



Republic of Namibia  
Financial Intelligence Centre

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**First Quarterly Report**

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**TABLE OF CONTENTS**

- 1. ACRONYMS ..... 2**
- 2. DEFINITIONS..... 3**
- 3. INTRODUCTION ..... 4**
  - 3.1 Background and Purpose..... 4**
  - 3.2 Application ..... 5**
- 4. FINANCIAL INTELLIGENCE CENTRE: STATISTICS ..... 5**
  - 4.1 OPERATIONAL ANALYSIS ..... 5**
    - Chart 1: STRs received according to Agency Business Type..... 6**
    - Chart 2: SARs received by Agency Business Type ..... 7**
  - 4.2 STRs AND SARs PRIORITIZATION FACTORS ..... 8**
    - Table 1: STRs filed vs STRs analysed ..... 8**
    - Table 2: SARs filed vs SARs analysed..... 9**
  - 4.3 LOCAL AND INTERNATIONAL COOPERATION ..... 9**
    - Chart 3: Incoming Requests: Domestic and International..... 10**
    - Chart 4: Outgoing Requests: Domestic and International..... 11**
    - Chart 5: Spontaneous disclosures (SDs)..... 12**
  - 4.4 COMPLIANCE INSPECTIONS ..... 13**
    - Chart 7: Compliance assessments..... 14**
    - Chart 8: Registrations ..... 15**
- 5. PARTNER AGENCIES: STATISTICS ..... 16**
  - Chart 9: Asset Recovery (Value of Interventions vs Preservations and Forfeitures) ..... 16**
  - Chart 10: Asset Recovery (Number of Interventions, Preservations and Forfeitures) ..... 17**
- 6. CONCLUSION..... 17**

## 1. ACRONYMS

<b>ADLAs</b>	-	Authorized Dealers with Limited Authority
<b>AML/CFT &amp; PF</b>	-	Anti-Money Laundering/ Counter Terrorist Financing and Proliferation financing
<b>AI</b>	-	Accountable Institution as provided in Schedule 1 of FIA
<b>FATF</b>	-	Financial Action Task Force
<b>FIA</b>	-	Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended
<b>FIC</b>	-	The Financial Intelligence Centre
<b>LEAs</b>	-	Law Enforcement Agencies
<b>RI</b>	-	Reporting Institution as provided in Schedule 3 of the FIA

## 2. DEFINITIONS

**Money laundering (ML):** Generally, refers to the act of disguising the true source of proceeds generated from unlawful activities. However, in terms of the POCA the definition of ML is broad enough to include engagement, acquisition and concealment of proceeds of crime whether directly or indirectly.

**Proliferation financing (PF)** “the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations.” Further, the countries should implement targeted financial sanctions to comply with United Nations Security Council resolutions relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing.<sup>1</sup>

**Terrorist financing (TF)** includes “acts which are aimed at directly or indirectly providing or collecting funds with the intention that such funds should be used, or with the knowledge that such funds are to be used, in full or in part, to carry out any act of terrorism as defined in the Organization for African Unity (OAU) Convention on the Prevention and Combating of Terrorism of 1999, irrespective of whether or not the funds are actually used for such purpose or to carry out such acts.” According to PACOTPAA, TF means the provision of funds, assets or financial services which are used, in whole or in part, for terrorist activity.

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<sup>1</sup> FATF Recommendation 7

### 3. INTRODUCTION

This is the first quarterly statistical report of the 2018/19 financial year, produced by the FIC. It contains statistics of mandatory reports as stipulated in the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended (FIA). The report is meant to share the reporting behaviour amongst FIC regulated sectors and highlight areas which sectors could learn from.

#### 3.1 Background and Purpose

The FIC is Namibia's Financial Intelligence Unit (FIU) established in terms of FIA, and is empowered amongst other duties, to collect, request, receive and analyse suspicious reports relating to ML/TF/PF, and further share actionable intelligence obtained from such activities with identified stakeholders as per the FIA. These reports contain information that provide important alerts to local and international law enforcement of potential ML/TF/PF. Such information contributes significantly to enhanced understanding of the ML/TF/PF risks that Namibia is faced with.

Additionally, the FIC has a duty to gain assurance that Accountable and Reporting Institutions as identified in the FIA, have controls in place that minimise ML/TF/PF risks. This includes amongst others, internal control processes that can detect suspicious activity and allow for timely reporting of same to the FIC. As at 30 June 2018, a total of **1,652 (one thousand six hundred and fifty-two)** Accountable and Reporting Institutions were registered with the FIC.

To gain assurance on the level of FIA compliance and thus effectiveness of ML/TF/PF risk mitigation within the regulated populace, the FIC conducts regular on-site and off-site examinations. Such examinations are followed by interventions such as guidance in the form of assessment reports and where need be, capacity building initiatives. Additionally, it may also involve referrals for enforcement considerations. The FIC also issues formal Guidance, Directive, Notice and Circular in published documents to enhance compliance behaviour and increase awareness.

## **3.2 Application**

The quarterly report is directed at all Accountable and Reporting Institutions and FIC stakeholders. Much of the information presented herein is sourced from quantitative data in the FIC's domain. The report has been sanitized to minimize sensitive and restricted material.

## **4. FINANCIAL INTELLIGENCE CENTRE: STATISTICS**

### **4.1 OPERATIONAL ANALYSIS**

The regulated populace is responsible for filing reports such as Suspicious Transaction Reports (STRs); Suspicious Activity Reports (SARs); Cash Transaction Report (CTR) and Cross Border Movement of Cash Reports (CBMCRs) with the FIC. The graphs below show the volumes of various report types received from various sectors in the quarter:

**Chart 1: STRs received according to Agency Business Type**

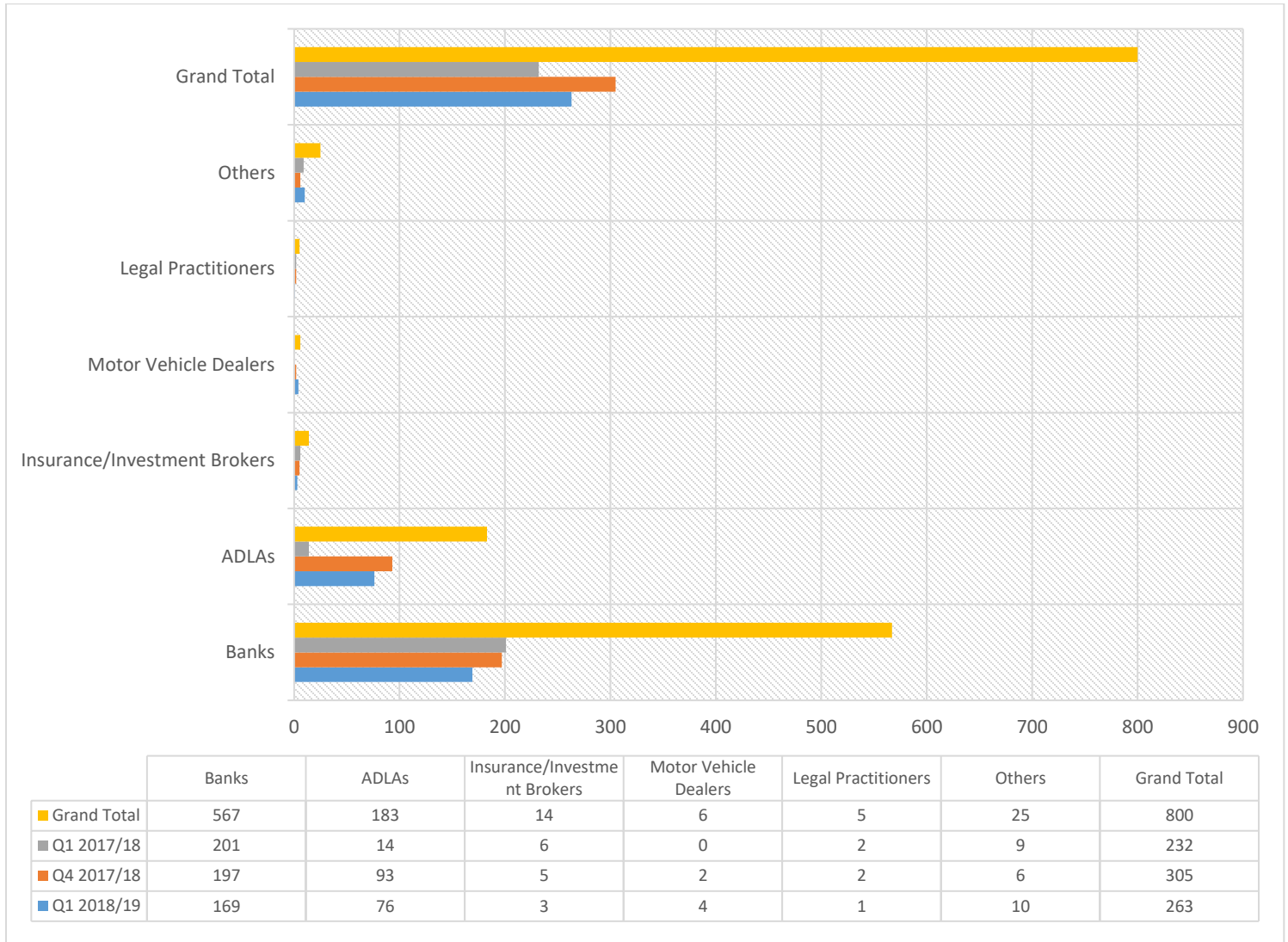
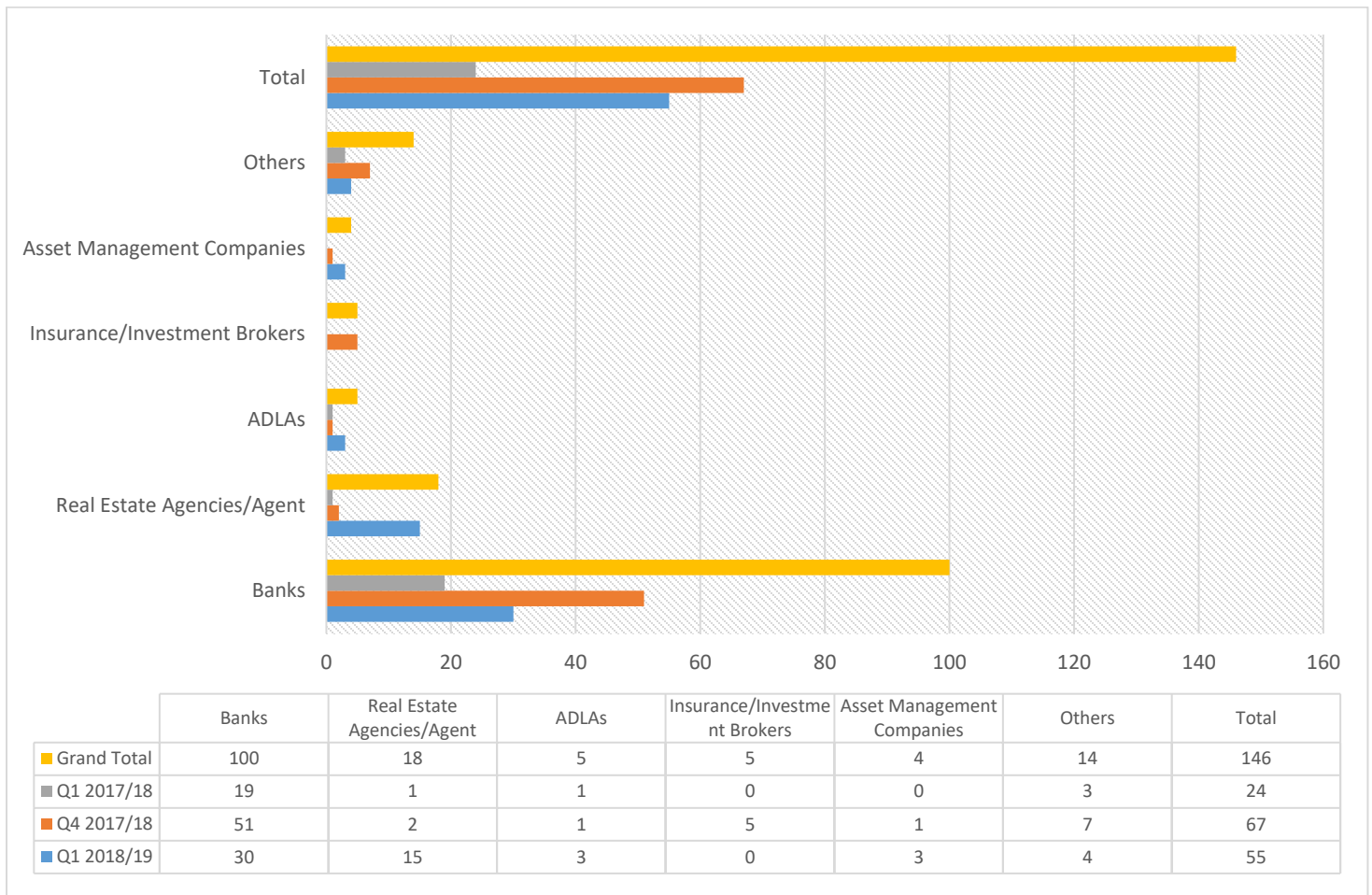


Chart 1 presents a summary of STRs filed by AIs and RIs during the three-month period under review. The number of STRs decreased relatively from 305 filed during the previous quarter to 263 filed during the period under review. However, the number of STRs filed during the period under review increased slightly when compared to the same quarter of the 2017/18 financial year. The banks continue to file the highest volume of STRs with 71% in this period followed by Authorized Dealers with Limited Authority (ADLAs) and then Insurance/Investment Brokers with 23% and 2% respectively. Other sectors filed a minimal total of **10 (ten)** STRs during the period under review.<sup>2</sup>

<sup>2</sup> Other Sectors: Asset Management Companies; Auctioneers; Financial Intelligence Namibia (FIU); Foreign Financial Intelligence Unit; Individual Reporting Entity; Lending; Local Authorities; Long Term Insurance; Money and Value Transfers (MVT's); Public Prosecutor (OPG); Real Estate Agencies/Agent; Supervisory and Regulatory Bodies; and Unit Trust Schemes.

**Chart 2: SARs received by Agency Business Type**



Above, chart 2 presents a comparison of the volume of SARs received during the period under review and the previous quarter. The banking sector filed 68% of the SARs, which is the highest. It is however, worth noting that the number of SARs dropped to 55 SARs received during the period under review from 67 SARs received in the previous quarter. This represents approximately 38% and 46% respectively. Other sectors filed only a minimal total of 4 SARs during the period under review.<sup>3</sup>

<sup>3</sup> Other Sectors: Accountants and Auditors; Casinos; Financial Intelligence Unit Namibia (FIU); Legal Practitioners; Micro Lenders; Money and Value Transfers (MVT's); Supervisory and Regulatory Bodies; and Trust and Loan Company



## 4.2 STRs AND SARs PRIORITIZATION FACTORS

The FIC applies a risk-based approach in determining the level of prioritization per report received. Factors taken into consideration include, but are not limited to:

- ✚ Strategic priorities of Law Enforcement Agencies, which are informed by the risk areas identified in the National Risk Assessment (NRA) and National Crime & Threat Assessment (NCTA);
- ✚ Known ML/TF/PF indicators;
- ✚ Watch lists (PEP, sanction lists);
- ✚ Prior reports on same subject/entity; and
- ✚ Duplicate/erroneous filing.

**Table 1: STRs filed vs STRs analysed**

	Q1 2018/19	Q4 2017/18	Q1 2017/18	Grand Total
<b>Case file opened</b>	51	55	69	175
<b>Low priority</b>	177	231	159	567
<b>STR set-aside</b>	1	0	4	5
<b>Under cleansing</b>	34	19	0	53
<b>Grand total</b>	263	305	232	800
<b>% of STRs escalated to LEAs</b>	22.0	23.7	29.7	75.4

The FIC analyze 22% of STRs filed, a reduction from 23.7% and 29.7% recorded during the previous quarter and the same quarter in the 2016/17 financial year. The main concern of low analysis of STRs noted during the period under review was due to the lack of Money Laundering, Terrorist Financing and Proliferation financing indicators in the STR filed and other several facts. The entire escalated 51 STRs resulted in actionable intelligence which were forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation. Amongst others, the fact that 22% of STRs were escalated for further analysis, could be an indication of good quality reports.

At the time of reporting a total of 34 STRs are still under cleansing<sup>4</sup>. This is an increase from the previous quarter which had 19 STRs recorded under cleansing, at the same interval. It is further worth noting that a total of 177 STRs were accorded a low priority status. Some STRs were accorded a low priority status due to various reasons. Below are some of the noted reasons:

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<sup>4</sup>Cleansing - a process of assessing reports submitted to FIC, in order to determine the way forward with such report.

- ✚ Poor articulation of the grounds of suspicious in STRs filed;
- ✚ STRs filed/reported instead of SAR or AIF. General lack of understanding;
- ✚ Lack of Money Laundering, Terrorist Financing and Proliferation financing indicators in the STR filed;
- ✚ Operational priority of law enforcement; and
- ✚ Lack of man power in FIC operational division.

**Table 2: SARs filed vs SARs analysed**

	Q1 2018/19	Q4 2017/18	Q1 2017/18	Grand Total
<b>Case File opened</b>	10	18	12	40
<b>Low priority</b>	34	46	12	92
<b>SAR set-aside</b>	0	1	0	1
<b>Under cleansing</b>	11	2	0	13
<b>Grand total</b>	55	67	24	146
<b>(%) of SARs escalated to LEAs</b>	18.7	32.7	21.8	72.7

About 18.7% of SARs filed were escalated for further analysis during the period under review. This shows a drop from 32.7% and 21.8% SARs escalated during the previous quarter and during the same quarter in the 2017/18 financial year respectively. The main reasons for low SARs escalation is that most of the reports filed lack merit of ML/TF and PF. The number of SARs escalated to law enforcement dropped significantly, 11 SARs were still under cleansing and 34 SARs were accorded a low priority status.

### **4.3 LOCAL AND INTERNATIONAL COOPERATION**

Namibia's financial system is a component of the international financial system. Efforts to protect the local financial system from potential ML/TF/PF abuse are thus in concert with similar efforts at an international level. Domestic and international agencies and authorities coordinate their efforts and activities to advance such combating efforts to protect the integrity and stability of the international financial system. This section presents a record of such international cooperation and coordination with international agencies and authorities, for the period under review.

**Chart 3: Incoming Requests: Domestic and International**

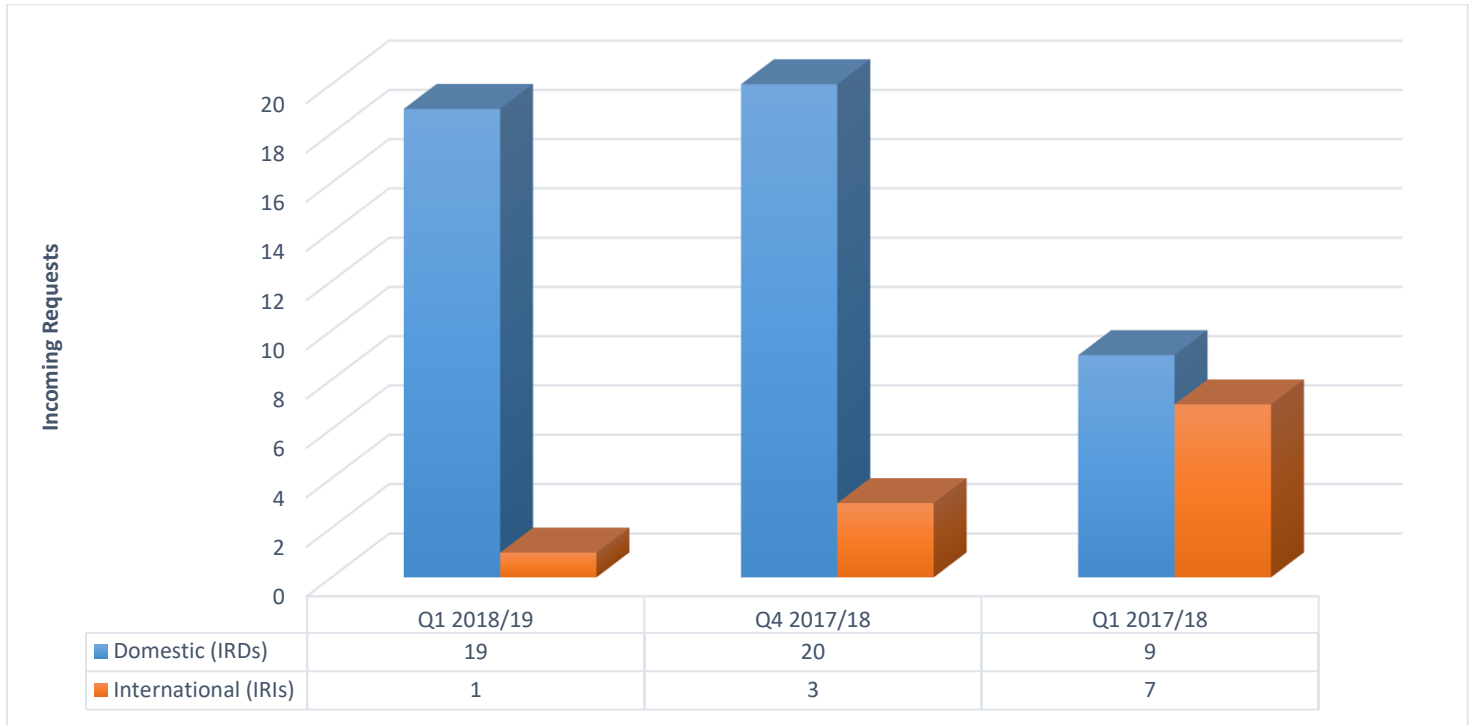
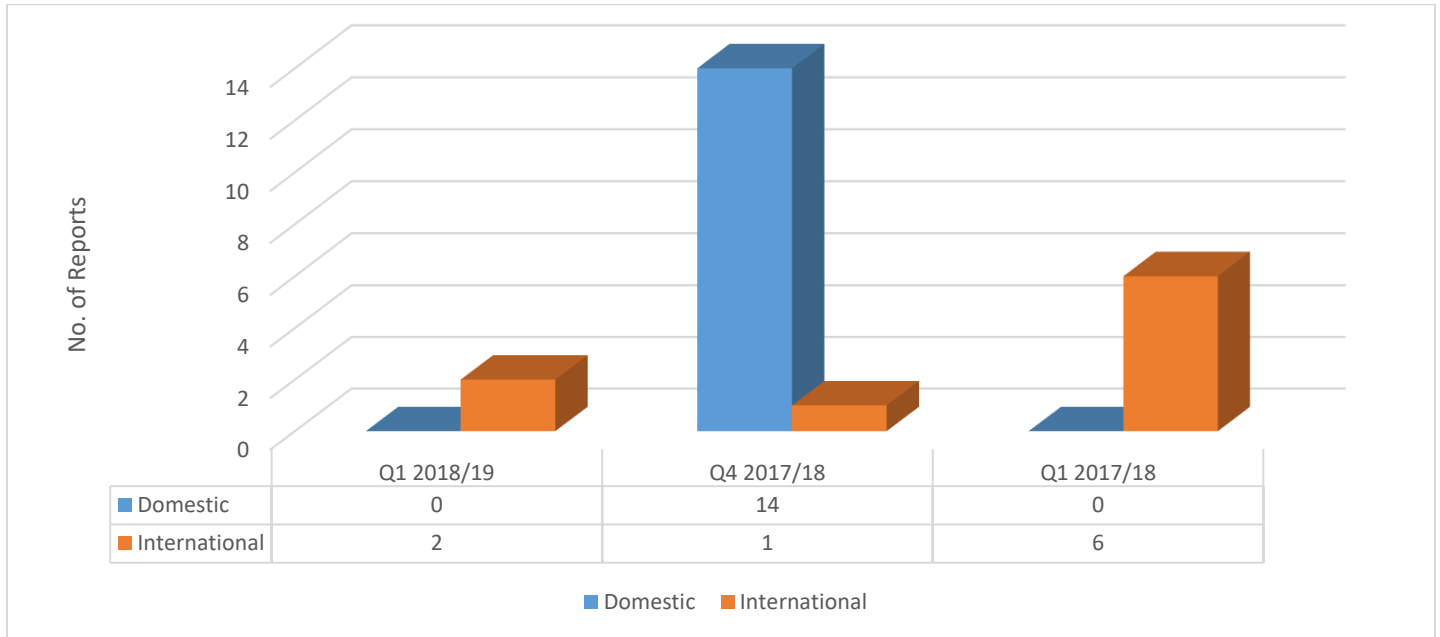


Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified quarters. The number of requests received decreased to 19 IRDs recorded during the period under review, from 20 IRDs recorded in the previous quarter. Further, the number of Incoming Requests International (IRI) has declined to 1, when compared to the previous quarter which saw a record of 3 IRIs. The same quarter in the 2017/18 financial year had a total of 7 IRIs. <sup>5</sup>

<sup>5</sup> FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC's output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone unnoticed.

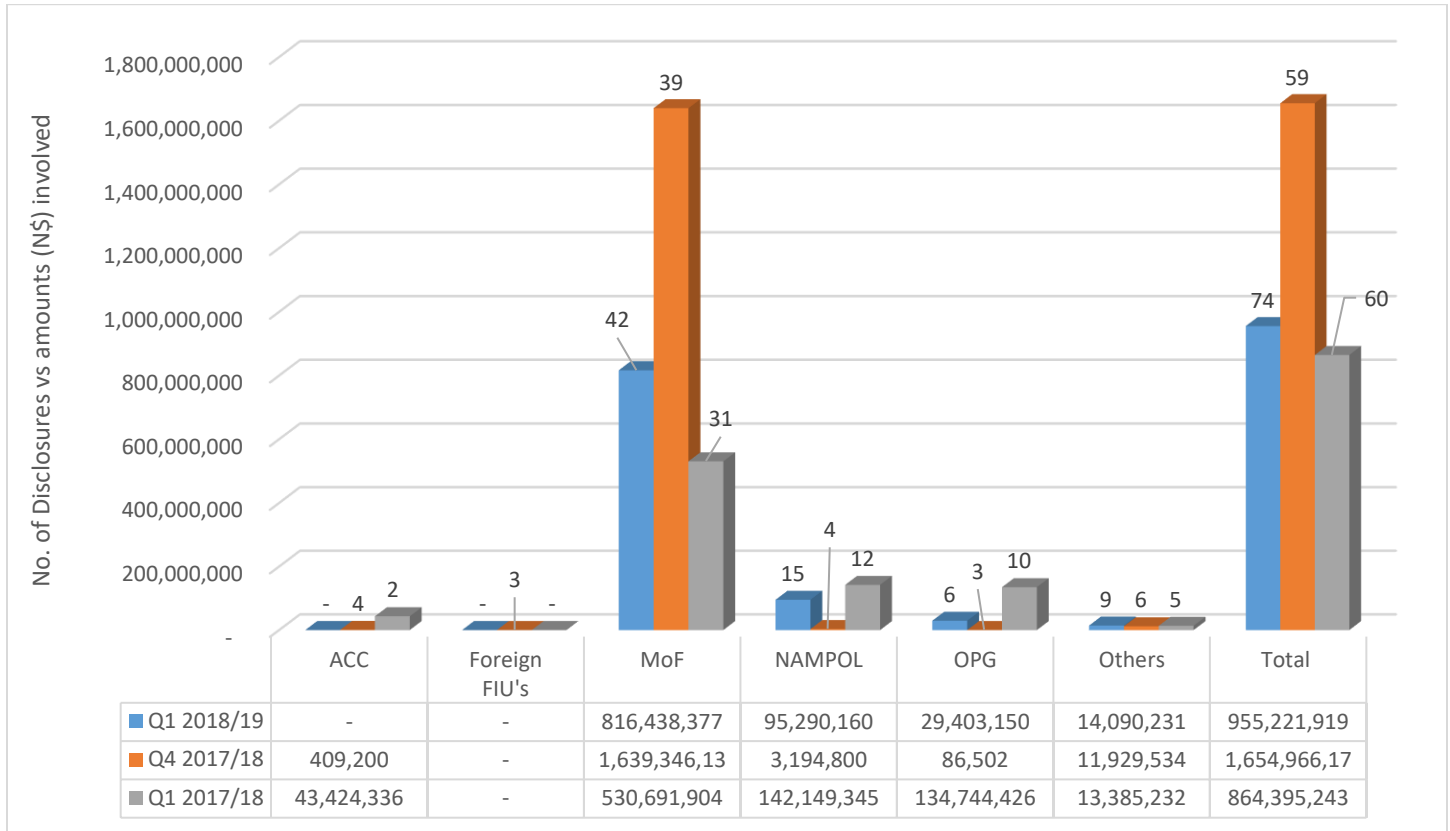
**Chart 4: Outgoing Requests: Domestic and International**



There was no Outgoing Request Domestically (ORD) issued from the FIC during the period under review and during the same quarter in the previous financial year. However, a total of 14 ORDs were issued to local LEAs during the previous quarter. Additionally, only 2 Outgoing Requests - International (ORI) were issued to international LEAs, representing a drop from 6 ORIs issued during the same quarter in the previous financial year.<sup>6</sup>

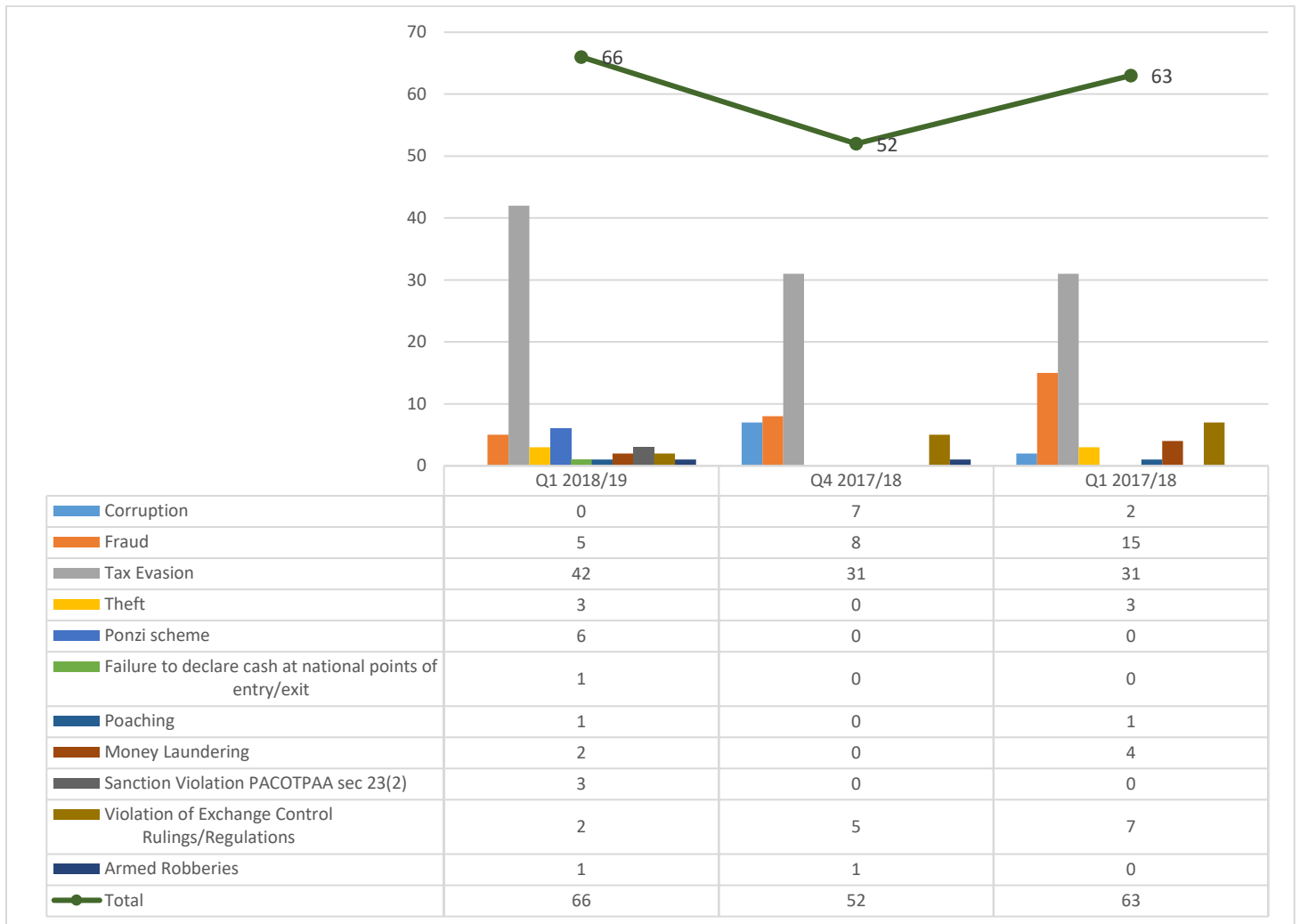
<sup>6</sup> Although there was no ORD and low ORI, FIC will still increase existing efforts when necessary to request more or further information from Competent Authorities Nationally and International that would be value addition to FIC existing cases under investigation by such authorities.

**Chart 5: Spontaneous disclosures (SDs)**



The above chart shows the number of SDs by FIC together with the amount identified as potential proceeds of illicit or criminal activities. During the period under review, the FIC disseminated a total of 74 SDs to LEAs, an increase from 59 disclosures shared during the previous quarter. This involved a total amount of NAD 955,221,919 and NAD 1,654,966,174 respectively. The graph further reflects the Ministry of Finance (MOF) as a recipient of the majority of the disclosures with a total of 42 disseminations involving an amount of NAD 816,438,377. Such indicate potential tax evasion. NAMPOL received 15 disclosures while the Office of Prosecutor General (OPG) received 6, with potential offences identified in Chart 6 below.

**Chart 6: Potential offences**



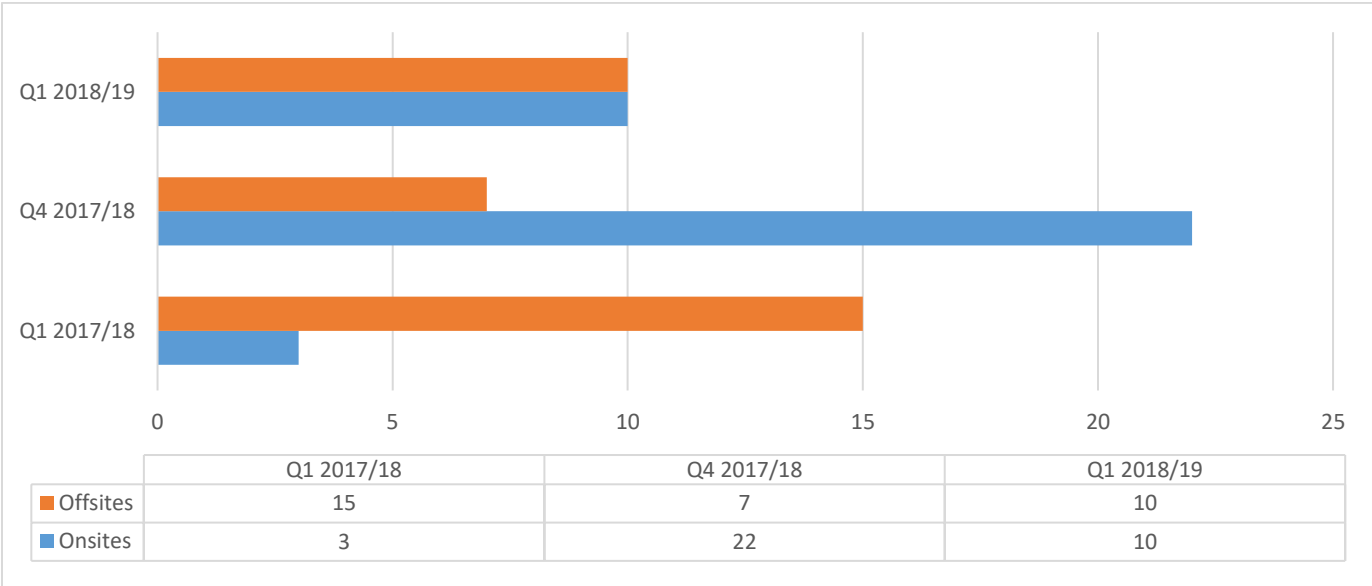
The number of potential offences increased from 52 offences recorded during the previous quarter to 66 offences recorded during the quarter under review. Tax evasion related offences consistently appear to be in majority over the three quarters analysed, followed by Ponzi schemes and then Fraud. Criminal offences recorded in the minority over the three quarters were Failure to declare cash at national points of entry/exit, Poaching and Armed Robbery.

#### **4.4 COMPLIANCE INSPECTIONS**

Continuous efforts are made to ensure increase in FIA supervisory coverage, as well as enhance quality of overall supervisory activities in the regulated populace. Only NAMFISA and the FIC are designated

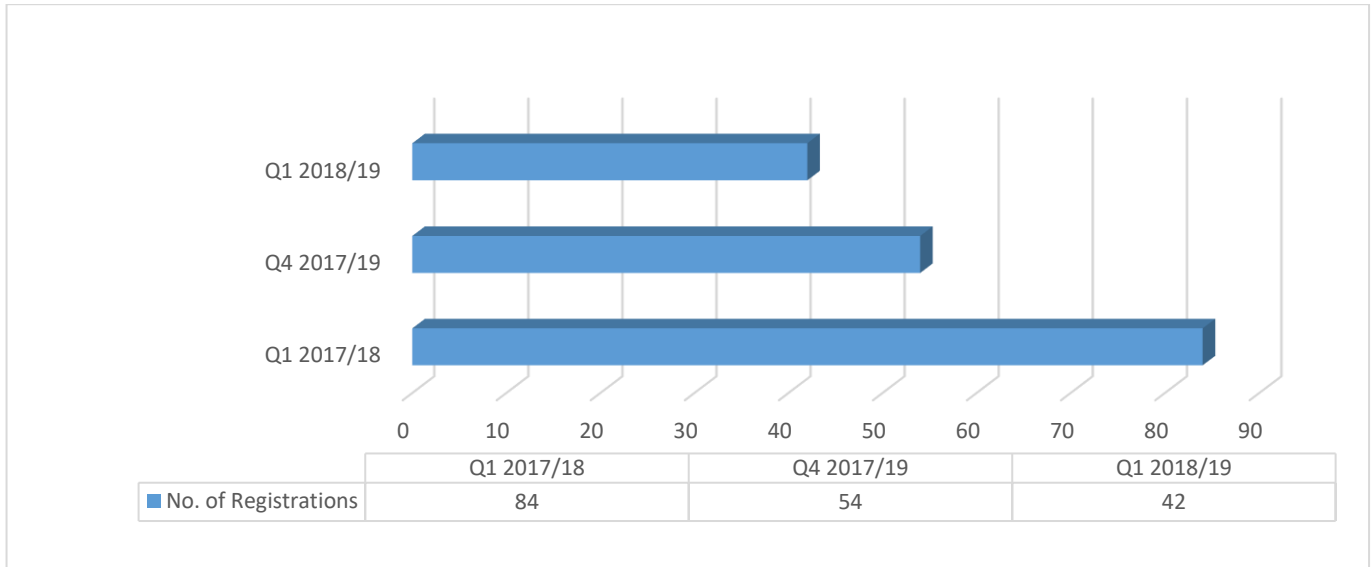
as supervisory bodies in terms of the FIA. All sectors not supervised by NAMFISA for FIA compliance purposes are directly supervised by the FIC. The FIC conducts onsite and offsite FIA compliance assessments (inspections). These are undertaken to gain assurance on the level of effectiveness of controls implemented to mitigate ML/TF/PF risks. The FIC’s Compliance Monitoring and Supervision Division employs a risk based approach in its supervisory activities. Such approach informs the nature, frequency and extent of relevant supervisory activities employed in supervision.

**Chart 7: Compliance assessments**



During the first quarter of 2018/19, a total of 10 Off-site assessments and 10 onsite assessments were performed by the FIC. The chart further shows that the highest number of compliance assessments were performed during the fourth semester of the 2017/18 financial year in which 7 and 22 offsite and onsite assessments were carried out respectively.

## Chart 8: Registrations

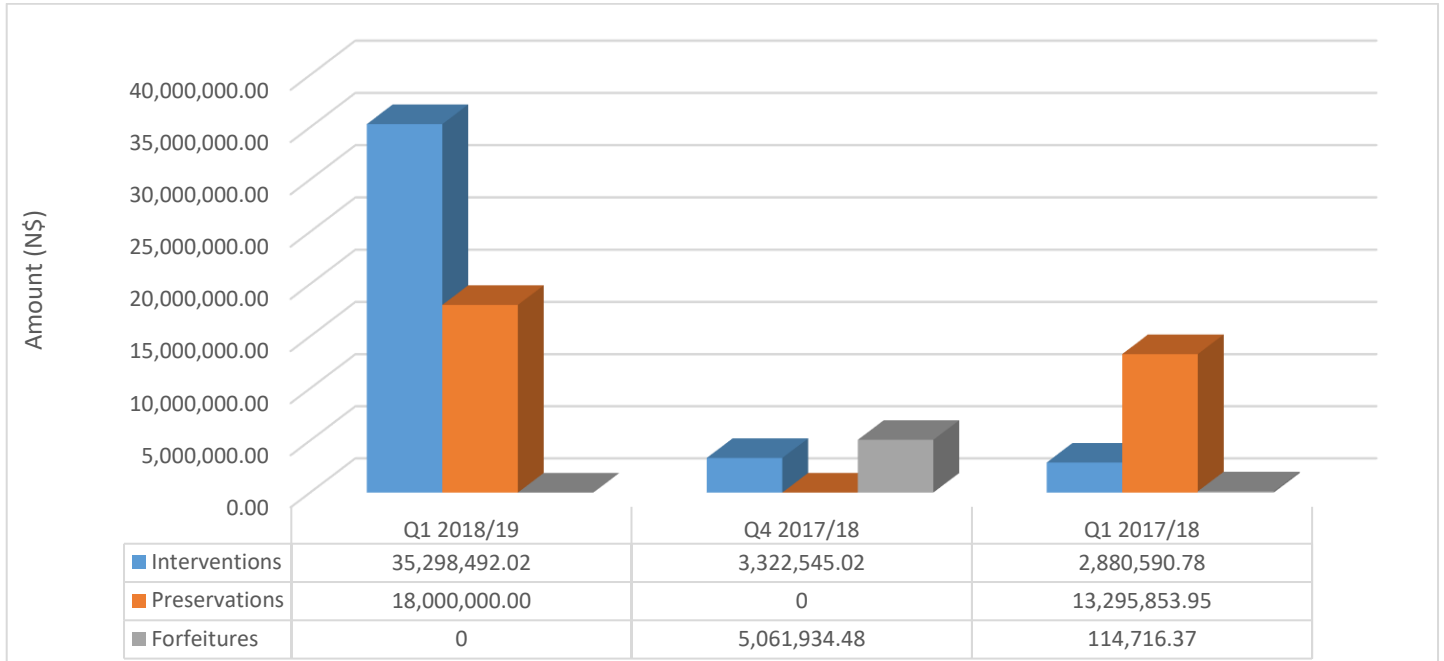


Als and RIs should register with the FIC as per the FIA. Such is essential as it enhances supervisory activities and thus FIA compliance. During the period under review, the volume of registration of Als and RIs decreased to 42 from 54 registrations undertaken in the previous quarter. This also shows a reduction as 84 institutions registered during the same period in the previous financial year. Although the number of registered Als and RIs decreased during the period under review, FIC is positive that registrations volume will escalate for the next coming quarters considering the fact that the NPO Sector as well as the Customs Clearing and Forwarding Agents will be added as Als to the FIA Regulated Populace.



## 5. PARTNER AGENCIES: STATISTICS

**Chart 9: Asset Recovery (Value of Interventions vs Preservations and Forfeitures)**



The table above indicates the value of interventions, preservations and forfeitures as a result of SDs disseminated by the FIC to the Office of the Prosecutor General. During the period under review, interventions were placed on transactions/activities amounting to NAD 35,298,492.02 and only a total value of NAD 18,000,000.00 was escalated for preservation. Further, there was no amount forfeited to the state during the period under review. In the three periods(quarters) compared in this report, the highest monetary value forfeited to the state was NAD 5,061,934.48, recorded during the fourth quarter of the 2017/18 financial year.

**Chart 10: Asset Recovery (Number of Interventions, Preservations and Forfeitures)**

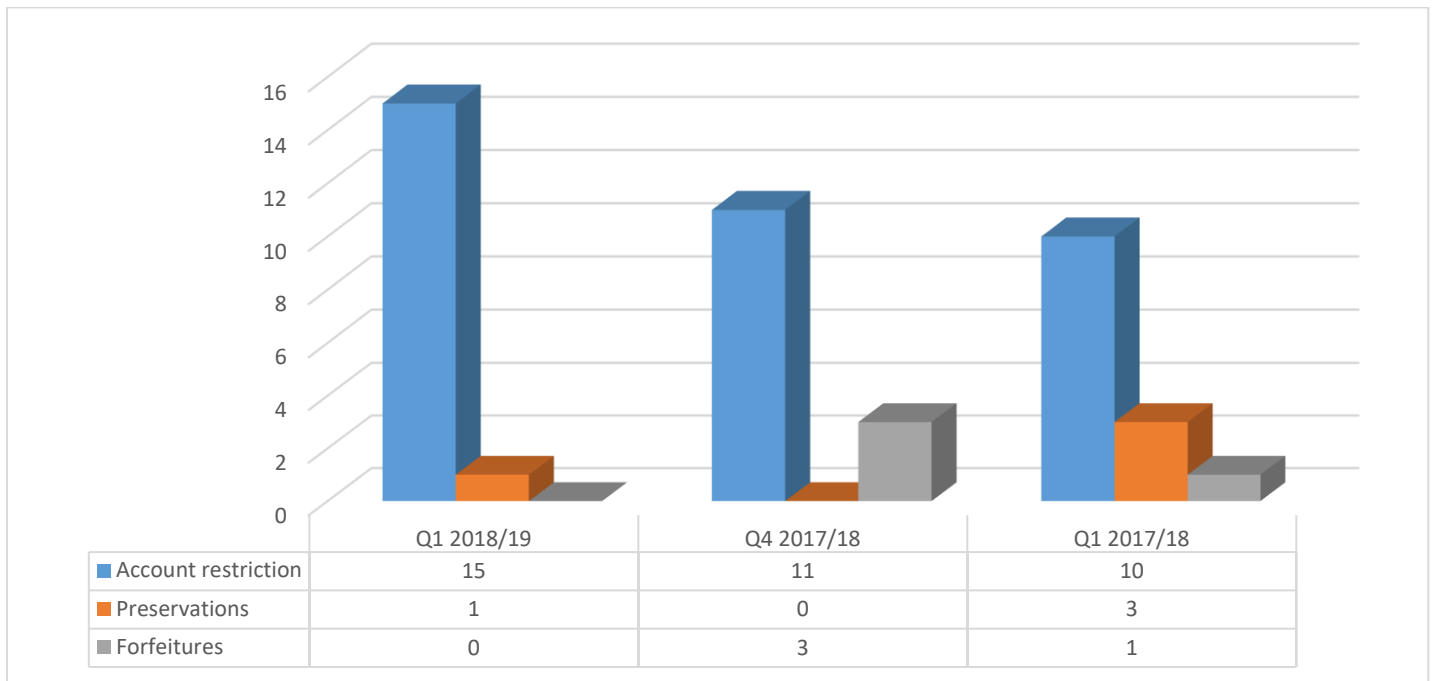


Chart 10 shows the total number of interventions, preservations and forfeitures arising from SDs disseminated to the Office of the Prosecutor General. During the period under review, a total of 15 intervention/restriction orders were issued, showing a relative increase from 11 issued in the previous quarter. Additionally, only 1 case was placed on preservation, a drop from 3 preservations recorded during the same period of the 2017/18 financial year. There was no forfeiture to the state recorded in the period under review.

It is important to note that the Receiver of Revenue’s Tax Assessment outcomes emanating from FIC Spontaneous Disclosures were not included in this report.

## 6. CONCLUSION

This quarterly statistical report shows improvement in reporting behaviour in first quarter of the 2018/19 financial year. The report equally presents FIC observations of areas that may need improvement. The FIC humbly requests AIs and RIs to consider such areas and implement measures to enhance reporting behaviour.

P.P. 

**L. DUNN**

**DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**