



Republic of Namibia

Financial Intelligence Centre

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Fourth Quarterly Report

January – March 2019

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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 fourth 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 March 2019, a total of **1,917² (one thousand, nine hundred and seventeen)** 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.

² The figure includes both active and non-active accountable and reporting institutions

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)

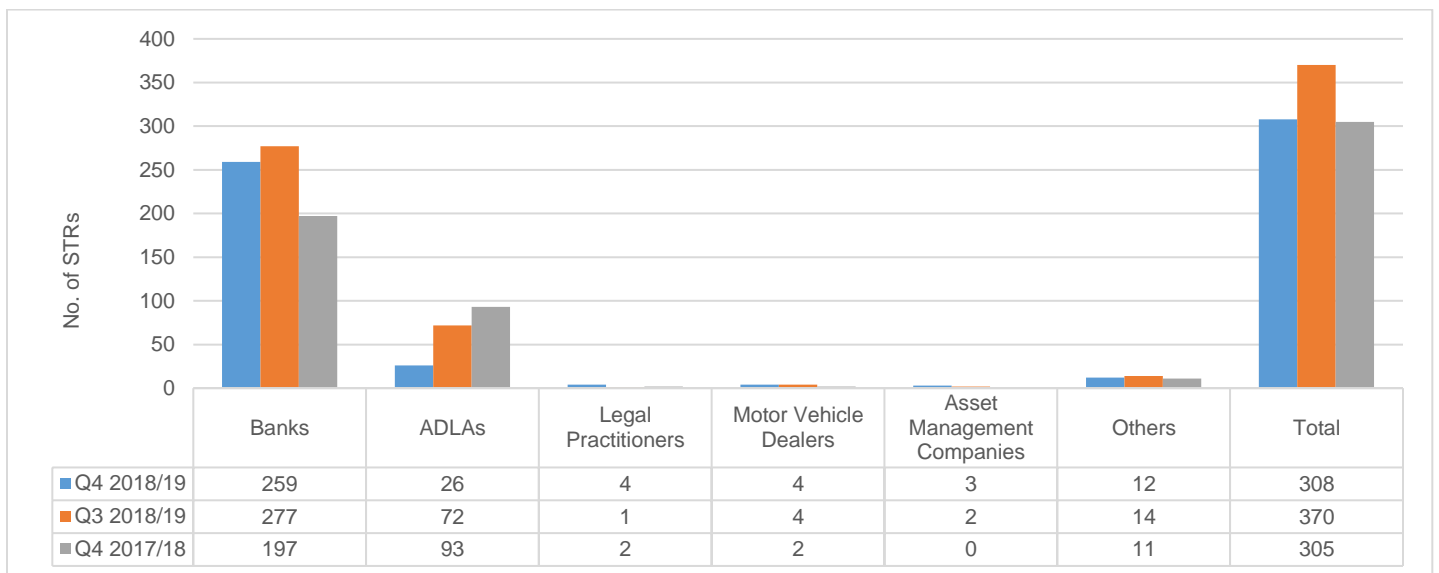


Chart 1 presents a summary of STRs filed by AIs and RIs during the three-month period under review. During the period under review, the number of STRs decreased significantly from 370 STRs filed during the previous quarter to 308 STRs, however the number of STRs increased slightly when compared to same quarter during the 2017/18 financial year. Further, during the period under review, the banks continue to file the highest volume of STRs at 70% (or 259 STRs) followed by Authorized Dealers with Limited Authority (ADLAs) at 7% (26 STRs). Other sectors filed a minimal total of 12 STRs during the period under review.

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

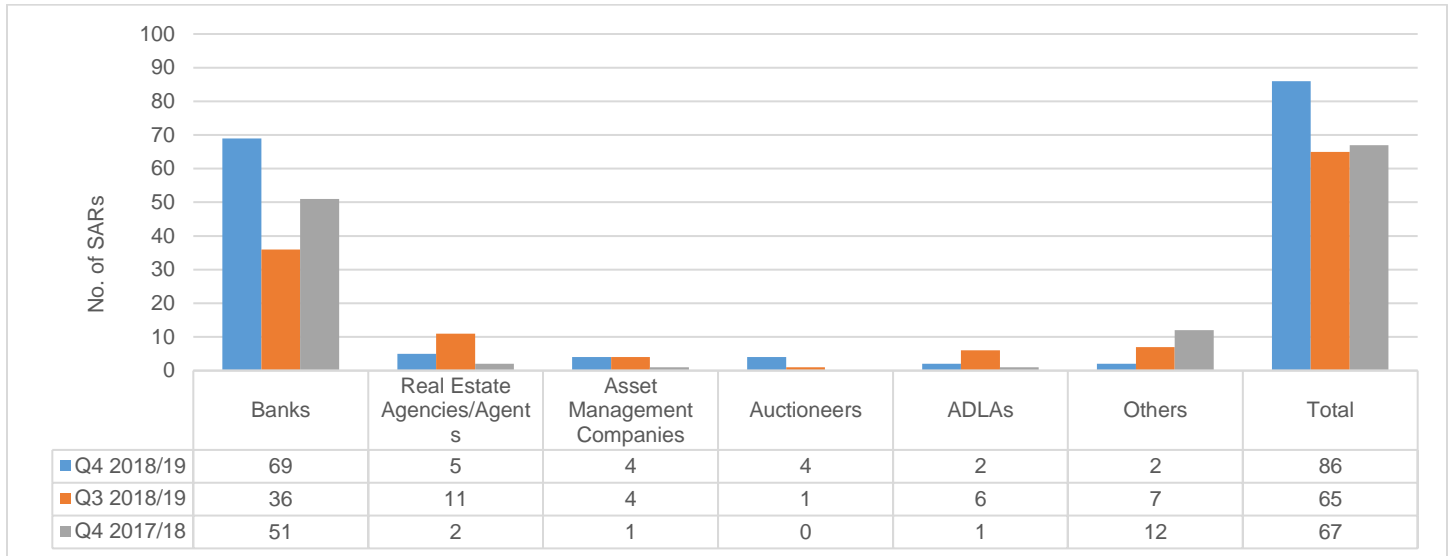


Chart 2 above presents a comparison of the volume of SARs received during the fourth quarter of the 2018/19 financial year with the previous quarter and the same quarter during the 2017/18 financial year. The banking sector filed 80.2% of the SARs, which is the highest amongst the sectors. The number of SARs increased to 86 SARs received during the period under review from 65 SARs and 67 SARs received during the previous quarter and same quarter of the previous financial year respectively. Other sectors only filed a total of 2 SARs during the period under review.³

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.

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

Table 1: STRs filed vs STRs analysed

	Q4 2018/19	Q3 2018/19	Q4 2017/18
Case File Opened	39	45	58
Low Priority	216	309	247
Set-Aside	1	2	0
Under Cleansing	52	14	0
Grand Total	308	370	305
(%) of STRs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	12.7%	12.2%	19.0%

During the period under review, the FIC analyzed 12.7% of STRs filed, an increase from 12.2% recorded during the previous quarter, however, a decrease from 19% recorded during the same quarter of the 2017/18 financial year. Only 39 out of 308 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 52 STRs were still under cleansing⁴. This is an increase from the previous quarter which had only 14 STRs recorded under cleansing, at the same interval. It is further worth noting that a total of 216 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:

- ✚ 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

	Q4 2018/19	Q3 2018/19	Q4 2017/18
Case File opened	20	17	19
Low Priority	51	48	47
Set-Aside	1	0	1
Under Cleansing	14	0	0
Grand Total	86	65	67
(%) of SARs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	26.2%	28.4%	23.3%

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

About 26.2% of SARs filed were escalated for further analysis during the period under review. This shows a slight decrease from 28.4% of SARs escalated during the previous quarter. In addition, a total of 20 SARs were escalated to law enforcement while 14 SARs were still under cleansing and 51 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

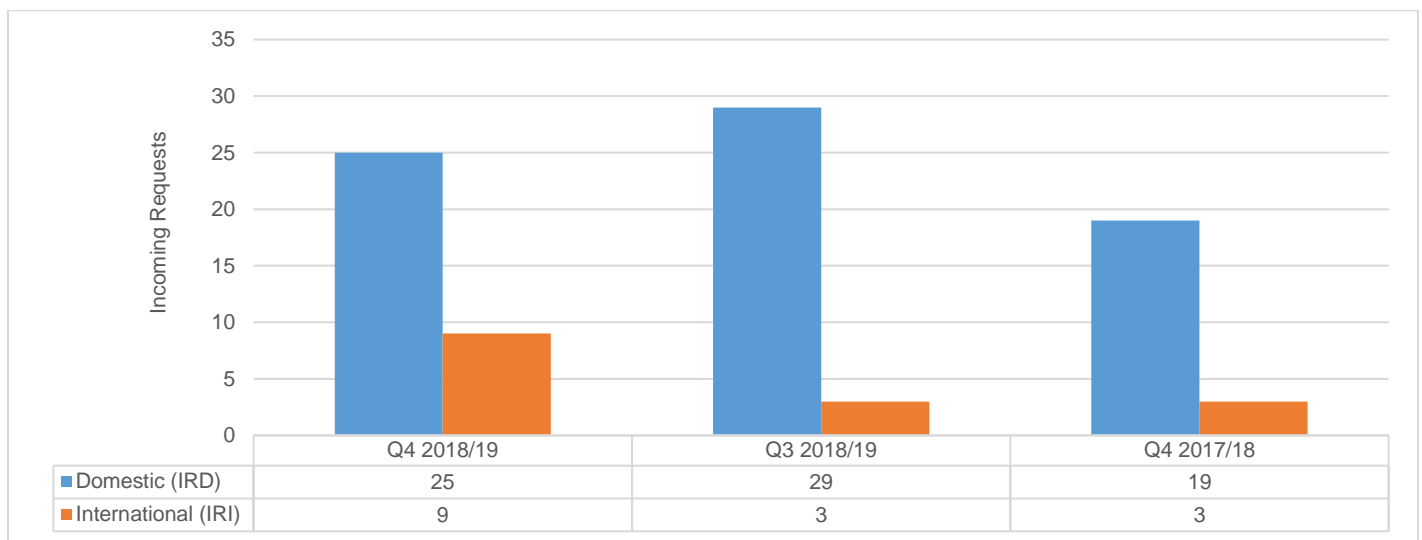
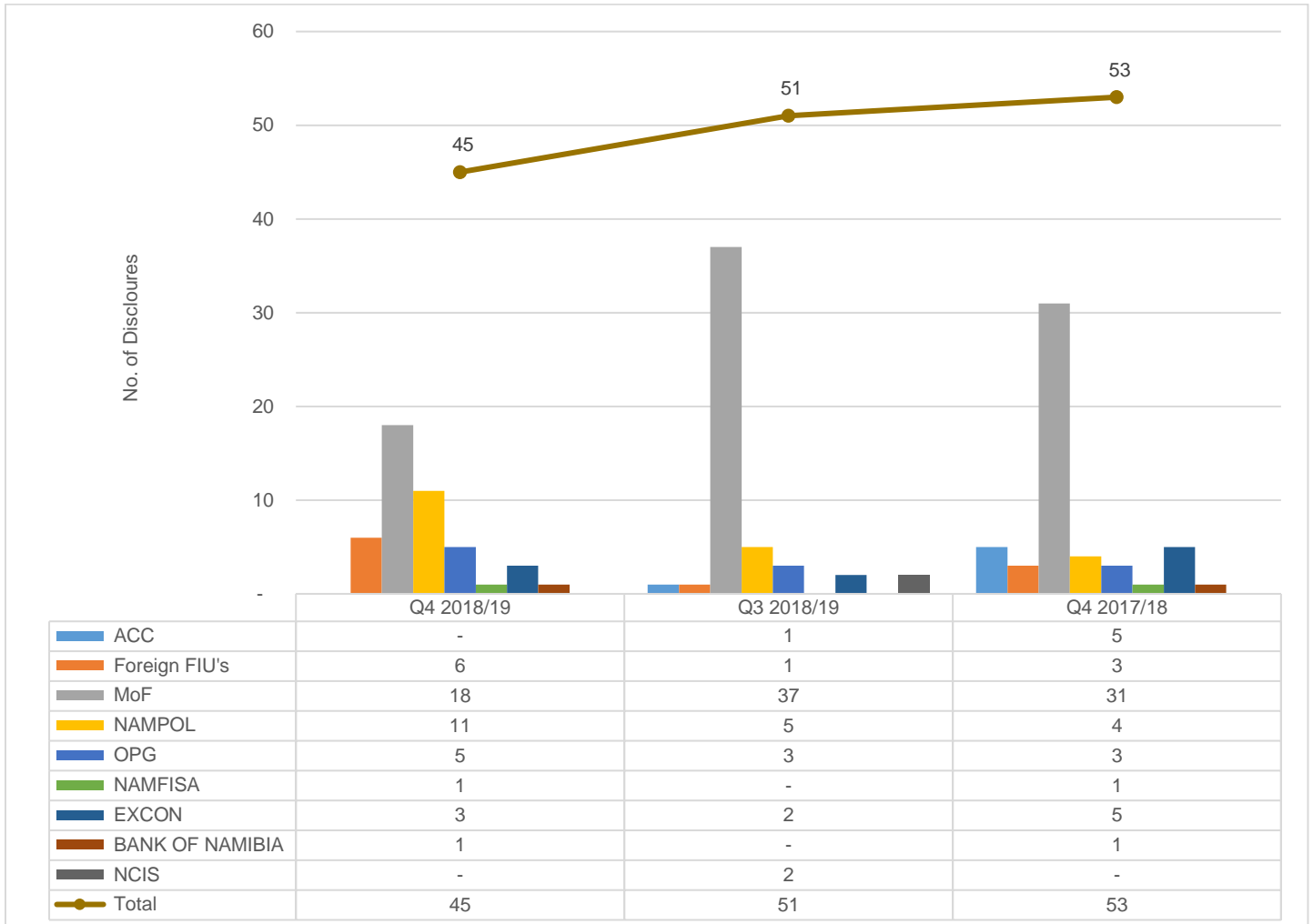


Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified quarters. The number of requests received totalled to 25 IRDs recorded during the period under review, from 29 and 19 IRDs recorded in the previous quarter and the same quarter of the 2017/18 financial year respectively. The number of Incoming Requests International (IRI) has increased to 9 requests, when compared to the two previous quarters, where each saw a record of only 3 incoming requests.⁵

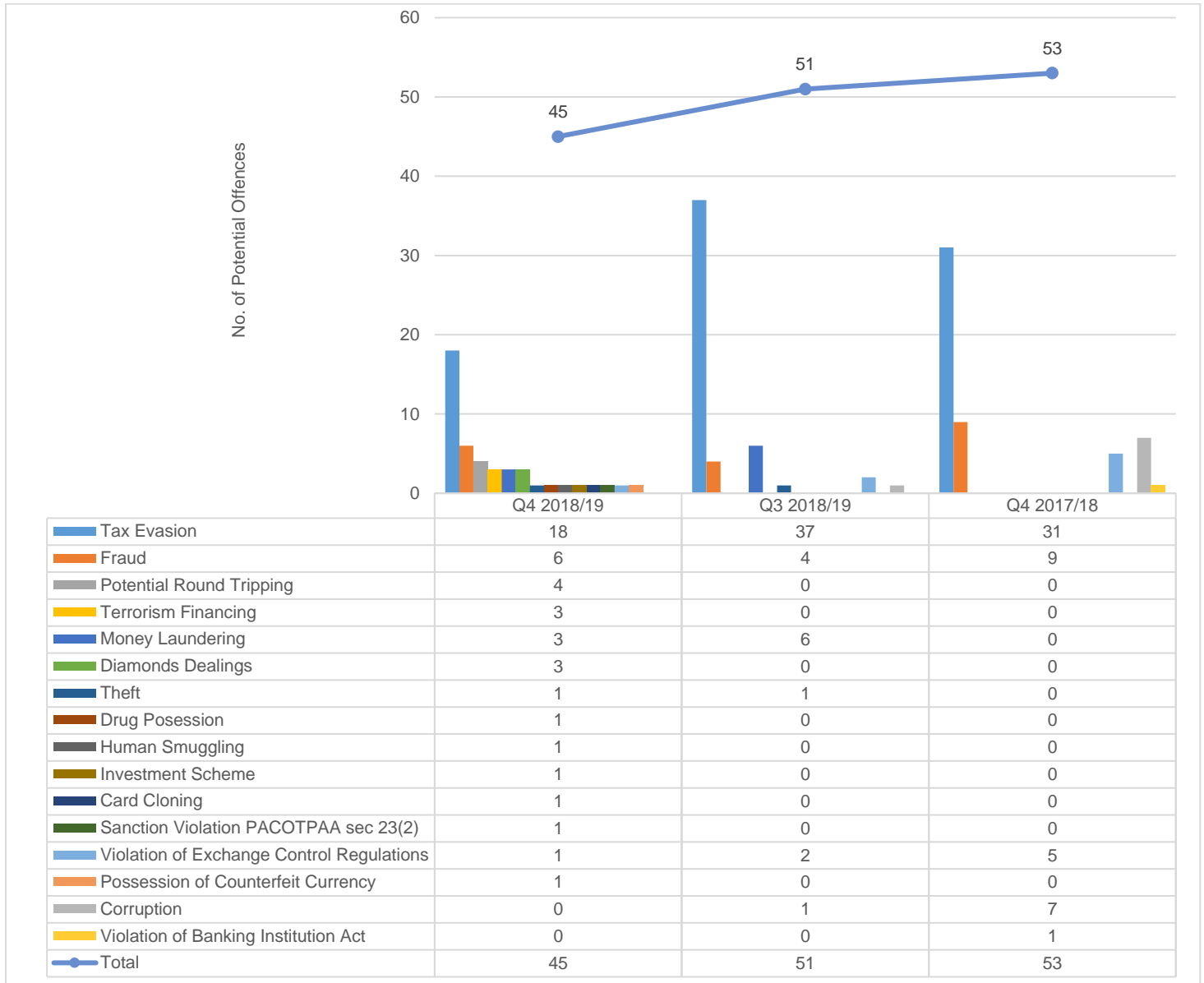
⁵ FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC’s output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone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

Chart 4: Spontaneous disclosures (SDs)



During the period under review, the FIC disseminated a total of 45 disclosures to Law Enforcement Agencies (LEAs). The number of disclosures decreased slightly when compared to the 51 disclosures disseminated during previous quarter and 53 disclosures disseminated during the fourth quarter of the 2017/18 financial year. The Ministry of Finance–Receiver of Revenue received the highest number of disclosures during the period under review, receiving a total of 18, followed by Namibia Police who received a total of 11 disclosures.

Chart 5: Potential offences



Records continue to indicate that Tax Evasion remains the leading potential predicate offence in all the reports published. In the current period, there are 18 cases of potential Tax Evasion, while 37 and 31 incidences recorded in the previous quarter and the same quarter of the 2017/18 financial year respectively. Criminal offences recorded in the minority over the three quarters were Violation of Banking Institution Act, Corruption and Possession of Counterfeit Currency.

Chart 6: Potential value per offence

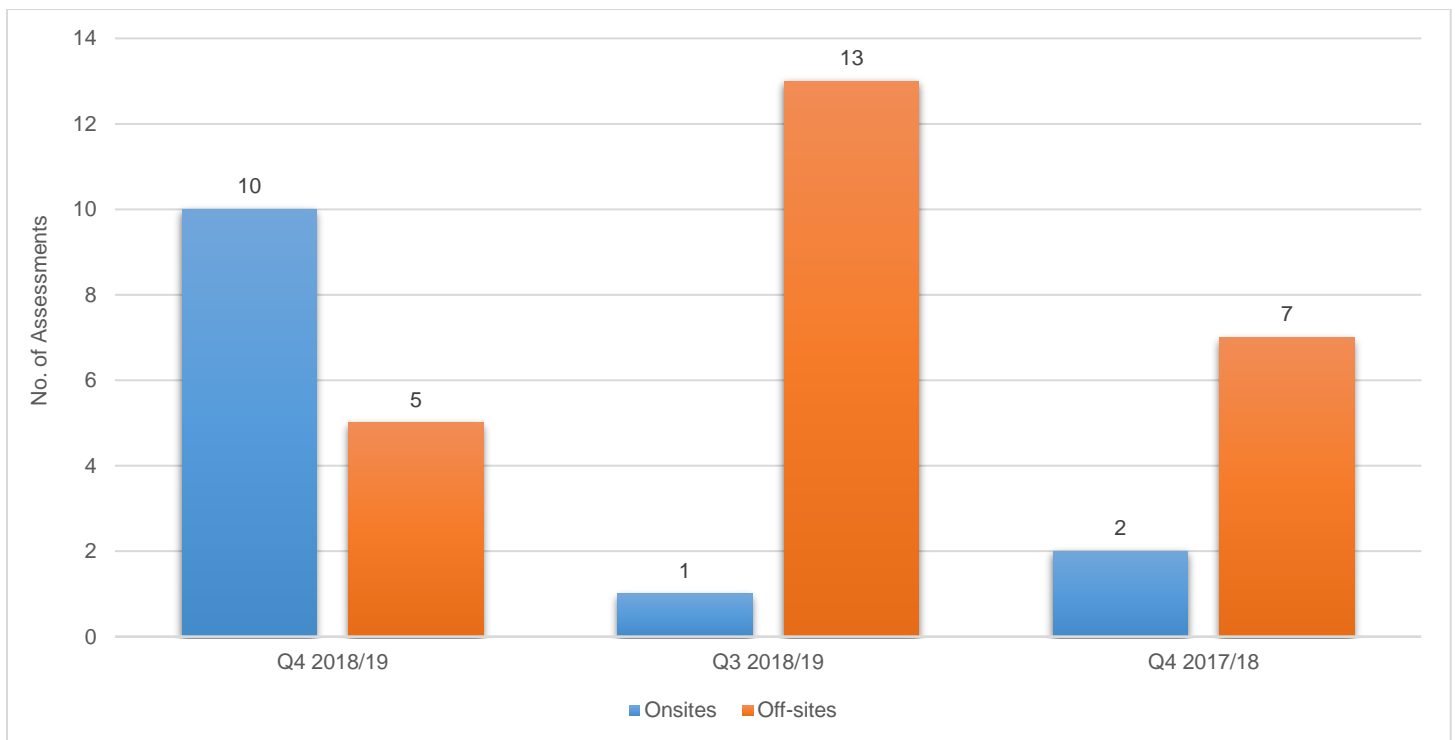


The potential monetary value per predicate offence rose significantly during the period under review (NAD 2,214,552,621) when compared to the previous quarter (NAD 1,463,735,195). Further, during the period under review, the highest potential monetary value (Potential Tax Evasion) of NAD 1,944,490,410 was recorded followed by Fraud with NAD 261,451,434.

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 fourth quarter of 2018/19, a total of 5 Off-site assessments and 10 onsite assessments were performed by the FIC. The chart further shows that the highest number of Off-sites assessments were performed during the third semester of the 2017/18 financial year in which 13 assessments were carried out.

Table 3: Compliance assessment coverage of AIs and RIs as at 31 March 2019

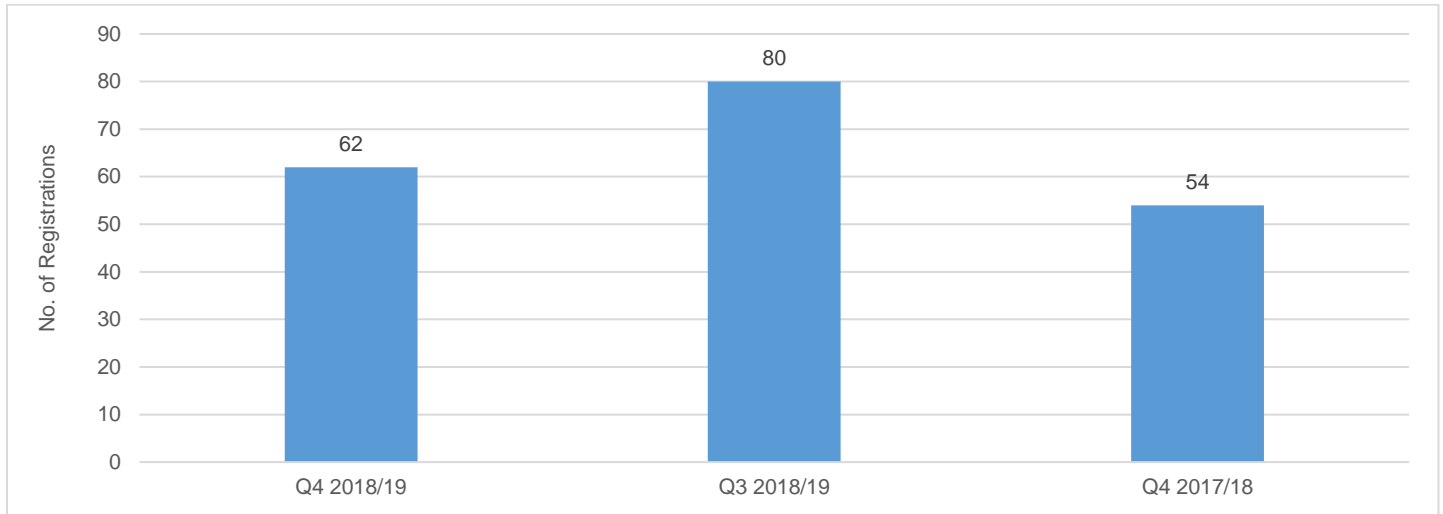
Sectors	Total registered ⁶	Risk Rating ⁷	Assessment Activities	Percentage Coverage	Previous assessed	Percentage Increase
Accountants and Auditors	70	Low	0	0%	27%	27%
ADLAs	11	High	4	36%	100%	136%
Asset Management & Unit Trust Management Companies	50	High	1	2%	31%	33%
Auctioneers	21	Low	2	10%	74%	83%
Banks	12	High	18	150%	100%	250%
Casinos	11	Medium	0	0%	45%	45%
Customs Clearing Agencies	52	Medium	0	0%	0%	0%
Dealers in Precious Metals and Stones	6	Low	1	17%	100%	117%
Insurance/Investment Brokers	28	Medium	0	0%	0%	0%
Legal Practitioners	209	High	12	6%	95%	101%
Lending Institutions	5	Medium	2	40%	80%	120%
Long Term Insurance	22	Medium	0	0%	22%	22%
Microlenders	325	Low	0	0%	0%	0%
Money & Value Transfers Service Providers	7	Low	3	43%	75%	118%
Motor Vehicle Dealers	96	Medium	32	33%	57%	90%
Pension Fund Administrators	2	Low	0	0%	0%	0%
Private Equity Companies	8	Medium	0	0%	0%	0%
Real Estate Agencies	810	Medium	50	6%	12%	18%
Short Term Insurance	16	Low	0	0%	0%	0%
Stock Brokers	4	Medium	0	0%	100%	100%
Stock Exchange Service Providers	1	Low	0	0%	0%	0%
Supervisory and Regulatory Bodies	4	Low	0	0%	0%	0%
Trust and Company Service Providers	28	Low	0	0%	0%	0%
Others	52	Medium	0	0%	0%	0%
Total	1850		125			

As at 31 March 2019, the FIC had a total of 1,850 entities registered as Accountable and Reporting Institutions. A total of 125 (or 6.8%) of these institutions were assessed. According to the assessment results, the ADLAs, Asset Management & Unit Trust Management Companies, Banks and Legal Practitioners are considered to be high risk sectors.

⁶ Total active accountable and reporting institutions registered with the FIC as at 31 March 2019

⁷ AML/CFT/CPF Supervisory Risk rating of the Sector

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 by 22.5% from 80 to 62 registrations undertaken in the previous quarter. This is in contrast to the observed increase of 14.8% when compared to the number of institutions registered during the same period in the previous financial year.

5. PARTNER AGENCIES: STATISTICS

Chart 9: Asset Recovery (Intervention Orders)

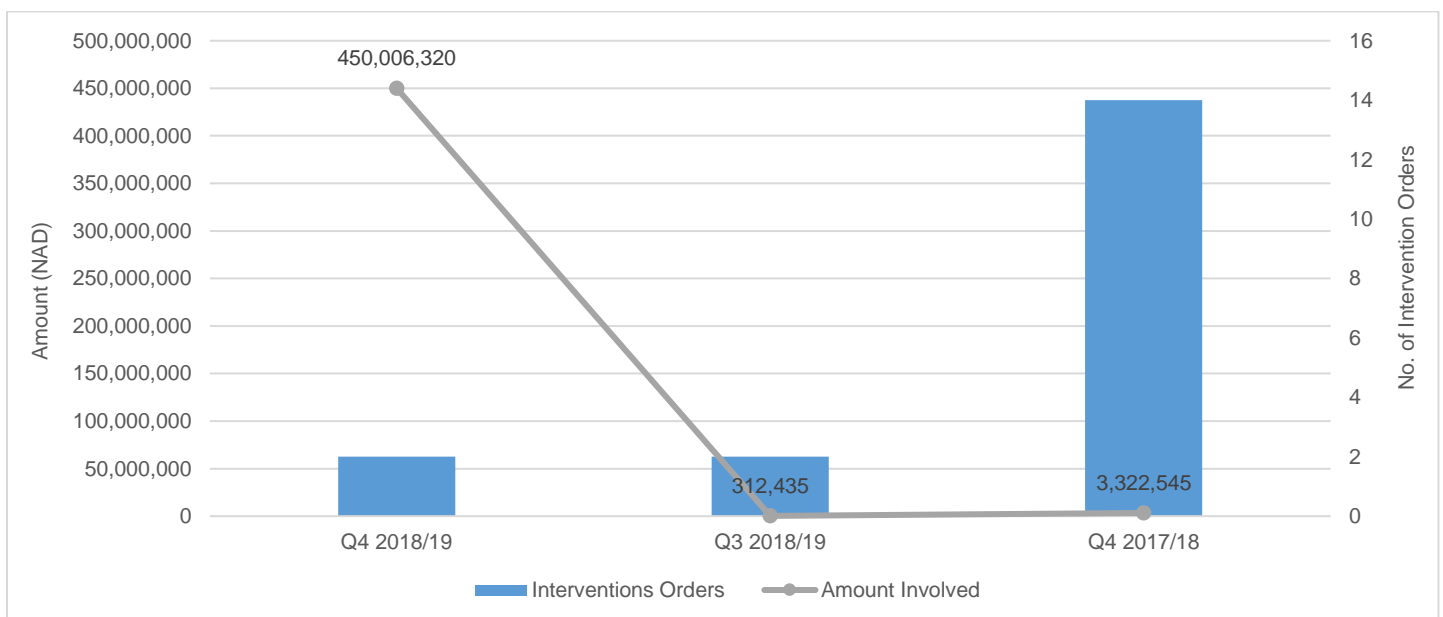
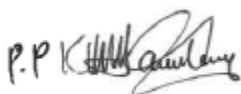


Chart 10 shows the number of intervention orders issued by the FIC, as well as the monetary amounts involved. During the period under review, a total of 2 intervention/restriction orders were issued, showing a decrease from 14 issued during the fourth quarter of the 2017/18 financial year. The highest quarterly amount of NAD 450,006,320 was intervened/restricted during 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. 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 fourth 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 written in a cursive style.

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE