



Republic of Namibia  

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Financial Intelligence Centre

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## 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 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.”<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.”

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<sup>1</sup> FATF Recommendation 7

### 3. INTRODUCTION

This is the third quarterly statistical report of the 2018/19 financial year, issued by the FIC. It contains statistics on mandatory reports received from various stakeholders, in terms of 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 31 December 2018, a total of **1,855 (one thousand, eight hundred and fifty-five)** 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. If appropriate, 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 to 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)**

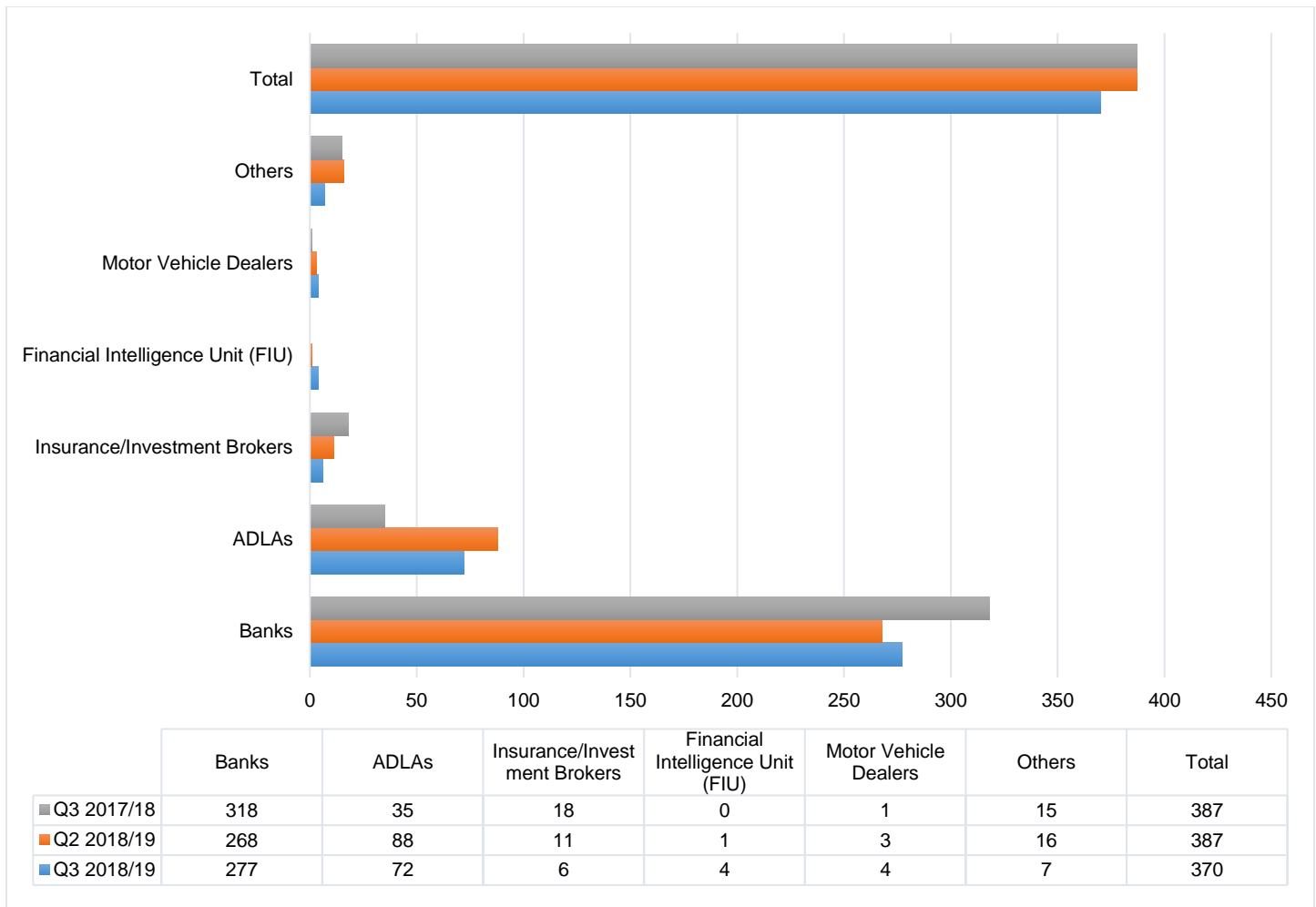


Chart 1 presents a summary of STRs filed by AIs and RIs during the three-month period under review. During the period under review, the number of STRs decreased slightly from 387 STRs filed during the previous quarter and the third quarter of the 2017/18 financial year to 370 STRs. The banks continue to file the highest volume of STRs with 75.4% in this period followed by Authorized Dealers with Limited Authority (ADLAs) and then Insurance/Investment Brokers with 17% and 3.1% respectively. Other sectors filed a minimal total of 7 STRs during the period under review.<sup>2</sup>

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

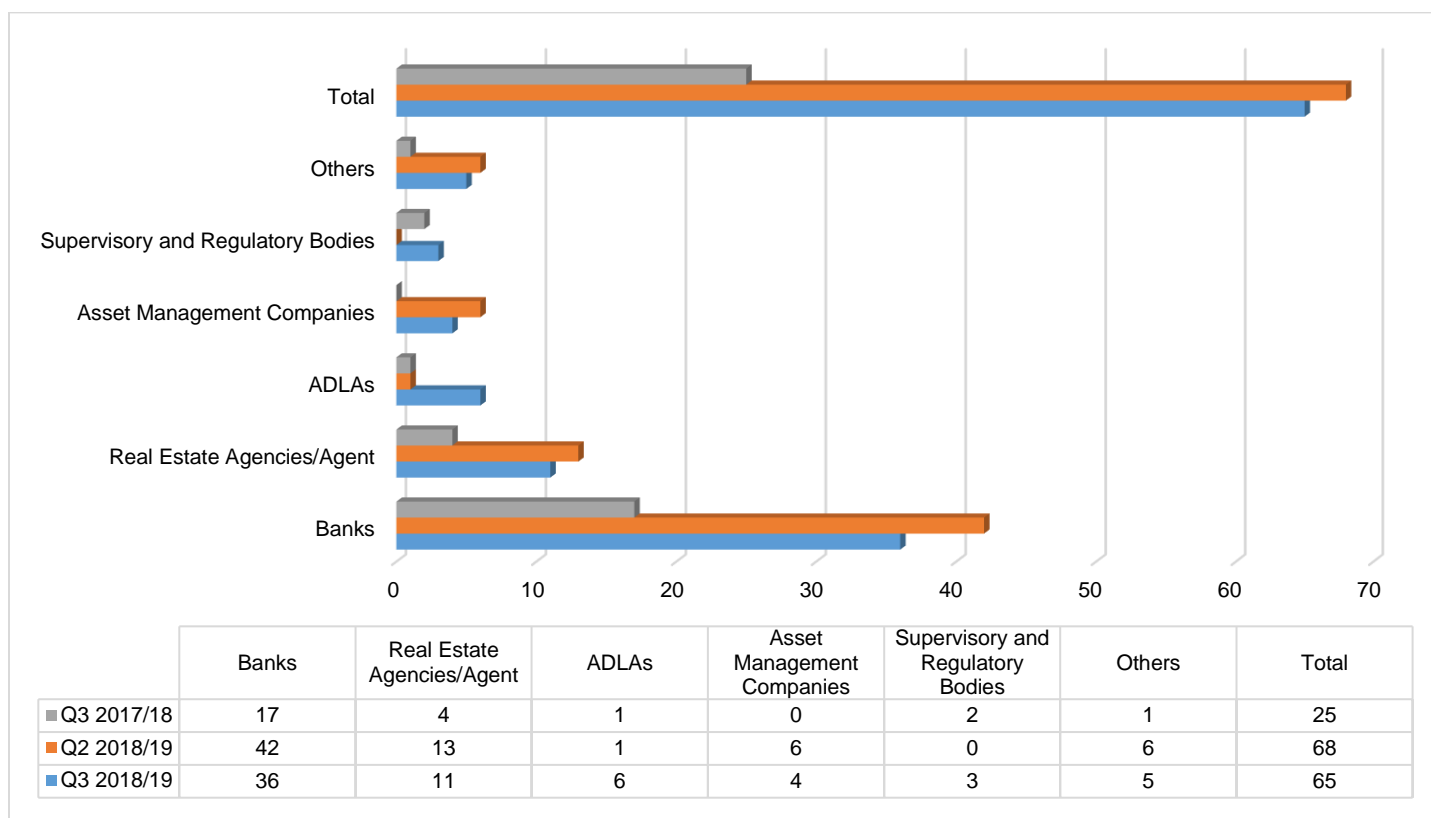


Chart 2 above presents a comparison of the volumes of SARs received during the third quarter of the 2018/19 financial year with the previous quarter as well as the same quarter during the 2017/18 financial year. The banking sector filed 60.1% of the SARs, which is the highest amongst all sectors. The number of SARs decreased slightly to 65 SARs received during the period under review from 68 SARs received during the previous quarter. Other sectors only filed a total of 5 SARs during the period under review.<sup>3</sup>

<sup>2</sup> Other Sectors: Asset Management Companies; Casino; Supervisory and Regulatory Bodies; Unit Trust Schemes; Individual Reporting Entity; Lending; Auctioneers; Foreign Financial Intelligence Units; Real Estate Agencies/Agent; Long Term Insurance; Pension Fund Administrators and Legal Practitioner.

<sup>3</sup> Other Sectors: Individual Reporting Entity; Micro Lender; Unit Trust Schemes; Financial Intelligence Unit (FIU); Auctioneers; Foreign Financial Intelligence Units and Motor Vehicle Dealers.

## 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 such 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**

	Q3 2018/19	Q2 2018/19	Q3 2017/18
<b>Case File Opened</b>	30	61	77
<b>Low Priority</b>	261	233	309
<b>STRs Set-Aside</b>	2	3	0
<b>STRs Under Cleansing</b>	77	90	1
<b>Grand Total</b>	<b>370</b>	<b>387</b>	<b>387</b>
<b>(%) of STRs escalated to LEAs = <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	8.1	16.5	20.8

During the period under review, the FIC analyzed 8.1% of STRs filed, a decrease from 16.5% and 20.8% recorded during the previous quarter and the same quarter of the 2017/18 financial year respectively. Only 30 out of 370 STRs were escalated for further analysis, leading to actionable intelligence being forwarded to relevant Law Enforcement Agencies for further investigation.

At the time of reporting, a total of 77 STRs were still under cleansing<sup>4</sup>. This is a decrease from the previous quarter which had 90 STRs recorded under cleansing. Worth noting is that, a total of 261 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 for such STRs in this quarter:

- ✚ poor articulation of the grounds of suspicions in STRs filed;
- ✚ STRs filed/reported instead of SARs or AIFs. General lack of understanding;

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



- ✚ 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**

	Q3 2018/19	Q2 2018/19	Q3 2017/18
<b>Case File opened</b>	14	21	14
<b>Low Priority</b>	29	20	11
<b>STRs Under Cleansing</b>	22	27	0
<b>Grand Total</b>	<b>65</b>	<b>68</b>	<b>25</b>
<b>(%) of SARs escalated to LEAs = <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	21.5	32.3	21.5

About 21.5% of SARs filed were escalated for further analysis during the period under review. This shows a significant reduction from 32.3% of SARs escalated during the previous quarter. The primary reasons for such low analysis of SARs during the period under review was due to the lack of Money Laundering, Terrorist Financing and Proliferation financing indicators in the SARs filed. Further, during the period under review, a total of 22 SARs were still under cleansing and 29 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**

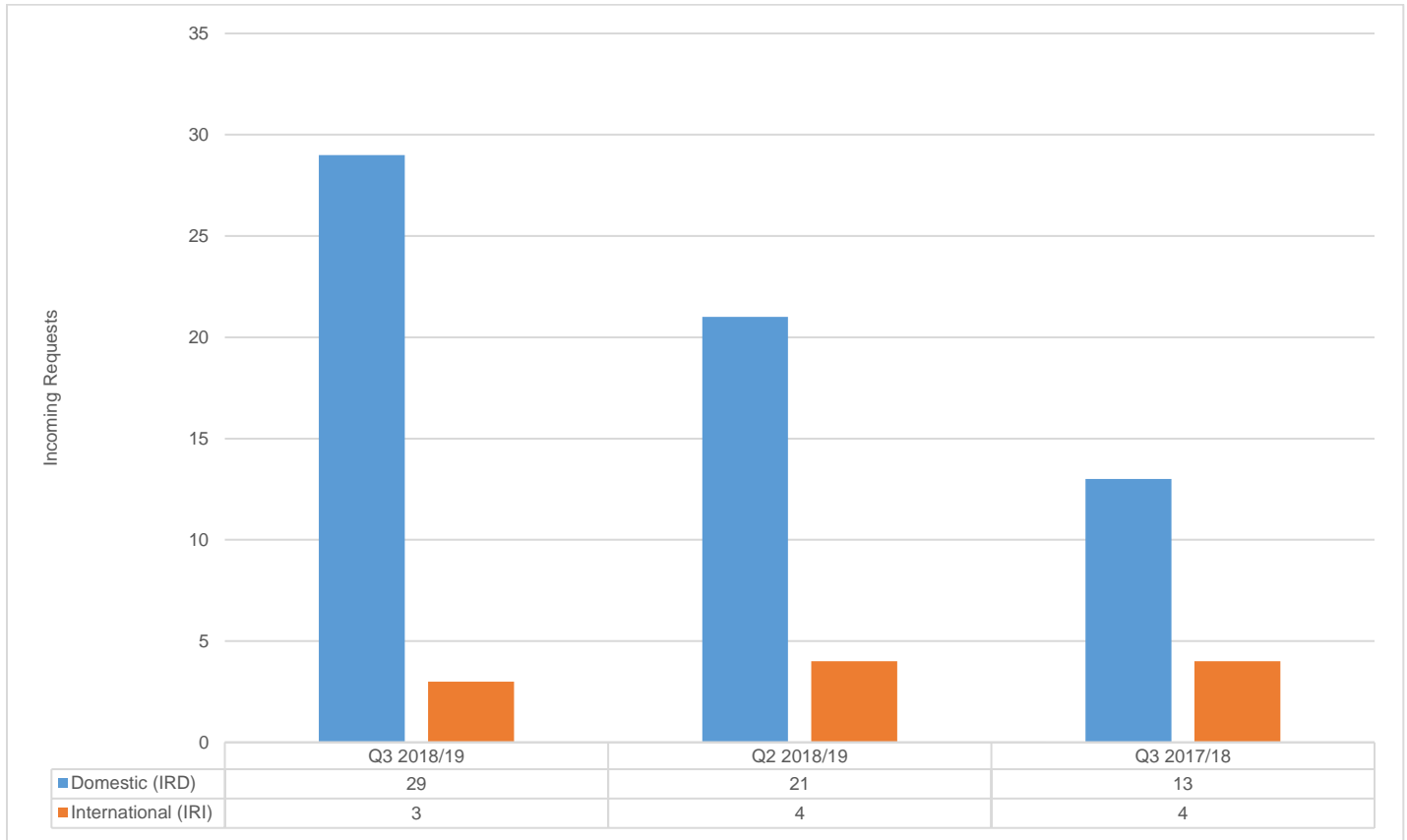
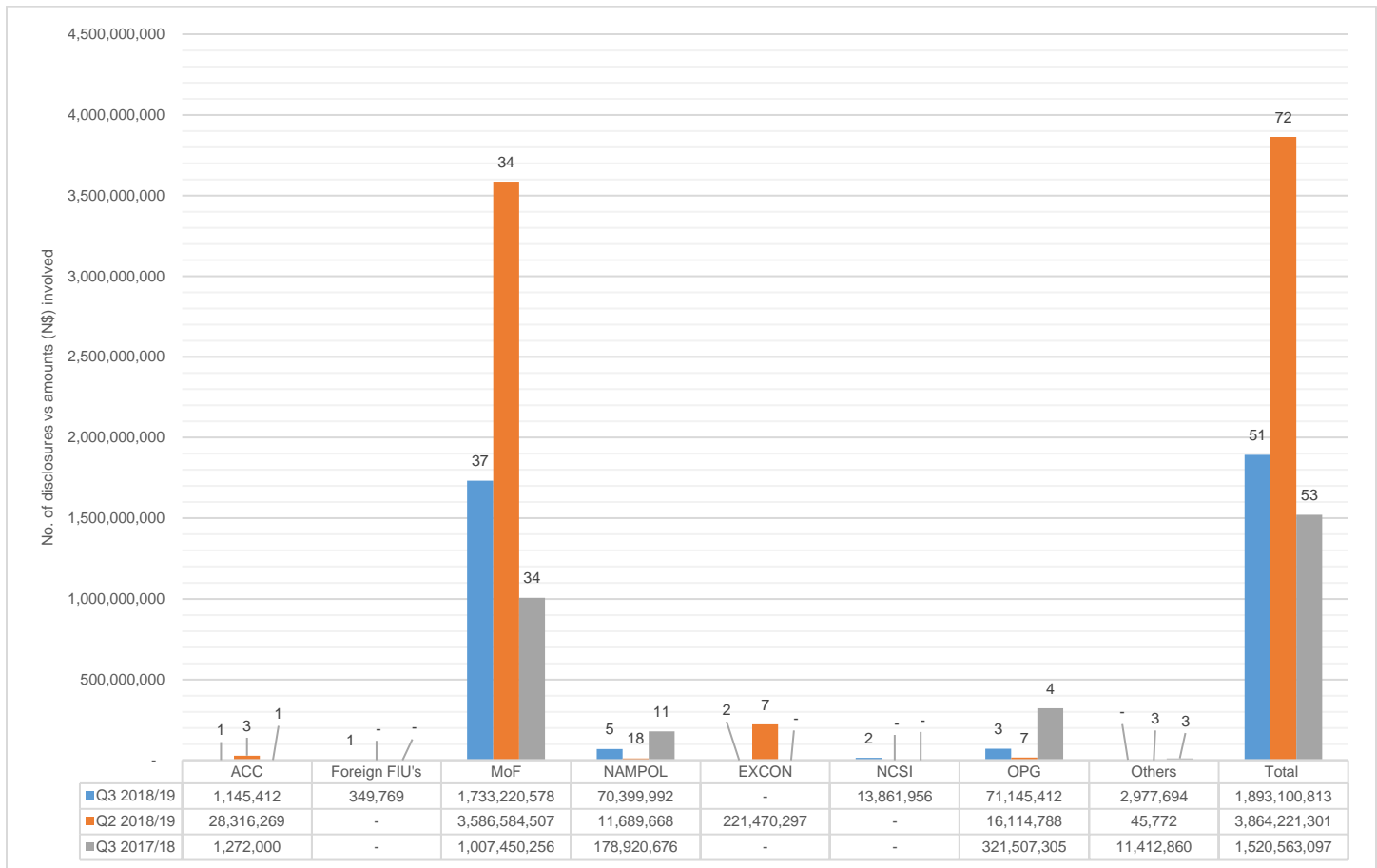


Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified quarters. The number of requests received increased to 29 IRDs recorded during the period under review, from 21 and 13 IRDs recorded in the previous quarter and the same quarter of the 2017/18 financial year respectively. Contrary, the number of Incoming Requests International (IRI) has decreased to 3 requests, when compared to the previous quarter and the same quarter of the 2017/18 financial year which saw a record of 4 incoming request.<sup>5</sup>

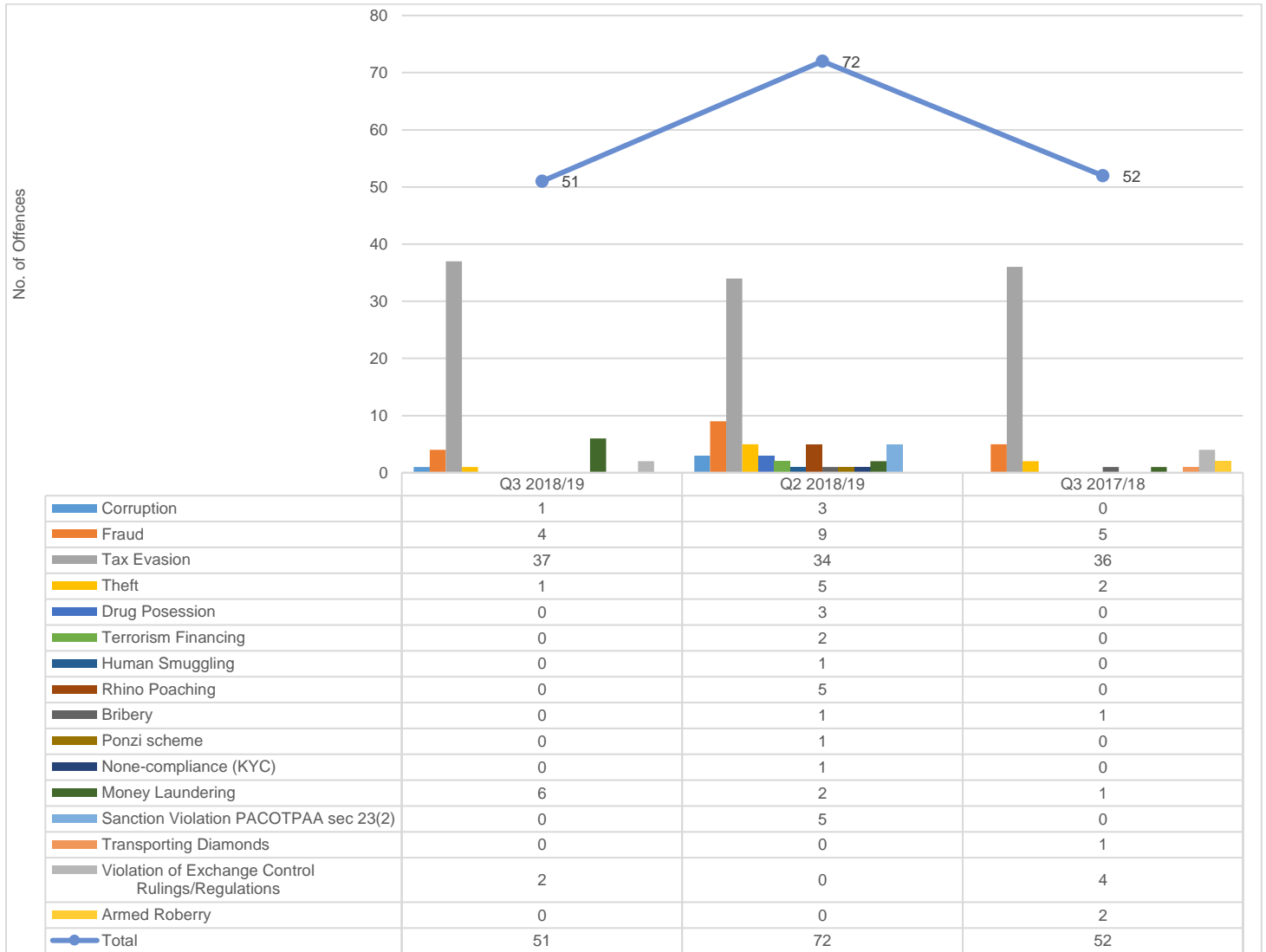
<sup>5</sup> FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC's output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise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

**Chart 4: 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 51 SDs to LEAs, a decrease from 72 disclosures disseminated during the previous quarter. Such disclosures involved a total amount of NAD 1,893,100,813 and NAD 3,864,221,301 respectively. Further, the chart reflects the Ministry of Finance (MoF) as a recipient of the majority of the disclosures with a total of 37 disseminations involving an amount of NAD 1,733,220,578. 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.

**Chart 5: Potential offences**



During the period under review, the number of potential offences reduced from 72 offences recorded during the previous quarter to 51 offences. Tax evasion related offences consistently appear to be the majority over the three quarters analysed, followed by Fraud and then Theft. Criminal offences recorded in the minority over the three quarters were Human Smuggling, Ponzi scheme, Non-compliance (KYC) and Transporting diamonds.

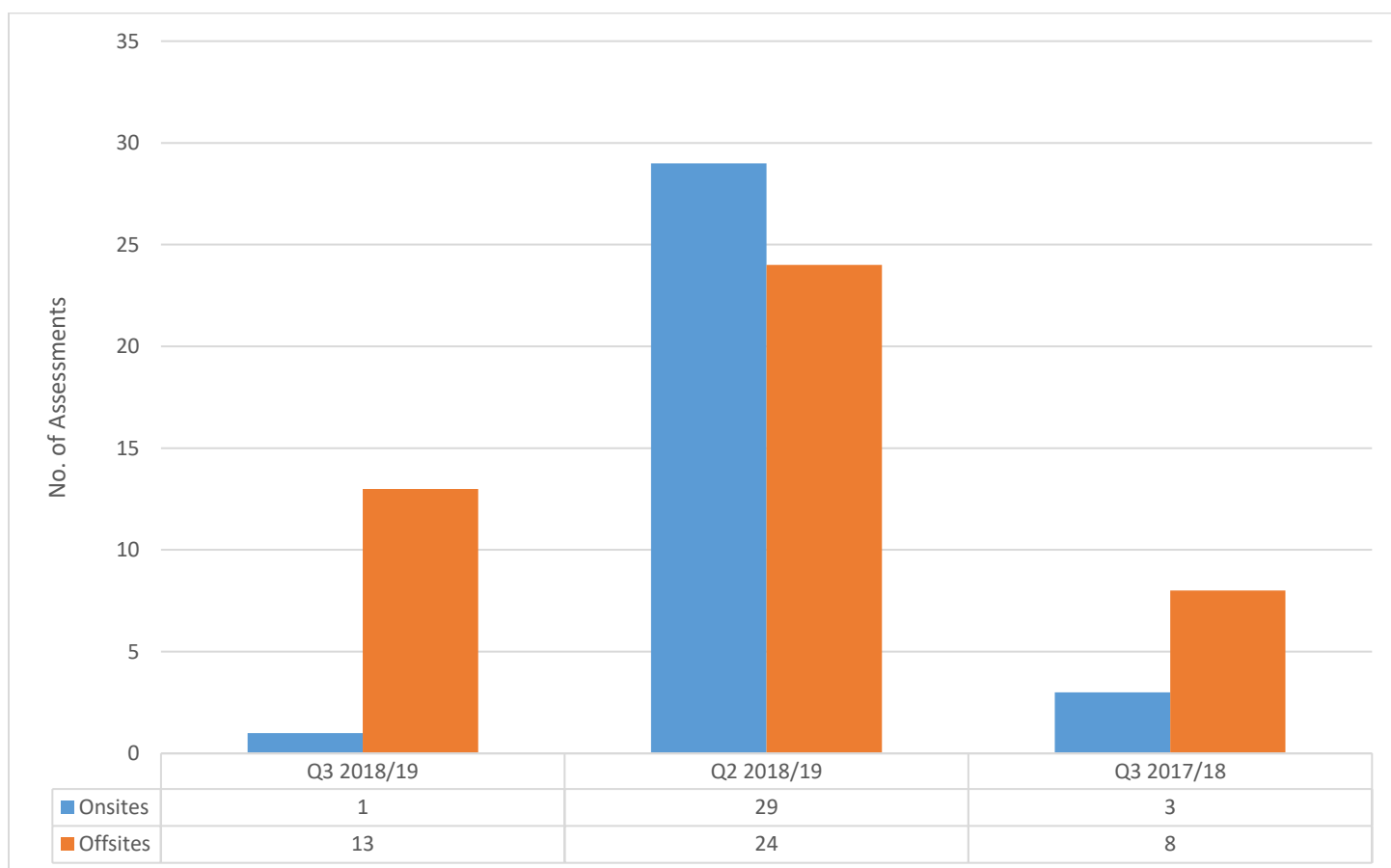
#### **4.4 COMPLIANCE INSPECTIONS**

Continuous efforts are made to increase FIA compliance supervisory coverage, as well as enhance quality of overall supervisory activities in the regulated populace. Only the Namibia Financial Institutions Supervisory Authority (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.

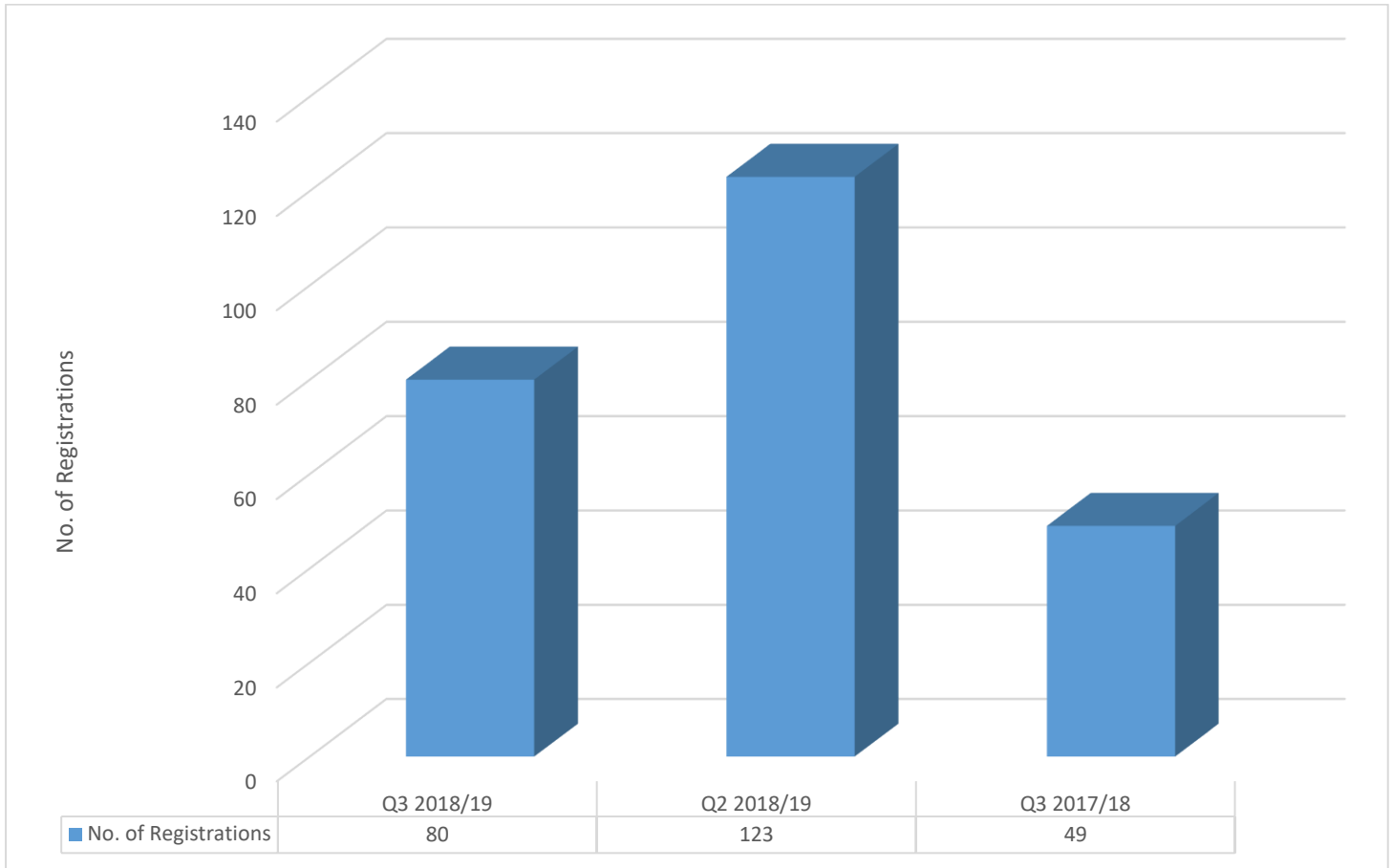
As part of its supervisory activities, the FIC conducts onsite and offsite FIA compliance assessments (inspections). These are undertaken to gain reasonable assurance on the level of effectiveness of controls implemented to mitigate ML/TF/PF risks. The FIC’s Compliance Monitoring and Supervision Division 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 third quarter of 2018/19, only 1 Onsite assessment was carried out, a reduction from 29 Onsite assessments carried out during the previous quarter. Further, a total of 13 Off-site assessments were performed by the FIC, a decrease from 24 Off-site assessments performed during the previous semester. The reduction on assessments activities stem from prioritization of supervisory activities which have resulted in the focus shifting from assessment to other supervisory activities such as the execution of sectoral risk assessments.

**Chart 7: Registrations**



Als and RIs should register with the FIC as per the FIA. Such mandatory registration is essential as it enhances supervisory activities and thus FIA compliance. During the period under review, the volume of registration of Als and RIs dropped to 80 from 123 registrations recorded in the previous quarter. The chart however, shows that the total number of institutions registered increased to 80 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 Organizations (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.

## 5. PARTNER AGENCIES: STATISTICS

**Chart 8: Asset Recovery (Intervention Orders)**

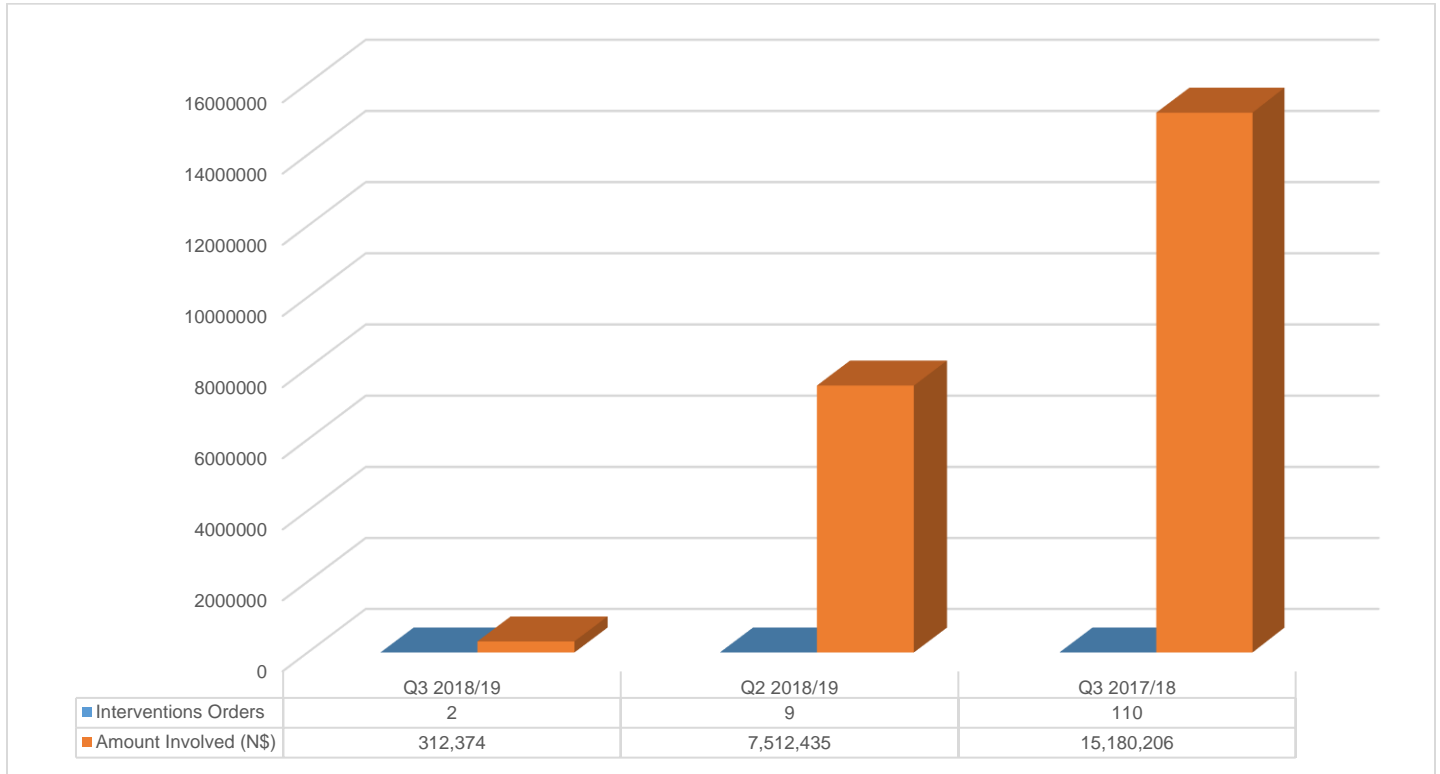


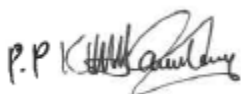
Chart 8 shows the number of intervention orders issued by the FIC, as well as the monetary amounts involved. During the period under review, only 2 intervention/restriction orders were issued, showing a decrease from 9 issued in the previous quarter. The highest total amount of NAD 15,180,206 was intervened/restricted during the third quarter of the 2017/18 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. Furthermore, asset 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 a decrease in reporting behaviour in the third quarter of the 2018/19 financial year when compared to the second quarter of 2018/19. This drop could be that some AIs and RIs were closed the during festive season (December). 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.

The obvious observation from the FIC's side as a Financial Intelligence Unit is the reduction in total number of STRs turned into cases and the high volume of reports categorized as low priority.

A handwritten signature in black ink, appearing to read 'P.P. K. [unclear]'. The signature is written in a cursive style.

**L. DUNN**

**DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**