



Republic of Namibia

Financial Intelligence Centre

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Second Quarterly Report

July – September 2018

ISSUED: November 2018

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1. ACRONYMS

| | | |
|-------------------------|---|--|
| ADLAs | - | Authorized Dealers with Limited Authority |
| AML/CFT & PF | - | Anti-Money Laundering/ Counter Terrorist Financing and Proliferation financing |
| AI | - | Accountable Institution as provided in Schedule 1 of FIA |
| FATF | - | Financial Action Task Force |
| FIA | - | Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended |
| FIC | - | The Financial Intelligence Centre |
| LEAs | - | Law Enforcement Agencies |
| RI | - | 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 Prevention of Organized Crime Act, 2004, as amended (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.”¹

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.”

¹ FATF Recommendation 7

3. INTRODUCTION

This is the second quarterly statistical report of the 2018/19 financial year, issued by the FIC. It contains statistics on mandatory reports received from various stakeholders, 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 where all stakeholders, including the FIC, could improve on.

3.1 Background and Purpose

The FIC is Namibia's Financial Intelligence Unit (FIU) established in terms of FIA, and is empowered to, amongst others, 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 form part of a database which assists combatting efforts within the domains of local and international law enforcement agencies.

As far as compliance monitoring and supervision is concerned, 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. Compliance supervision of sectors normally commence with such sectors registering with the FIC as per the FIA. As at 30 September 2018, a total of **1,786 (one thousand, seven hundred and eighty-six)** 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. Where the need arises, enforcement considerations are also made. The FIC communicates compliance expectations in various ways including the issuing of formal Guidance Notes, Directives, Notices and Circular to enhance compliance behaviour and increase awareness.

3.2 Application

This 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 disclosure of 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 Reports (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 (Sectors)

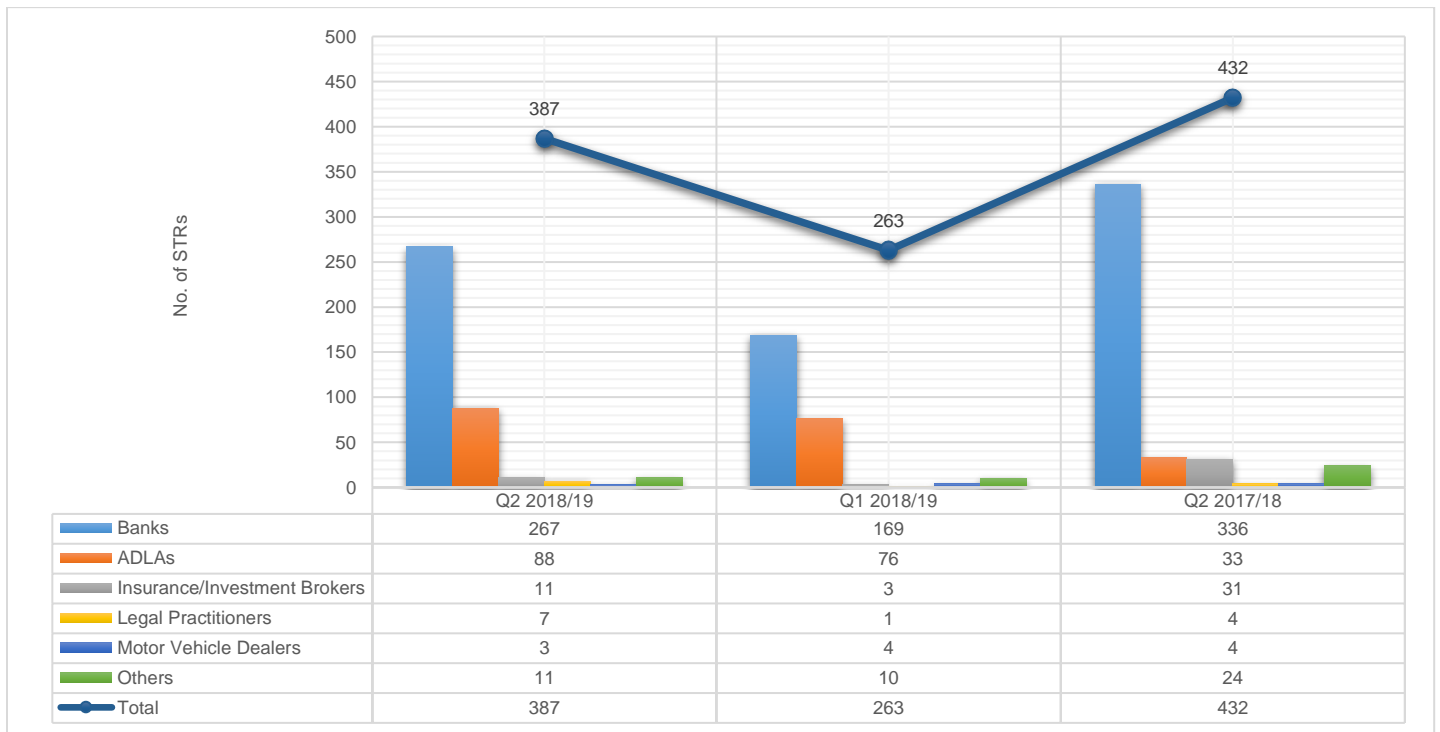


Chart 1 presents a summary of STRs filed by AIs and RIs during the three-month period under review. The number of STRs increased significantly by 47.5%, as reflected in 263 STRs filed during the previous quarter to 387 filed during the period under review. Having said that, the number of STRs filed during the period under review dropped 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 18% and 4% respectively. Other sectors filed a minimal total of 11 STRs during the period under review.²

Chart 2: SARs received by Agency Business Type (sectors)

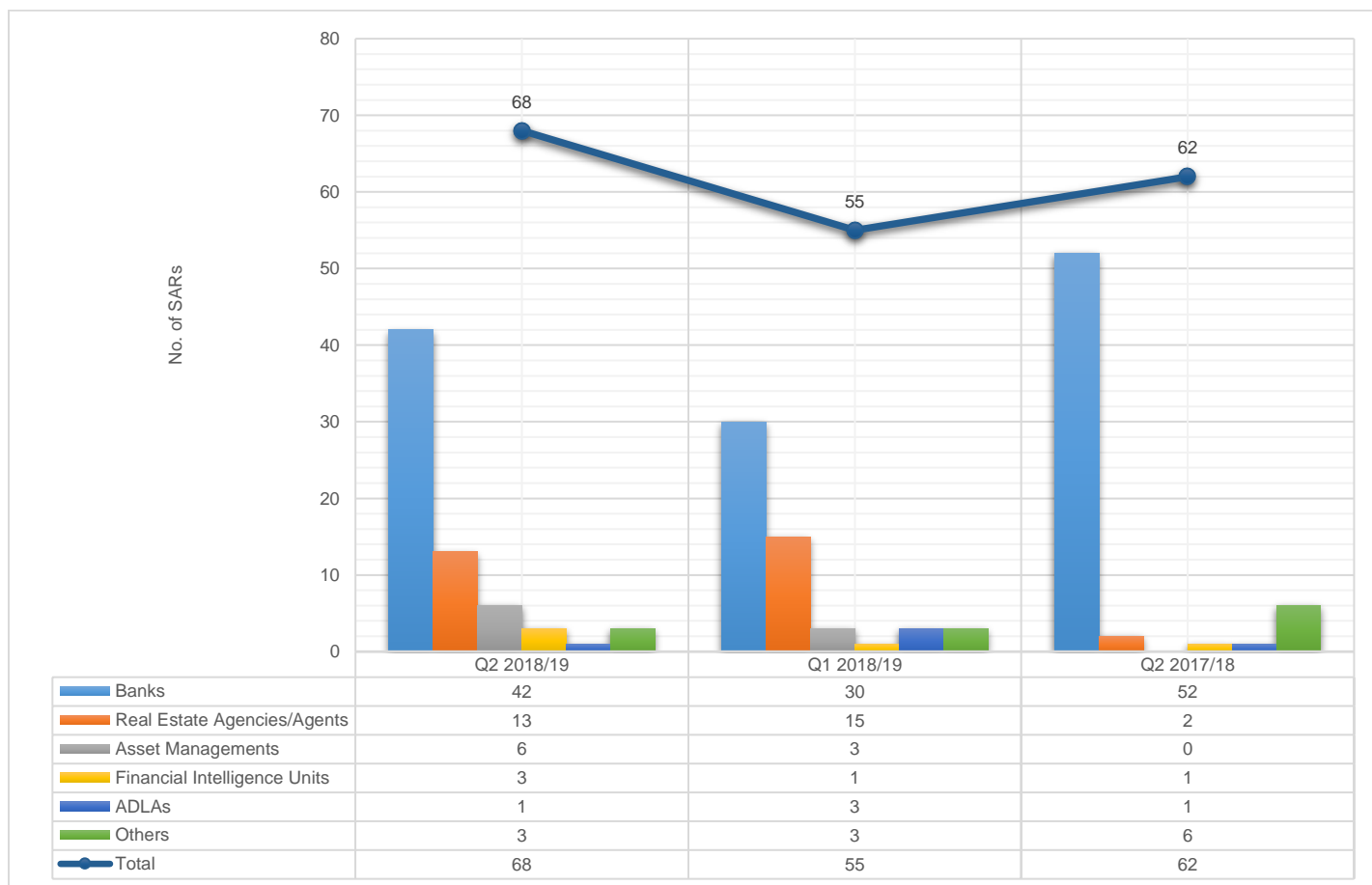


Chart 2 above presents a comparison of the volume of SARs received during the second quarter of the 2018/19 financial year with the previous quarter and the same quarter during the 2017/18 financial year. The banking sector filed 67% of the SARs, which is the highest amongst sectors. The number of SARs increased to 68 SARs received during the period under review from 55 SARs and 62 SARs received during the previous quarter and same quarter of the previous financial year respectively. Other sectors only filed a total of 3 SARs during the period under review.³

² Other Sectors: Asset Management; Casino; Supervisory and Regulatory Bodies; Unit Trust Schemes; Financial Intelligence Unit (FIU); Individual Reporting Entity; Lending; Auctioneers; Foreign Financial Intelligence Unit; Law Enforcement Agencies; Long Term Insurance; Money and Value Transfers (MVT's); Public Prosecutor; Real Estate Agencies/Agent; and Short Term Insurance.

³ Other Sectors: Individual Reporting Entity; Micro Lender; Unit Trust Schemes; Accountant; Accountants and Auditors; Legal Practitioner; Stock Broker; and Supervisory and Regulatory Bodies

4.2 STRs AND SARs PRIORITIZATION FACTORS

When reports (STRs/SARs) are received, they are reviewed to determine the level of prioritization that needs to be accorded to them. 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 and 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

| | Q2 2018/19 | Q1 2018/19 | Q2 2017/18 |
|--|------------|------------|------------|
| Case File Opened | 52 | 61 | 83 |
| Low Priority | 168 | 197 | 341 |
| Set-Aside | 0 | 0 | 8 |
| Under Cleansing | 167 | 5 | 0 |
| Grand Total | 387 | 263 | 432 |
| (%) of STRs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$ | 13.4 | 23.2 | 19.2 |

During the period under review, the FIC analyzed 13.4% of STRs filed, a decrease from 23.2% and 19.2% recorded during the previous quarter and the same quarter of the 2017/18 financial year respectively. Only 52 out of 387 STRs were escalated for further analysis, leading to actionable intelligence being forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation.

At the time of reporting, a total of 167 STRs were still under cleansing⁴. This is an increase from the previous quarter which had only 5 STRs recorded under cleansing, at the same interval. It is further worth noting that a total of 168 STRs were accorded a low priority status. Some STRs were accorded a low priority status due to various reasons. Below are some of the notable reasons:

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

- ✚ poor articulation of the grounds of suspicions in STRs filed;
- ✚ STRs filed/reported instead of SARs or AIFs. General lack of understanding;
- ✚ lack of Money Laundering, Terrorist Financing and Proliferation financing indicators in the STRs filed;
- ✚ operational priority of law enforcement; and
- ✚ Inadequate resources in the FIC.

Table 2: SARs filed vs SARs analysed

| | Q2 2018/19 | Q1 2018/19 | Q2 2017/18 |
|--|------------|------------|------------|
| Case File opened | 20 | 15 | 21 |
| Low Priority | 15 | 36 | 41 |
| Set-Aside | 1 | 0 | 0 |
| Under Cleansing | 32 | 4 | 0 |
| Grand Total | 68 | 55 | 62 |
| (%) of SARs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$ | 29.4 | 27.3 | 33.9 |

About 29.4% of SARs filed were escalated for further analysis during the period under review. This shows a slight increase from 27.3% of SARs escalated during the previous quarter. One should however note the higher volume of 33.9% recorded during the same quarter in the 2017/18 financial year. A total of 20 SARs were escalated to law enforcement while 32 SARs were still under cleansing and 15 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

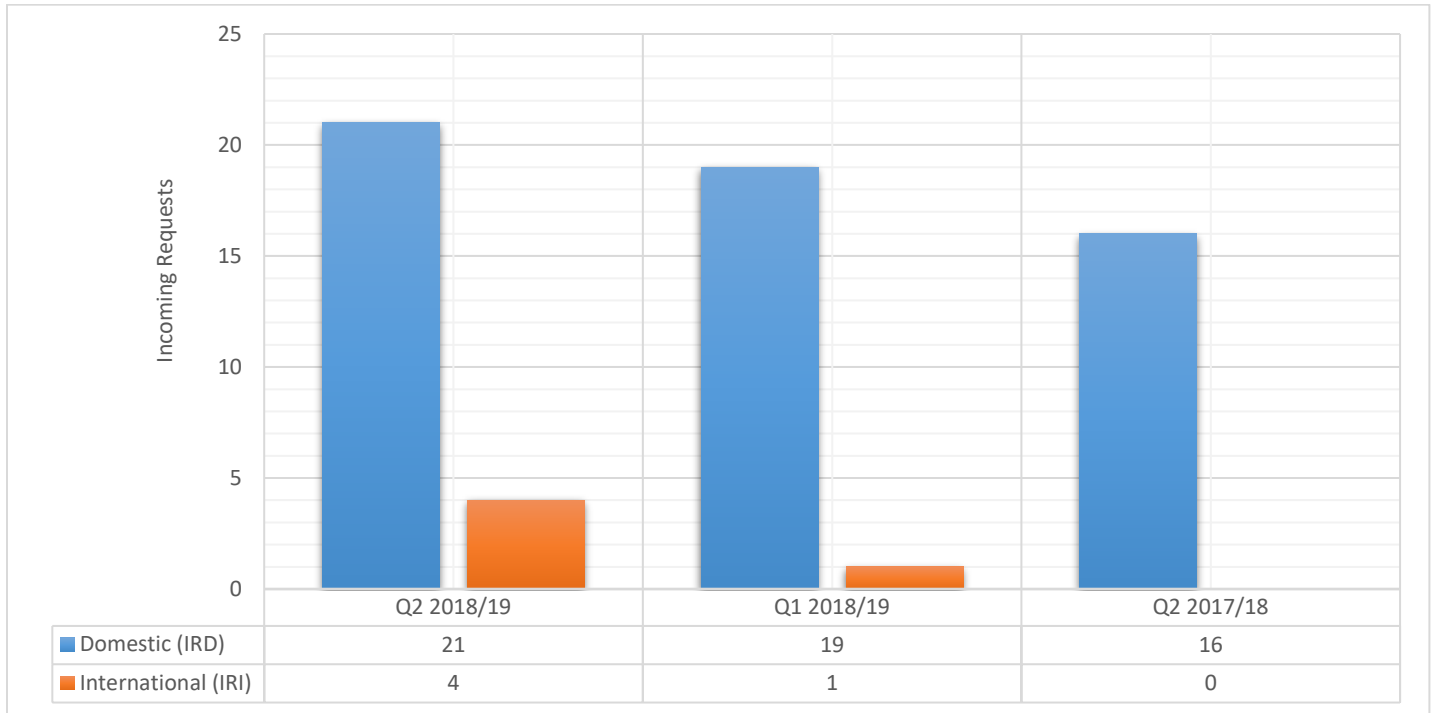
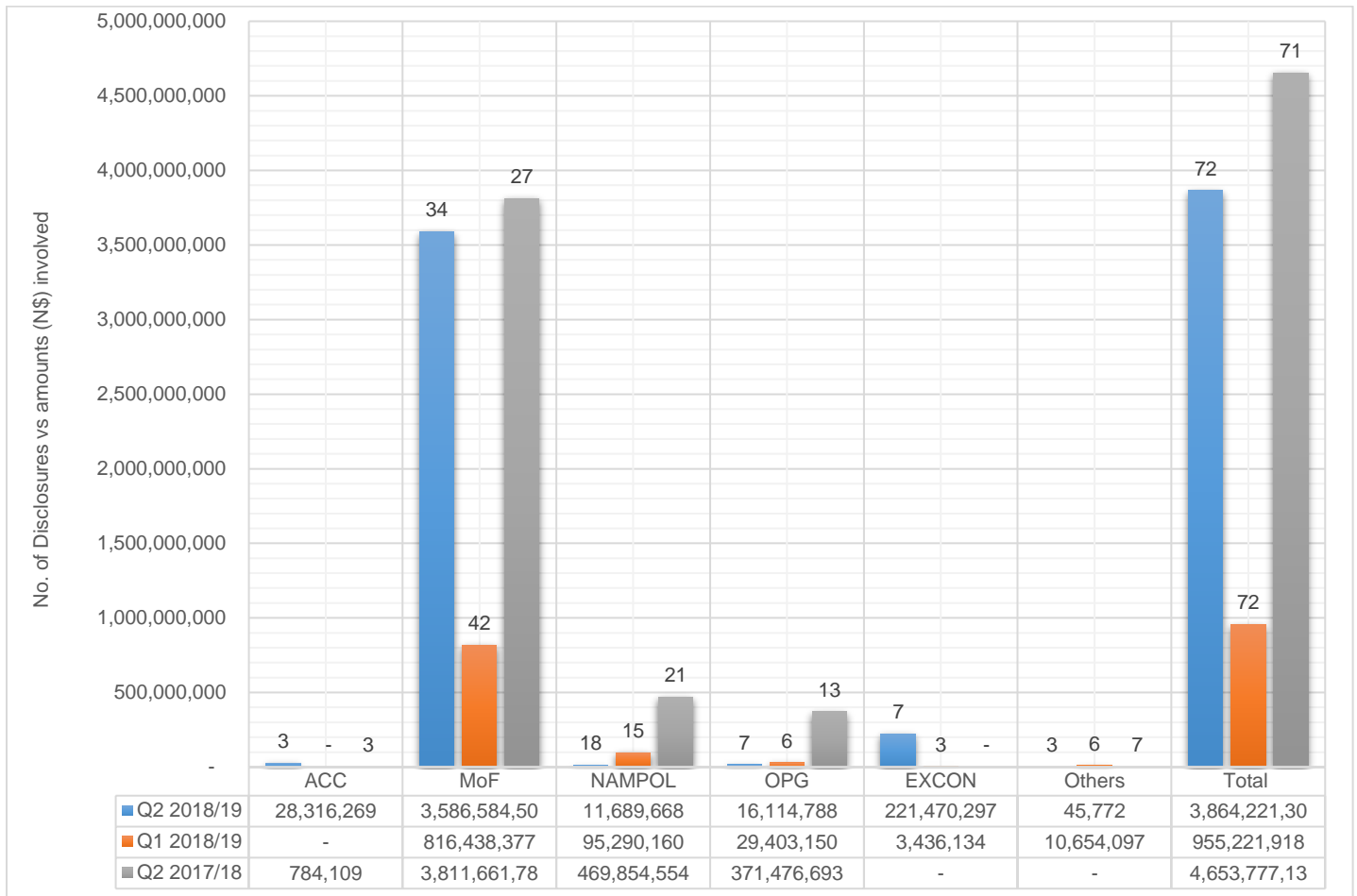


Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified quarters. The number of requests received increased to 21 IRDs recorded during the period under review, from 19 and 16 IRDs recorded in the previous quarter and the same quarter of the 2017/18 financial year respectively. Similarly, the number of Incoming Requests International (IRI) has increased to 4 requests, when compared to the previous quarter which saw a record of only 1 incoming request. There was no IRI recorded during the second quarter of the 2017/18 financial year. ⁵

⁵ 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.

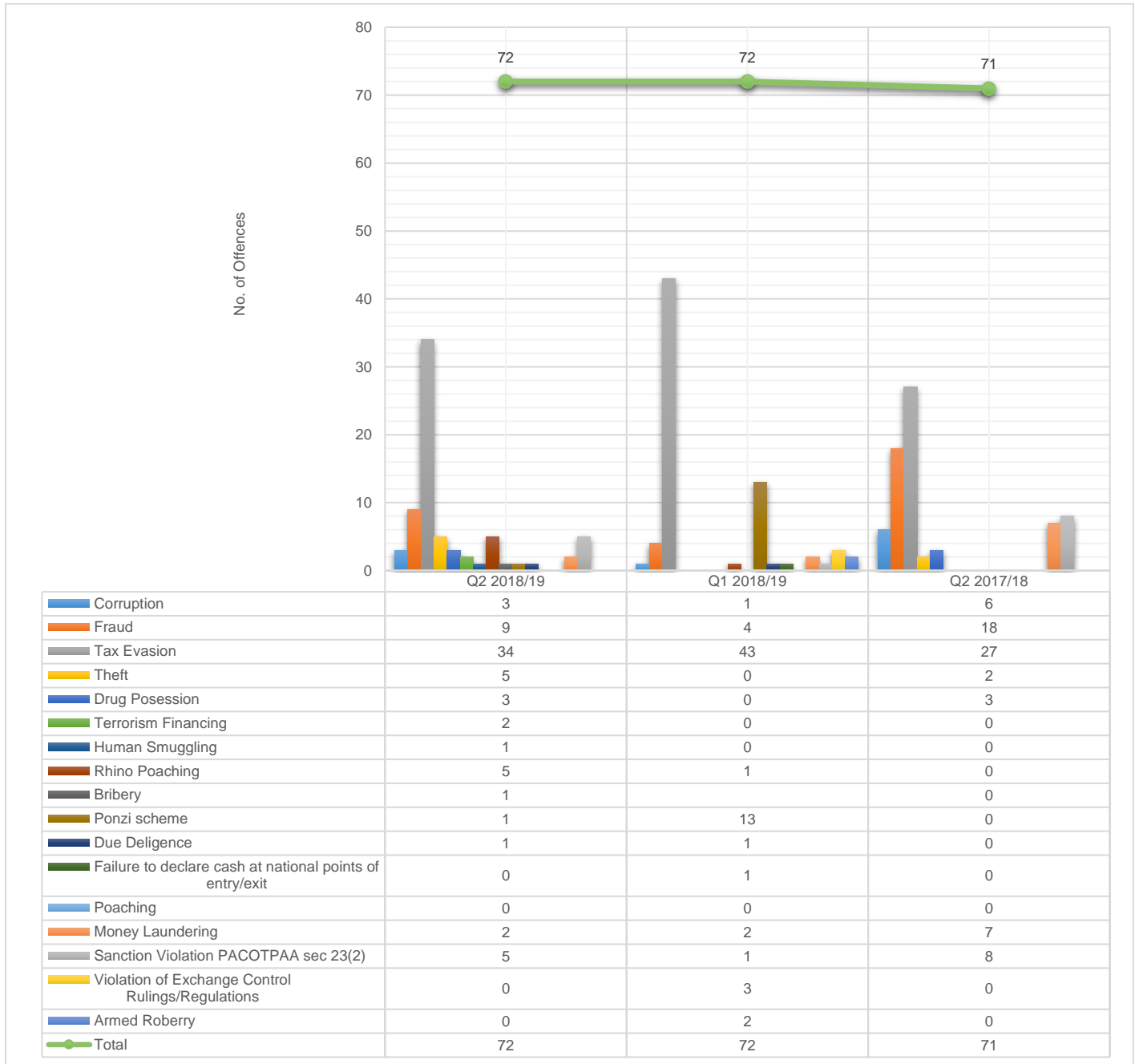
Chart 4: Spontaneous disclosures (SDs)



The above chart shows the number of Spontaneous disclosures (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 72 SDs to LEAs. This equals the number of disclosures shared during the previous quarter. Such disclosures involved a total amount of NAD 3,864,221,301 and NAD 955,221,919 respectively. The graph further reflects the Ministry of Finance (MoF) as a recipient of the majority of the disclosures with a total of 34 disseminations involving an amount of NAD 3,586,584,507. Such indicate potential tax evasion and this supports the conclusion reached in the 2013 National Risk Assessment which identified tax evasion as one of the highest predicate offences for Money Laundering activities.

On the other hand, NAMPOL received 18 disclosures while the Office of Prosecutor General (OPG) and the Bank of Namibia’s Exchange Control (EXCON) Department each received a total of 7 disclosures. The potential offences in such disclosures are identified in Chart 6 below:

Chart 5: Potential offences

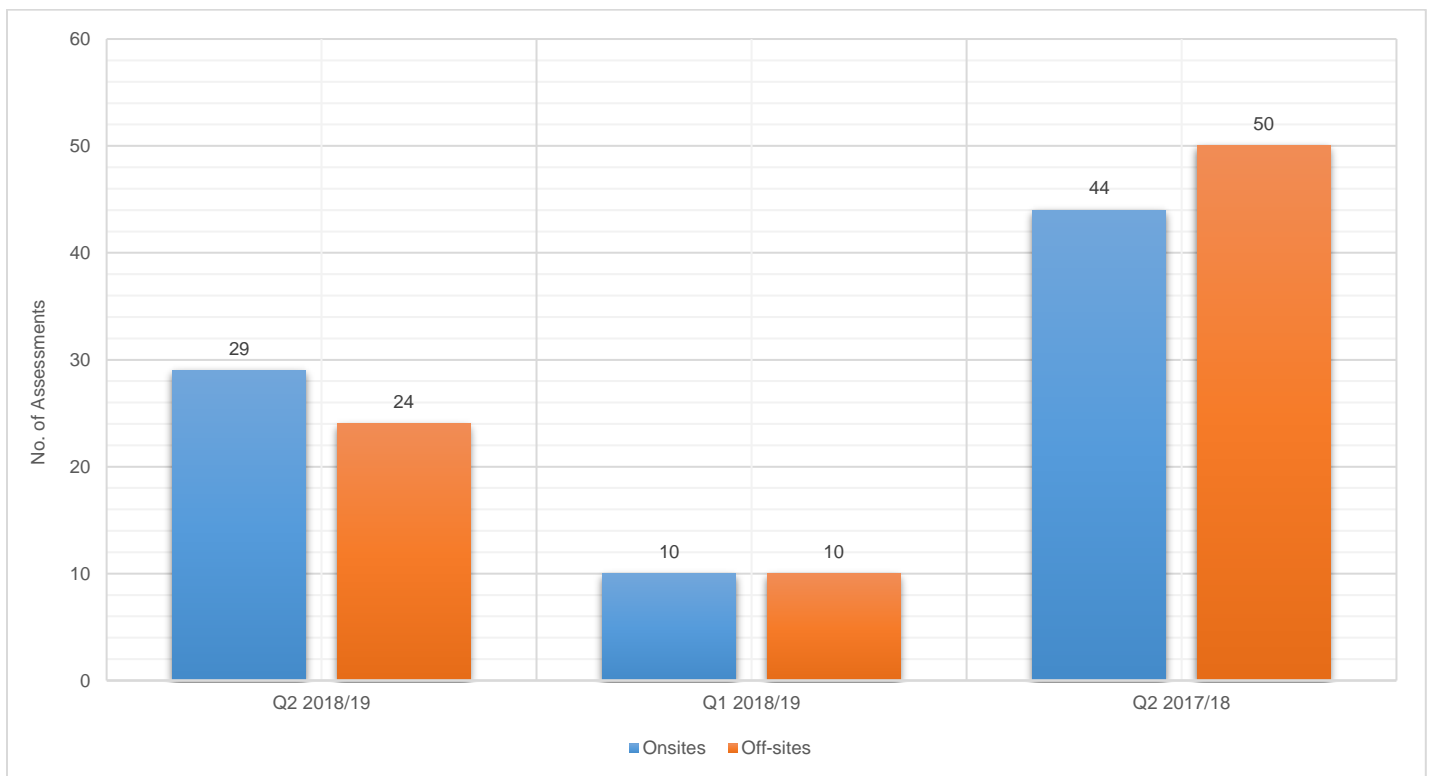


The number of potential offences remained the same (72) in the quarter under review and the previous quarter. Tax evasion related offences consistently appear to be in majority over the three quarters analysed, followed by Fraud and then Theft cases. Criminal offences recorded in the minority over the three quarters were Failure to declare cash at national points of entry/exit, Human Smuggling and Armed Robbery.

4.4 COMPLIANCE INSPECTIONS

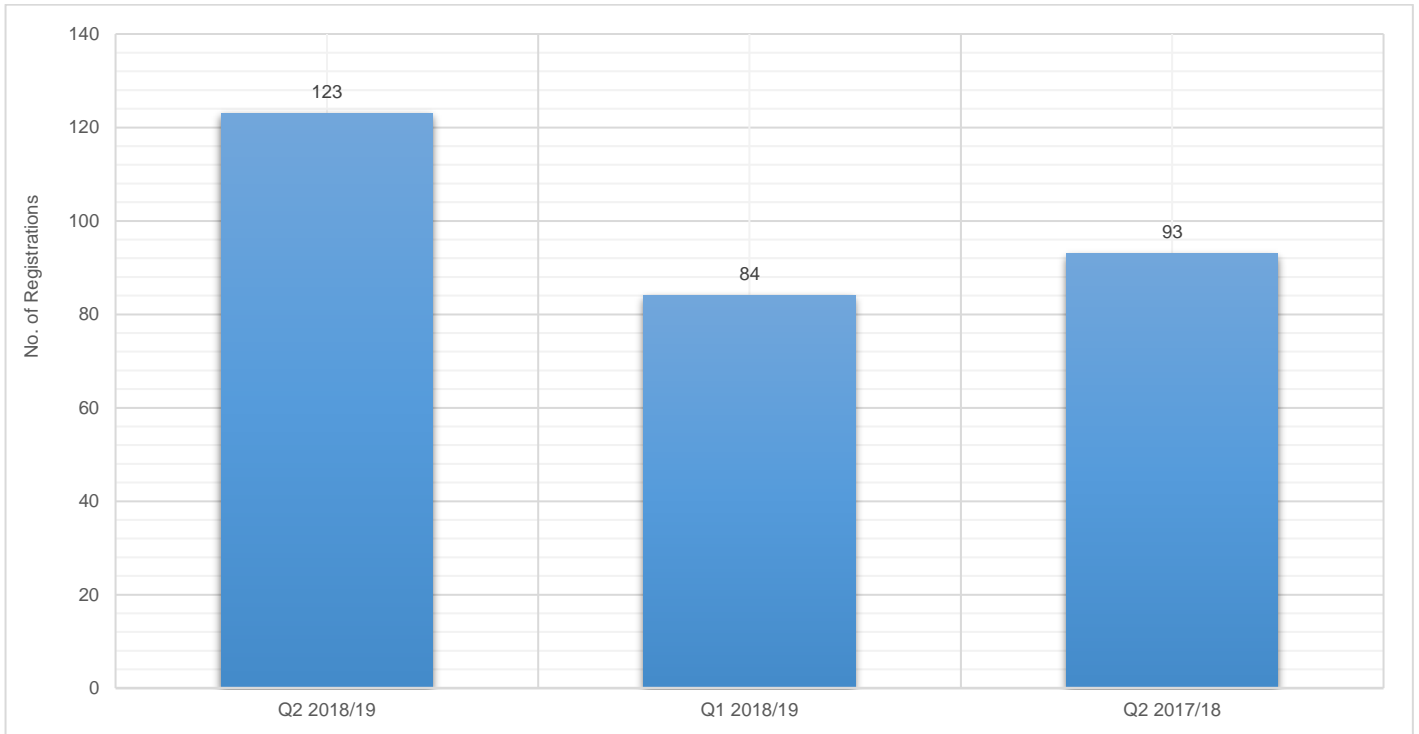
Continuous efforts are made to ensure increase in FIA supervisory coverage, as well as enhance quality of overall supervisory activities in the regulated populace. Only NAMFISA and the FIC are designated as supervisory bodies in terms of the FIA. All sectors not supervised by NAMFISA for FIA compliance 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 6: Compliance assessments



During the second quarter of 2018/19, a total of 24 Off-site assessments and 29 onsite assessments were performed by the FIC. The chart further shows that the highest number of compliance assessments were performed during the second semester of the 2017/18 financial year in which 50 Off-site and 44 Onsite assessments were carried out respectively.

Chart 7: 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 increased by 46.2% from 84 to 123 registrations undertaken in the previous quarter. Similarly, the number of institutions registered increased by 32.3% when compared to the number of institutions registered during the same period in the previous financial year. The registration of Als and RIs from the Non-Profit Organization (NPO) Sector as well as the Customs Clearing and Forwarding Agents explains the surge in the number of institutions registered during the quarter under review. It is anticipated that this trend will continue.

5. PARTNER AGENCIES: STATISTICS

Chart 8: Asset Recovery (Intervention Orders)

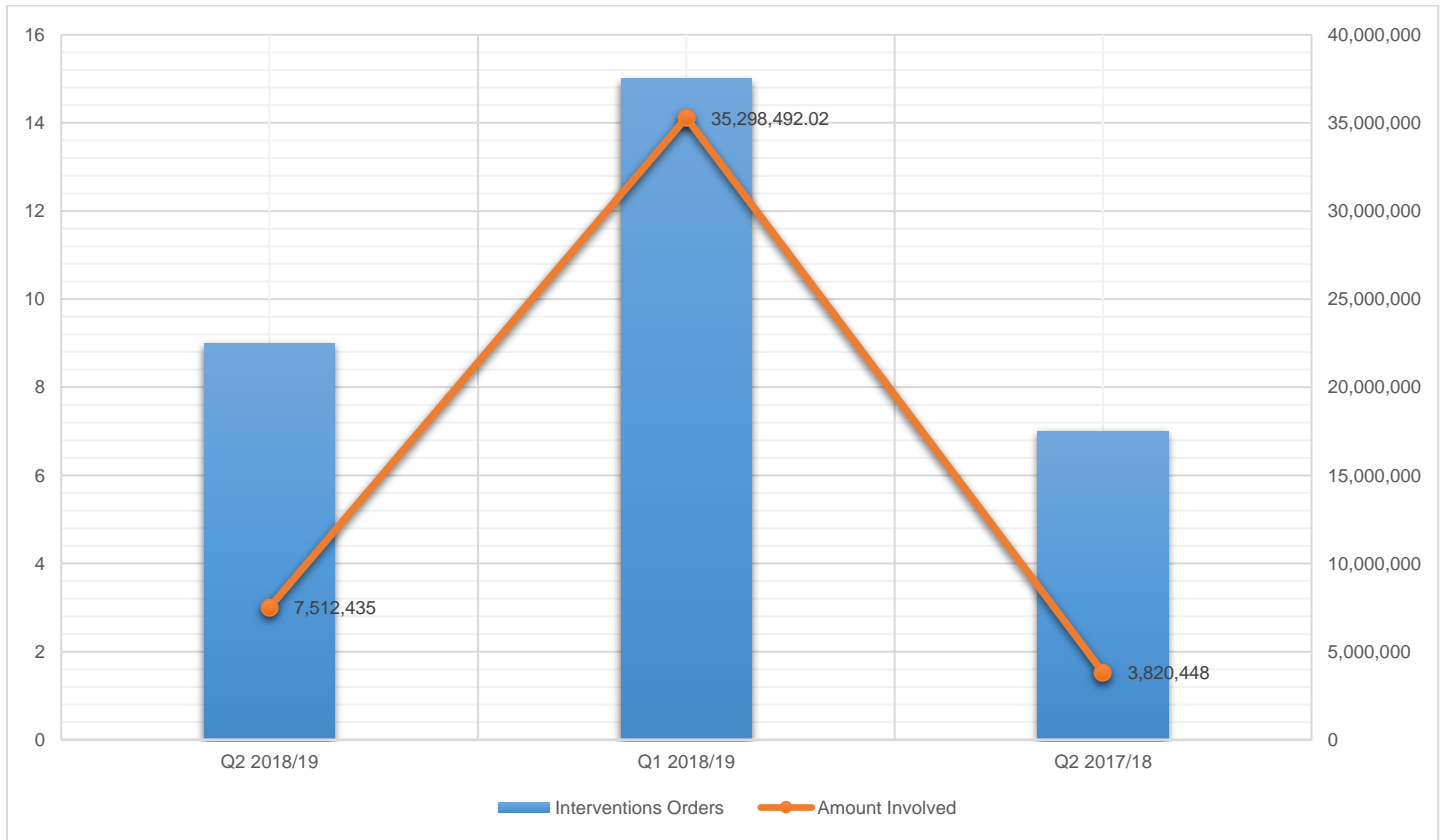


Chart 10 shows the number of intervention orders issued by the FIC, as well as the monetary amounts involved. During the period under review, a total of 9 intervention/restriction orders were issued, showing a decrease from 15 issued in the previous quarter. The highest quarterly amount of NAD 35,298,492 was intervened/restricted during the first semester of the 208/19 financial year.

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. Additionally, Preservations and forfeitures as a result of such disclosures disseminated by the FIC to the Office of the Prosecutor General were also not included in this report.

6. CONCLUSION

This quarterly statistical report shows improvement in reporting behaviour in the second 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.

A handwritten signature in black ink, appearing to read 'P.P. K. [unclear]'. The signature is stylized and somewhat illegible.

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE