suspicious transaction report be reported upon forming a suspicion?	1= Whenever one feels ready 2= Within 1 day		Single Response

<i>Code</i>	<i>Question Narrative</i>	<i>Response</i>	<i>Coded Response</i>	<i>Remarks</i>
		3= Within 3 days 4= Within 1 week 5= Within 1 month 6= Don't know		
Q40	Have you ever filed a suspicious transaction report before?	1= Yes 2= No		Single Response
Q41	Do you know where you can report a suspicious transaction report (STR)?	1= AMLIU 2= BOZ 3= Bank 4= FIC 5= Police 6= Other (Specify)		Multiple Responses

SECTION 6- GENERAL AML ISSUES- QUALITATIVE

<i>Code</i>	<i>Question Narrative</i>	<i>Response (Explain)</i>	<i>Coded Response</i>	<i>Remarks</i>
Q42	Are you facing any challenges to Comply with AML requirements in your sector? If yes explain.			
Q43	Are you aware about AML Laws in Zambia? If yes kindly name a few.			

<i>Code</i>	<i>Question Narrative</i>	<i>Response (Explain)</i>	<i>Coded Response</i>	<i>Remarks</i>
Q44	How can AML risks be reduced in the real estate sector?			
Q45	Do you have any other comments or suggestions you would like to submit on AML framework in the real estate sector? Please explain in the response sections			