

The Comoros

RISK & COMPLIANCE REPORT

DATE: March 2018

Executive Summary - Comoros	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>Weakness in Government Legislation to combat Money Laundering</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p> <p>Offshore Finance Centre</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>vanilla, cloves, ylang-ylang (perfume essence), copra, coconuts, bananas, cassava (manioc)</p> <p>Industries:</p> <p>fishing, tourism, perfume distillation</p> <p>Exports - commodities:</p> <p>vanilla, ylang-ylang (perfume essence), cloves, copra</p> <p>Exports - partners:</p> <p>Netherlands 58.8%, Singapore 10.6%, Turkey 9.3%, France 5.6%, India 5% (2012)</p> <p>Imports - commodities:</p> <p>rice and other foodstuffs, consumer goods, petroleum products, cement, transport equipment</p> <p>Imports - partners:</p> <p>Pakistan 16.9%, France 13.9%, UAE 11%, India 8.3%, China 6.5%, Kenya 5.8%, Singapore 5.1% (2012)</p>	

Investment Restrictions:

Information unavailable

Contents

Section 1 - Background	4
Section 2 - Anti – Money Laundering / Terrorist Financing	5
FATF status.....	5
Compliance with FATF Recommendations.....	5
Key Findings from latest Mutual Evaluation Report (2011):	5
US Department of State Money Laundering assessment (INCSR)	6
Reports.....	10
International Sanctions.....	11
Bribery & Corruption.....	12
Section 3 - Economy	13
Section 4 - Government.....	14
Section 5 - Tax.....	15
Methodology and Sources	16

Section 1 - Background

Comoros has endured more than 20 coups or attempted coups since gaining independence from France in 1975. In 1997, the islands of Anjouan and Mohéli declared independence from Comoros. In 1999, military chief Col. AZALI seized power of the entire government in a bloodless coup, and helped negotiate the 2000 Fomboni Accords power-sharing agreement in which the federal presidency rotates among the three islands, and each island maintains its local government. AZALI won the 2002 federal presidential election, and each island in the archipelago elected its president. AZALI stepped down in 2006 and President SAMBI was elected to office. In 2007, Mohamed BACAR effected Anjouan's de-facto secession from the Union of Comoros, refusing to step down when Comoros' other islands held legitimate elections in July. The African Union (AU) initially attempted to resolve the political crisis by applying sanctions and a naval blockade to Anjouan, but in March 2008 the AU and Comoran soldiers seized the island. The island's inhabitants generally welcomed the move. In May 2011, Ikililou DHOININE won the presidency in peaceful elections widely deemed to be free and fair.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Comoros is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Comoros was undertaken by the Financial Action Task Force (FATF) in 2011. According to that Evaluation, Comoros was deemed Compliant for 0 and Largely Compliant for 4 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2011):

The 2003 Presidential ordinance that criminalizes money laundering has not been widely implemented. The implementation of an AML/CFT policy began in 2008 with the appointment of the members of the Financial Intelligence Unit (FIU), awareness-raising efforts with entities concerned in the public and private sectors, and the enactment of an ordinance in March 2009 that expanded the scope of the preventive measures and covered the financing of terrorism. However, there have been no investigations or convictions for money laundering or terrorist financing.

The limited capacity to absorb the proceeds of foreign offenses and the fact that the financial system is relatively underdeveloped minimize the risk of some money laundering activities. However, there are still specific vulnerabilities in the Comoros due to the limitations of the procedures for identifying legal and natural persons.¹ In addition to significant weaknesses in the administration of civil and commercial registries, the registration of offshore companies in Anjouan and the recent enactment of a law on economic citizenship might be attractive to criminals. The Anjouan authorities state that they have abandoned the development of the offshore sector since the summer of 2008. The creation of offshore banks in Anjouan was illegal as it was in violation of the provisions of the organic law which set out the respective competencies of the central government and the islands. However, the law creating offshore companies was legally adopted by the Parliament of Anjouan and, since it has not been repealed, continues to present a risk. As for economic citizenship, the authorities have indicated that they have implemented strict control measures² that are intended to prevent abuses, but concerns regarding the possible misuse of this arrangement for criminal purposes do remain.

Legal arrangements and Related Institutional Measures

Money laundering is a criminal offense under Comorian law in accordance with the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention) and the 2000 United Nations Convention against Transnational Organized Crime (Palermo Convention). All proceeds of crimes or offenses may constitute predicate offenses of money laundering and, consequently, Comorian legislation does not specify a threshold for offenses. However, some offenses included in FATF's designated category of offenses are not listed in the Criminal Code (CC) or special laws: e.g., trafficking in human beings and migrant smuggling, environmental crimes, and piracy.

The criminalization of the financing of terrorism is not in compliance with Article 2 of the 1999 United Nations Convention for the Suppression of the Financing of Terrorism (New York Convention). There are no provisions allowing the Comorian authorities to freeze the assets of terrorists and other persons designated by the United Nations Al-Qaida and Taliban Sanctions Committee in application of Resolution S/RES/1267 (1999) and subsequent resolutions, and Resolution S/RES/1373 (2001).

The authorities have established a financial intelligence unit, the members of which have been appointed, but the unit has not yet received any suspicious transaction reports. Moreover, the authorities responsible for prosecutions, which take place in an environment characterized by a lack of resources and some instances of corruption, have not yet had the opportunity to implement their powers in investigations of money laundering or terrorist financing. The physical cross-border transportation of currency is subject to general exchange control regulations and specific AML/CFT regulations, although the latter have not yet been implemented.

US Department of State Money Laundering assessment (INCSR)

The Comoros was deemed a Jurisdiction of Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Union of the Comoros (Comoros) consists of three islands: Ngazidja (Grande Comore), Anjouan, and Moheli. It also claims a fourth (Mayotte), which France governs. Although Comoros lacks homegrown narcotics aside from the marijuana grown for domestic consumption, the islands are reportedly used for transshipment, mainly from Madagascar and continental Africa. Comoros is not a financial center for the region. The Comoran financial system is underdeveloped, and the risk of money laundering activities is relatively low. Electronic funds transfers (EFT) are now offered by two or three banks and credit cards are becoming available. Neither Union nor island government authorities have the means to estimate the volume of illegal proceeds generated by predicate offenses committed in the

country. Nevertheless, due to the low level of development in Comoros, such proceeds appear to be limited and primarily involve migrant smuggling and corruption.

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

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, real estate agents, lawyers, notaries, accountants, casinos, and dealers in precious metals and stones

REPORTING REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, mutual savings and loans, microfinance institutions, money remitters, insurance companies, real estate agents, lawyers, notaries, accountants, company and trust service providers, and casinos

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 0 in 2015

Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

Comoros is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found at: http://www.esaamlg.org/userfiles/Comoros_Mutual_Evaluation_Detail_Report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2015, Comoros terminated its membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and joined GIABA, which conducts business in both French and English and will allow Comoran officials to access French-language AML/CFT resources.

Comoros remains a significantly underdeveloped country with little financial intermediation or sophistication. Comoros has introduced a number of measures to establish an AML/CFT regime.

Comoran efforts to enforce the country's AML/CFT laws and regulations are hampered by insufficient resources and training, lack of capacity and political cohesion in government

ministries, corruption, and a weak judiciary. Comoran government security forces have limited resources and lack AML/CFT training. There have been no investigations or convictions for money laundering or terrorism financing. While the law on economic citizenship technically permits the granting of citizenship to those who have been convicted of money laundering and/or drug trafficking, among other crimes, Comoran authorities state they have implemented strict control measures intended to prevent such abuses. However, the sale of large numbers of economic citizenship passports to individuals from the UAE and Kuwait in the past and lax control of both regular and diplomatic passports contradict and undermine these assurances.

The Government of the Union of the Comoros should work to enhance its AML/CFT regime, with an emphasis on regulatory oversight and enforcement.

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

According to the US State Department, The Comoros does not conform with regard to the following government legislation: -

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

Maintain Records over time - By law or regulation, banks are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.

Report Suspicious Transactions - By law or regulation, banks are required to record and report suspicious or unusual transactions to designated authorities.

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

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

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations)

Know Your Customer Provisions - By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/ Customer Due Diligence programs for their customers or clientele.

EU White list of Equivalent Jurisdictions

The Comoros is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

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

Failed States Index

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

Offshore Financial Centre

Comoros is considered to be an Offshore Financial Centre

US State Dept Trafficking in Persons Report 2016 (introduction):

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

Comoros is a source country for children subjected to forced labor and sex trafficking within the country; Comoran women and children are subjected to forced labor in Mayotte. Comoran women and Malagasy women who transit Comoros may be subjected to forced labor in the Middle East. Children on Anjouan, some of whom were abandoned by parents who left to seek economic opportunities in other countries, are subjected to forced labor, mostly in domestic service, roadside and market vending, baking, fishing, and agriculture. On Anjouan and Moheli, poor rural families frequently place children with wealthier relatives or acquaintances in urban areas or on Grande Comore for access to schooling and other benefits; some of these children are subjected to domestic servitude and physical and sexual abuse. Most Comoran children aged 3 to 7 (and some up to age 14) study at informal neighborhood Koranic schools headed by private instructors, where some are exploited as field hands or domestic servants as payment for instruction and subjected to physical and sexual abuse. Girls are reportedly subjected to sex trafficking in Comoros. Comorians may be particularly vulnerable to transnational trafficking due to a lack of adequate border controls, corruption within the administration, and the existence of international criminal networks involved in human smuggling. Some of the estimated 3,000 unaccompanied Comoran children on Mayotte are subjected to domestic servitude and sex trafficking, at times after the deportation of their parents.

The Government of Comoros does not fully meet the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government did not investigate or prosecute sex trafficking or forced labor crimes, or identify and protect victims. The government did not investigate, prosecute, or convict traffickers, including complicit officials, and it provided inadequate resources to law enforcement officials, including the Morals and Minors Brigade, the office charged with the investigation of child abuse and exploitation. The government did not identify or assist any victims during the year, although it continued to support NGO-run centers offering counseling, medical, and legal service to child and female victims of sexual and other violence on each of the three islands. Officials lacked formal procedures for the systematic identification and subsequent referral of victims to care. Official complicity in trafficking crimes, the extensive use of out-of-court financial settlements in lieu of investigation and prosecution of crimes, and the use of mediation, resulting in the return of children to their alleged exploiters, continued to be serious concerns.

US State Dept Terrorism Report 2010

Overview: Comoran government security forces had limited resources and training in counterterrorism and maritime security, so the country remained vulnerable to terrorist transit.

In April, a Comoran Coast Guard unit was created and received an ArchAngel patrol boat from the United States to help with maritime surveillance. Training to Comoran Coast Guard officials on its proper operation and maintenance was also provided.

Countering Terrorist Finance: Comoros has introduced a number of measures to establish an anti-money laundering/countering terrorist finance (AML/CTF) regime, including a 2009 law providing for the establishment of a financial intelligence unit, expanding the scope of preventative measures, and covering terrorism financing. However, the legal framework has many shortcomings and the government has not effectively implemented it. The Financial Action Task Force (FATF) mutual evaluation assessors found Comoros “largely compliant” (the FATF’s second highest rating) for four of the FATF 40+9 recommendations, and it received ratings of partially compliant or noncompliant on the rest. An inadequate budget, dysfunctional ministries, and a nonfunctioning judiciary limit effectiveness of Comorian AML/CTF efforts, despite apparent high-level political support. Thus far, most institutions subject to the law have not yet put AML/CTF policies and procedures in place. Although the central bank has begun to monitor implementation of the AML/CTF preventive measures, limited resources hampered the government’s ability to enforce the AML regulations, and local institutions and personnel lacked the training and capacity to enforce the law fully.

There have been no investigations or convictions for money laundering to date. The criminalization of terrorist financing does not comply with the 1999 UN Convention for the Suppression of the Financing of Terrorism. There were no provisions allowing the Comorian authorities to freeze the assets of terrorists and other persons designated by the UNSCRs 1267 and 1373.

As of December, Comoros was a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a FATF-style regional body. ESAAMLG became an Associate Member of the FATF in June.

Regional and International Cooperation: Comoros acted as Chair of the East African Standby Brigade (an AU body for peacekeeping and intervention missions) in 2010.

Countering Radicalization and Violent Extremism: President Sambu, democratically elected in 2006, with Comoran religious leaders, has publicly rejected religious extremism. President Sambu has also sought close partnership with the United States to develop Comoros economically and to create opportunities for the country's youth. To this end, he has requested that the Peace Corps return to Comoros as soon as possible.

International Sanctions

The Comoros is not subject to international sanctions.

Arab League

The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- * Cutting off transactions with the Syrian central bank
- * Halting funding by Arab governments for projects in Syria
- * A ban on senior Syrian officials travelling to other Arab countries
- * A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

[For further information, click here](#)

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	27
World Governance Indicator – Control of Corruption	32

Section 3 - Economy

One of the world's poorest countries, Comoros is made up of three islands that are hampered by inadequate transportation links, a young and rapidly increasing population, and few natural resources. The low educational level of the labor force contributes to a subsistence level of economic activity and a heavy dependence on foreign grants and technical assistance. Agriculture, including fishing, hunting, and forestry, accounts for 50% of GDP, employs 80% of the labor force, and provides most of the exports. Export income is heavily reliant on the three main crops of vanilla, cloves, and ylang-ylang; and Comoros' export earnings are easily disrupted by disasters such as fires and extreme weather. Despite agriculture's importance to the economy, the country imports roughly 70% of its food; rice, the main staple, accounts for the bulk of imports.

Authorities are negotiating with the IMF for triennial program assistance. The government - which is racked by internal political disputes - is struggling to provide basic services, upgrade education and technical training, privatize commercial and industrial enterprises, improve health services, diversify exports, promote tourism, and reduce the high population growth rate. Recurring political instability, sometimes initiated from outside the country, has inhibited growth. Remittances from about 200,000 Comorans contribute about 25% of the country's GDP. In December 2012, IMF and the World Bank's International Development Association supported \$176 million in debt relief for Comoros, resulting in a 59% reduction of its future external debt service over a period of 40 years. In late 2013, a US-based investment company invested \$200 million in a project to explore for hydrocarbons in Comoran territorial waters, the largest financial investment in the country's history.

Agriculture - products:

vanilla, cloves, ylang-ylang (perfume essence), coconuts, bananas, cassava (manioc)

Industries:

fishing, tourism, perfume distillation

Exports - commodities:

vanilla, ylang-ylang (perfume essence), cloves

Exports - partners:

India 28.7%, France 17%, Germany 8.7%, Saudi Arabia 7.1%, Singapore 6.6%, Netherlands 6.1%, Mauritius 5.3% (2015)

Imports - commodities:

rice and other foodstuffs, consumer goods, petroleum products, cement and construction materials, transport equipment

Imports - partners:

China 18.9%, Pakistan 16.2%, France 14.7%, UAE 11.3%, India 6.3% (2015)

Section 4 - Government

Chiefs of State and Cabinet Members:

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

Legal system:

mixed legal system of Islamic religious law, the French civil code of 1975, and customary law

International organization participation:

ACP, AfDB, AMF, AOSIS, AU, CAEU (candidates), COMESA, FAO, FZ, G-77, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, InOC, Interpol, IOC, IOM, ITSO, ITU, ITUC (NGOs), LAS, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO (observer)

Section 5 - Tax

Exchange control

For further information - <http://www.beit-salam.km/>

Treaty and non-treaty withholding tax rates

For further information - <http://www.beit-salam.km/>

Methodology and Sources

Section 1 - General Background Report and Map

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

Section 2 - Anti – Money Laundering / Terrorist Financing

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

Section 3 - Economy

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

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

Section 4 - Foreign Investment

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

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

Section 5 - Government

Names of Government Ministers and general information on political matters.

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

Section 6 - Tax

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

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

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