



Republic of Namibia  

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Financial Intelligence Centre

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**First Quarterly Report**

**April - June 2019**

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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 first quarterly statistical report of the 2019/20 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 reasonable 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 June 2019, a total of **1,968<sup>2</sup> (one thousand, nine hundred and sixty-eight)** 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.

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<sup>2</sup> The figure includes both active and non-active accountable and reporting institutions supervised by the FIC and NAMFISA.

## 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 and qualitative 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 (CTRs) 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)**

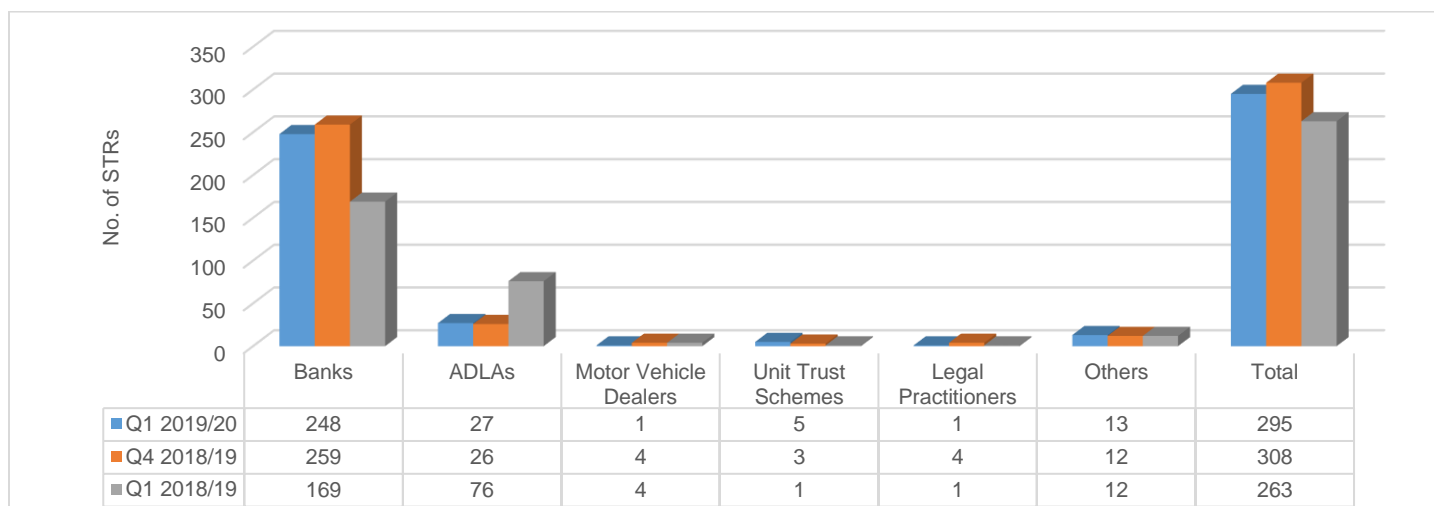


Chart 1 above presents a summary of STRs filed by AIs and RIs during the three-month period under review. During the period under review, the number of STRs decreased slightly from 308 STRs filed during the previous quarter to 295 STRs, however the number of STRs increased quite significant when compared to same quarter of the 2018/19 financial year. Additionally, during the said three quarters, the banks continue to file the highest volume of STRs at 78.1% (or 676 STRs) followed by Authorized Dealers with Limited Authority (ADLAs) at 14.9% (or 129 STRs). Other sectors only filed a combined total of 13 STRs during the period under review.<sup>3</sup>

<sup>3</sup> Asset Management Companies; Financial Intelligence Units; Casinos; Foreign Financial Intelligence Units; Individual Reporting Persons; Lending institutions; Auctioneers; Short term Insurance Companies and Trust and Loan Companies.

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

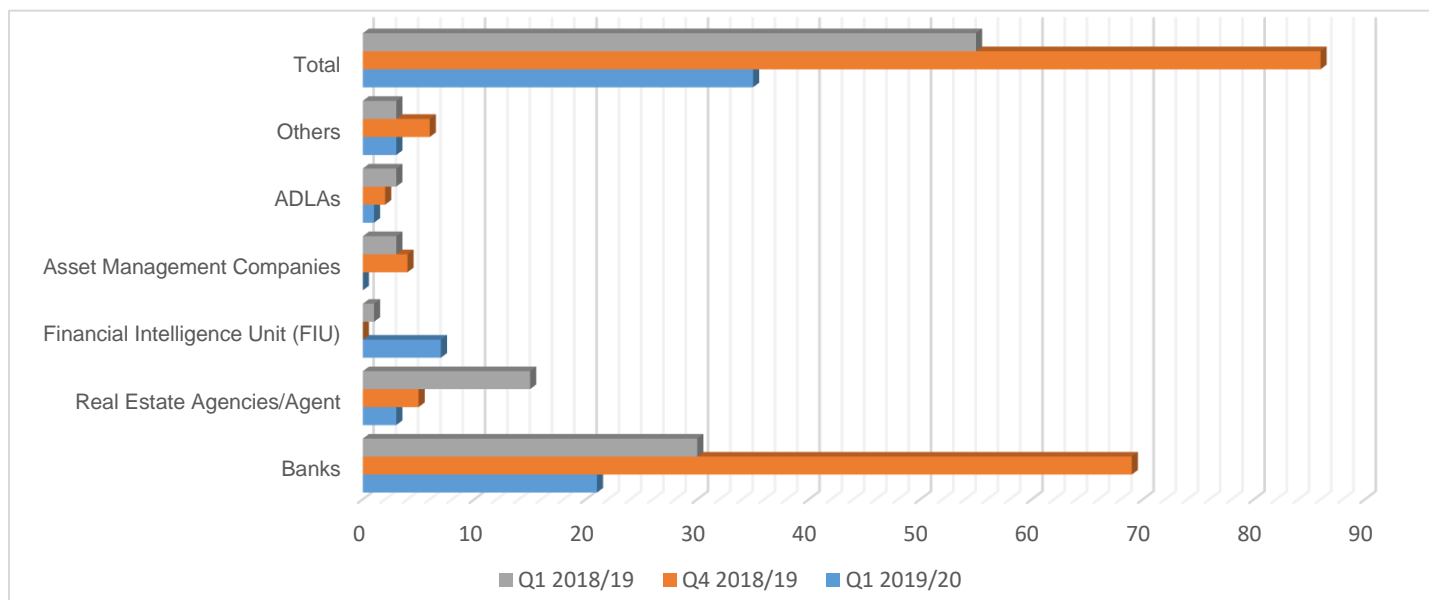


Chart 2 presents a comparison of the volume of SARs received during the first quarter of the 2019/20 financial year with the previous quarter and the same quarter during the 2018/19 financial year. Further, the comparison indicates that the banking sector filed 68.2% of the SARs, which is the highest amongst all sectors followed by Real Estate Agencies/Agent with 13.1%. The number of SARs decreased significantly to 35 SARs received during the period under review from 86 SARs and 55 SARs received during the previous quarter and same quarter of the 2018/19 financial year respectively. Other sectors only filed a total of 3 SARs during the period under review.<sup>4</sup>

## 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 assigned to a report. Factors taken into consideration in this regard include, but are not limited to:

- ✚ strategic priorities of Law Enforcement Agencies, which are informed by the risk areas identified in studies such as the National Crime and Threat Assessment (NCTA);
- ✚ known ML/TF/PF indicators;

<sup>4</sup> Other Sectors: Individual Reporting Persons; Legal Practitioners and Law Enforcement Agencies.

- ✚ financial values involved in reported incidents;
- ✚ watch lists (PEP, sanction lists etc.);
- ✚ prior reports on same subject/entity; and
- ✚ duplicate/erroneous filing.

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

	Q1 2019/20	Q4 2018/19	Q1 2018/19
<b>Case File Opened</b>	44	46	62
<b>Low Priority</b>	187	254	199
<b>STR Set-Aside</b>	1	1	2
<b>STR Under Cleansing</b>	63	7	0
<b>Grand Total</b>	<b>295</b>	<b>308</b>	<b>263</b>
<b>(%) of STRs escalated to LEAs = <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	14.9%	14.9%	23.6%

The FIC analyzed 14.9% of STRs filed during the period under review and the previous quarter, a decrease from 23.6% recorded during the first quarter of the 2018/19 financial year. Overall, only 152 STRs (or 17.6%) out of 866 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 63 STRs were still “under cleansing”<sup>5</sup>. This is an increase from the previous quarter which had only 7 STRs recorded under cleansing, at the same interval. It is further worth noting that a significant total of 187 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.

<sup>5</sup>Cleansing - a process of assessing reports submitted to FIC, in order to determine the way forward with such report.

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

	Q1 2019/20	Q4 2018/19	Q1 2018/19
<b>Case File Opened</b>	12	22	15
<b>Low Priority</b>	8	54	40
<b>SAR Set-Aside</b>	0	1	0
<b>SAR Under Cleansing</b>	15	9	0
<b>Grand Total</b>	<b>35</b>	<b>86</b>	<b>55</b>
<b>(%) of SARs escalated to LEAs= <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	34.3%	25.6%	27.3%

During the period under review, 34.3% of SARs filed were escalated for further analysis. This shows an increase from 25.6% of SARs escalated during the previous quarter. Further, a total 15 SARs were still “under cleansing” and 8 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**

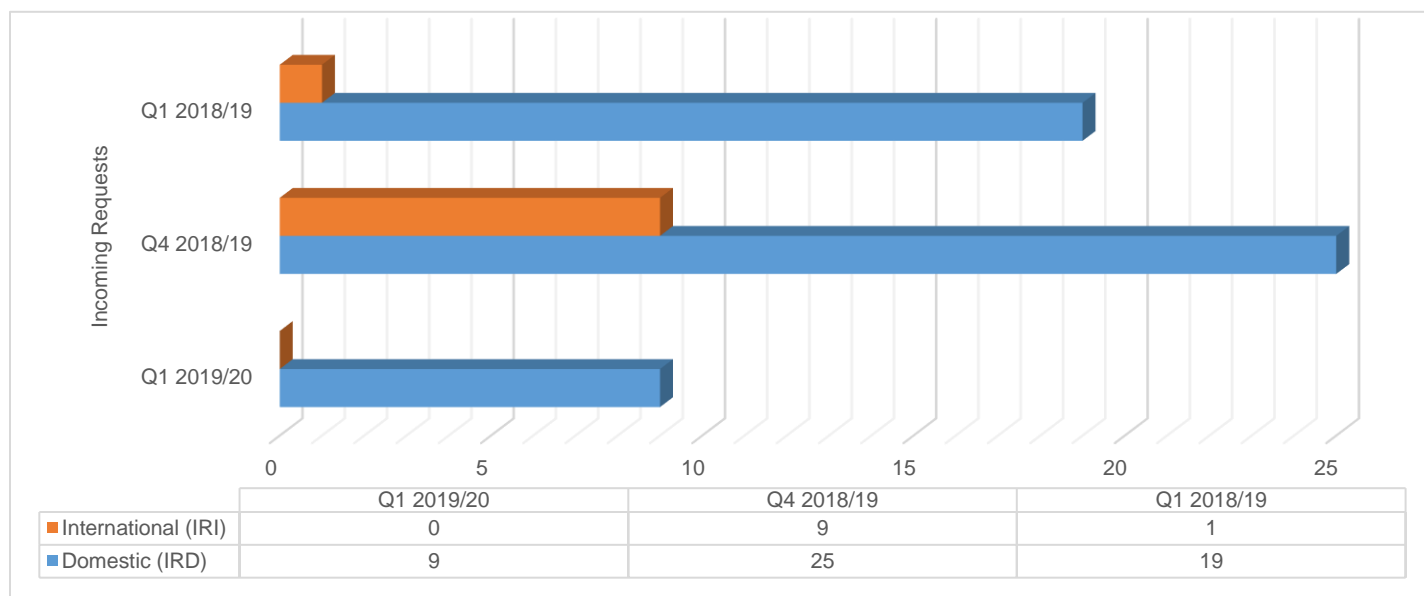
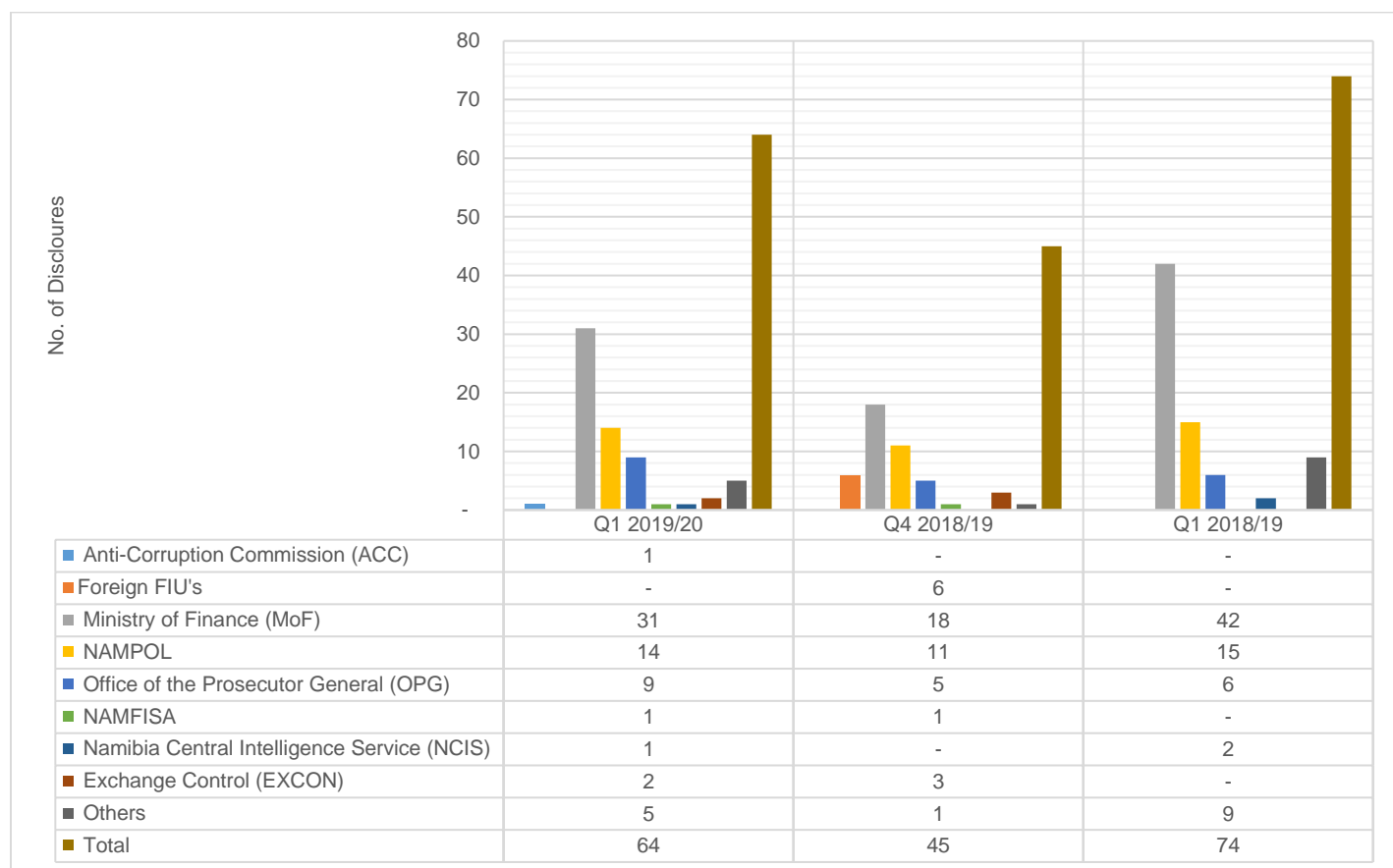


Chart 3 presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified quarters. The number of requests dropped to 0 from 9 IRIs recorded in the previous quarter. At the same time, the number of Incoming Requests Domestic (IRD) has also decreased to 9 requests, when compared to the previous quarters and same quarter of the 2018/19 period which saw a record of 25 and 19 incoming requests respectively.<sup>6</sup>

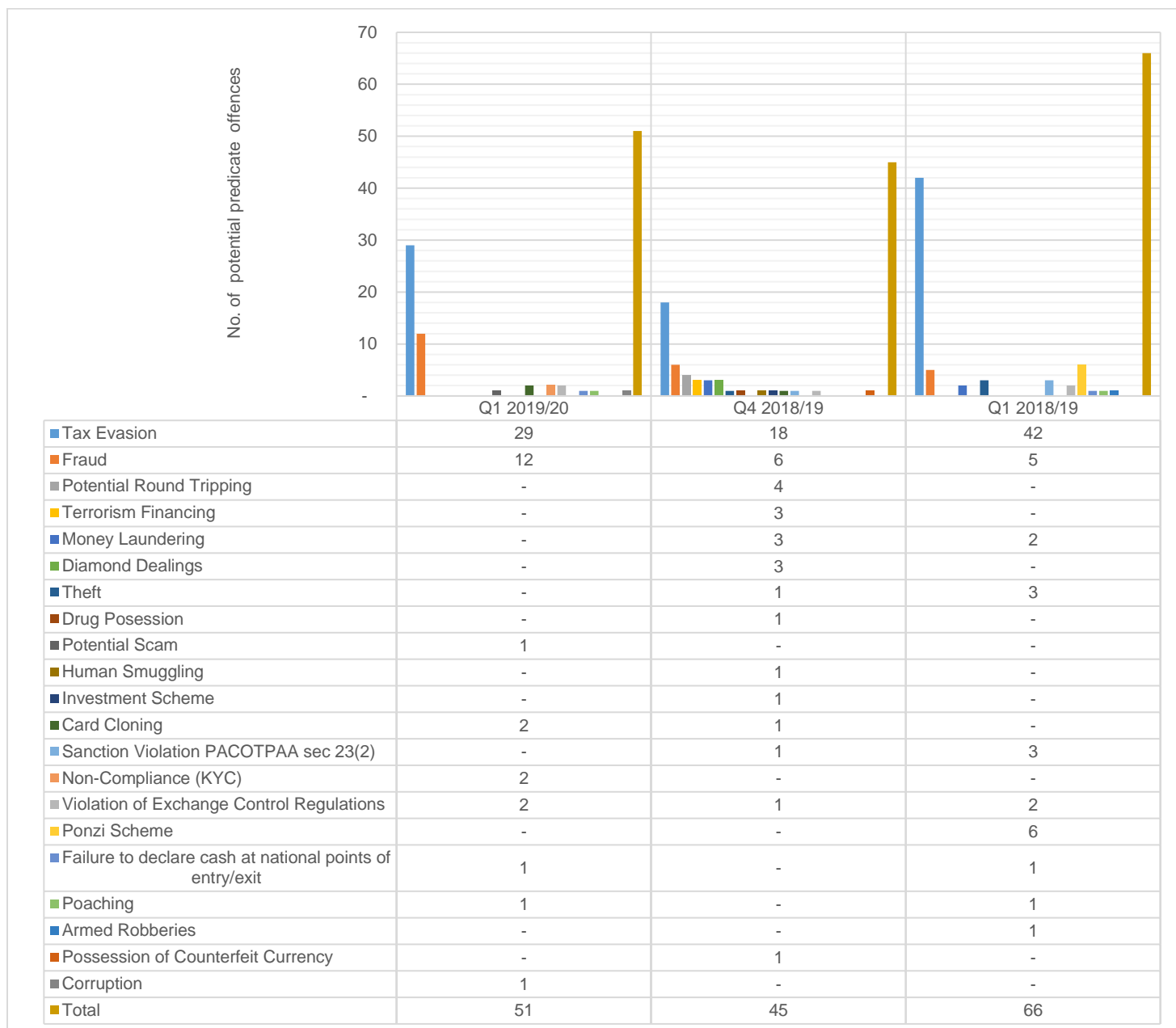
**Chart 4: Spontaneous disclosures (SDs)**



The Chart presents a summary of spontaneous disclosures for the three quarters. During the period under review, the FIC disseminated a total of 64 reports to Law Enforcement Agencies (LEAs). The number of disclosures increased significantly when compared to the 45 reports disseminated during the previous quarter. The Ministry of Finance–Receiver of Revenue received the highest number of disclosures during the period under review, receiving a total of 31, followed by Namibia Police who received a total of 14 disclosures.

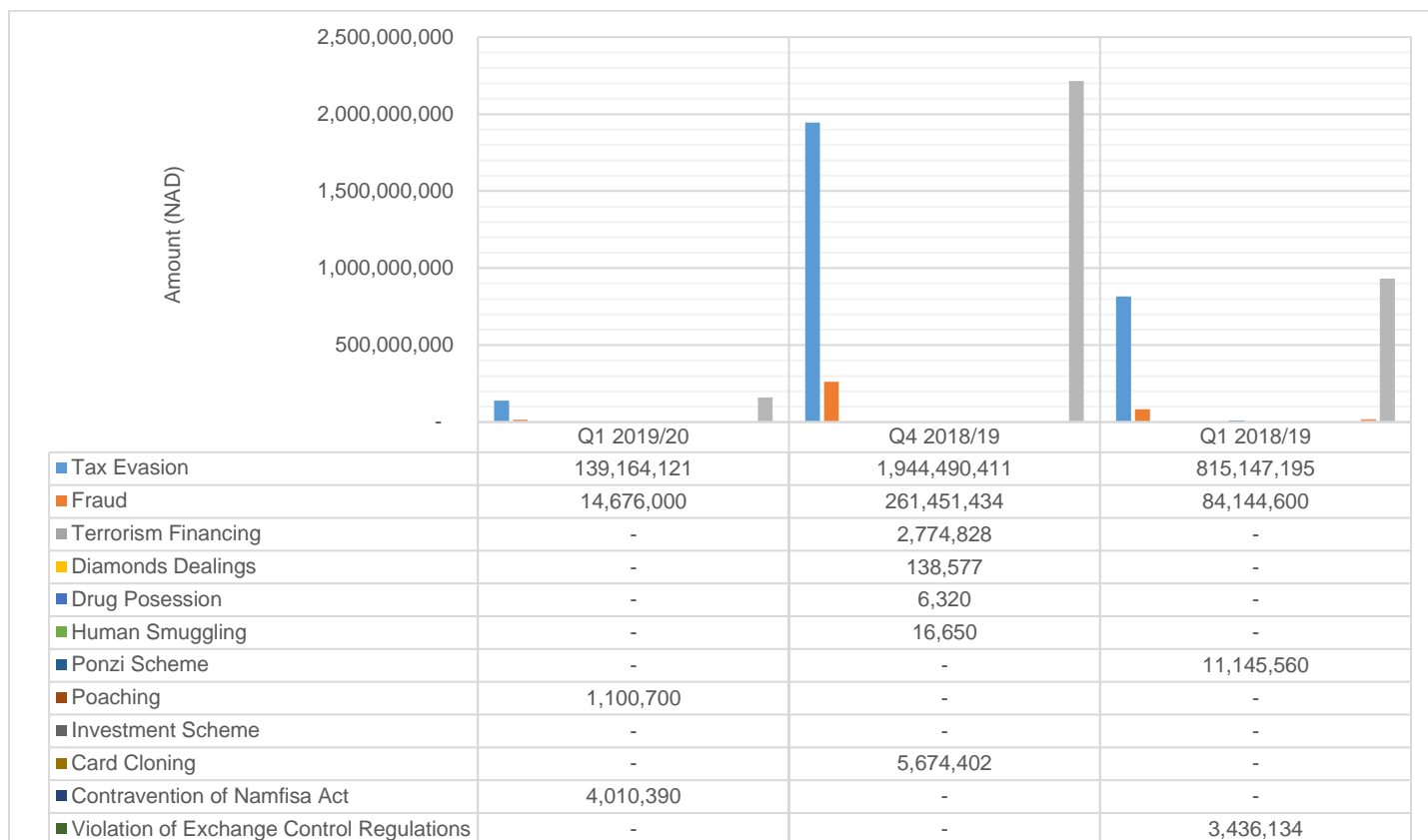
<sup>6</sup> FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC's output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone unnoticed.

**Chart 5: Potential predicate offences**



Records continue to indicate that Tax Evasion remains the leading potential predicate offence in all the reports analysed. In the current period, there are 29 cases of potential Tax Evasion, while 18 and 42 incidences were recorded in quarter four and quarter one of the 2018/19 financial year respectively.

**Chart 6: Potential value per offence**

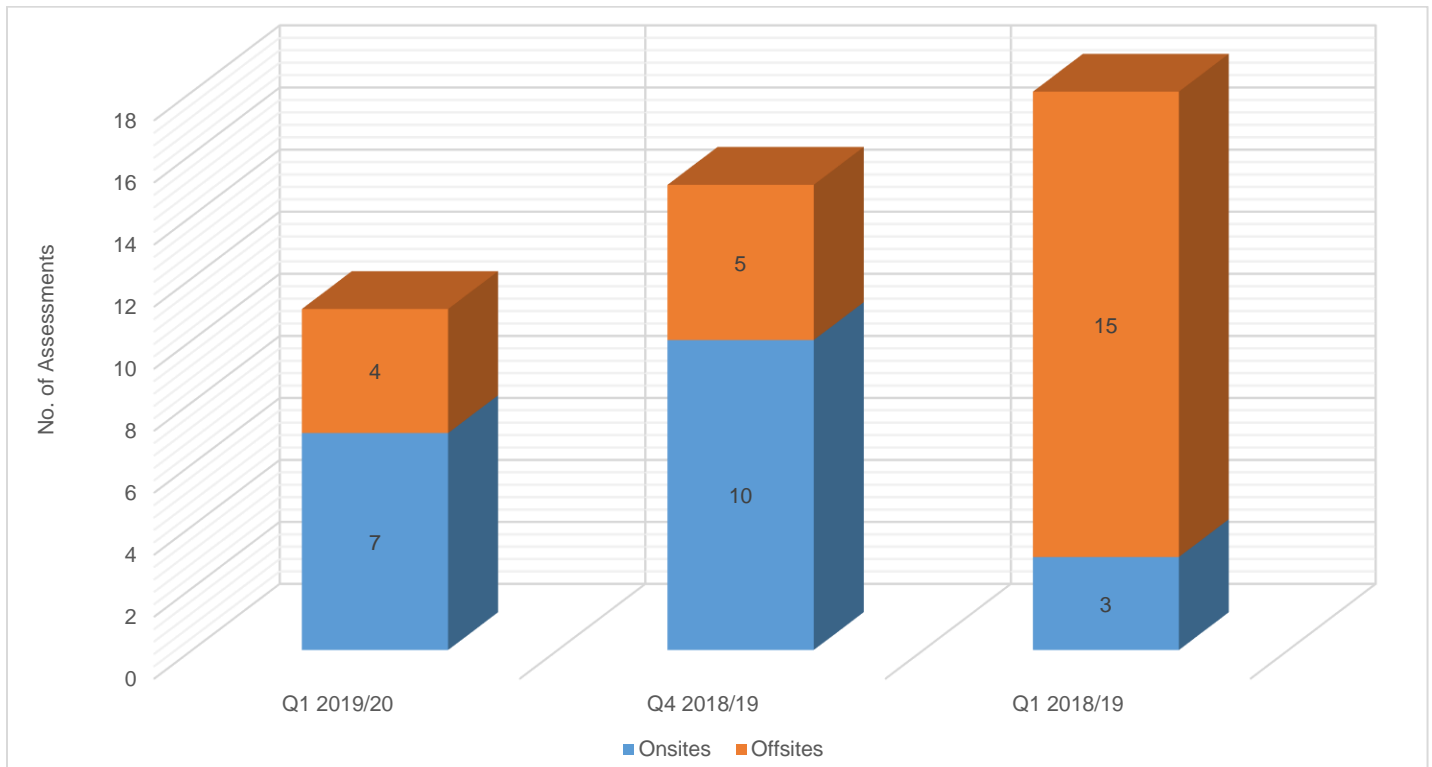


Overall, the potential monetary value per predicate offense dropped significantly during the period under review (NAD 159,694,191) when compared to the previous quarter (NAD 2,214,552,621). Further, it is worth noting that, during the period under review, the highest potential monetary value (Potential Tax Evasion) of NAD 139,164,121 was recorded followed by Fraud with NAD 14,676,000.

#### 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 2019/20, a total of 4 Off-site assessments and 7 onsite assessments were completed by the FIC. The chart further shows that the significant number of Off-site assessments were performed during the same semester of the 2018/19 financial year in which 15 assessments were carried out.

**Table 3: Compliance assessment coverage of AIs and RIs as at 30 June 2019**

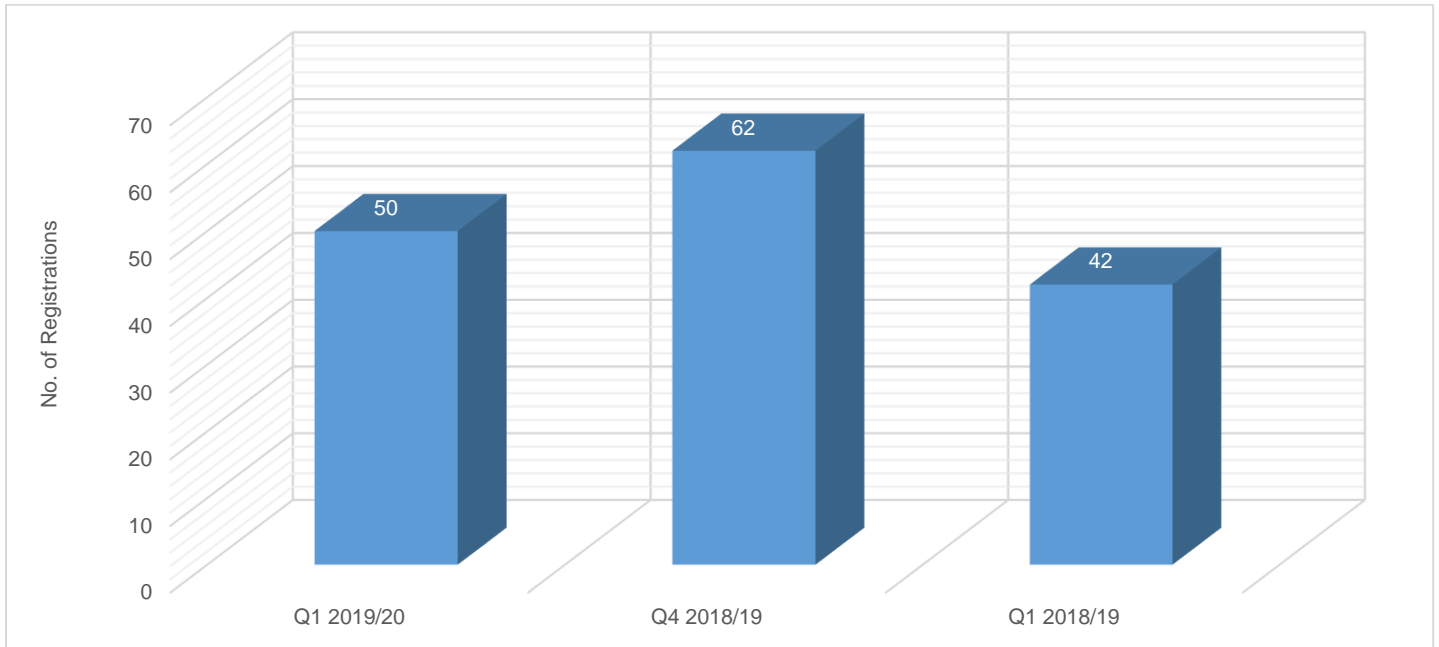
Sectors	FIC registered institutions <sup>7</sup>	FIC Risk Rating <sup>8</sup>	No. of FIC assessments conducted	Percentage coverage
Accountants and Auditors	30	L	8	27%
ADLAs	11	M	11	100%
Auctioneers	20	L	15	75%
Banks	12	H	12	100%
Casinos	10	M	5	50%
Dealers in precious metals and stones	4	L	4	100%
Legal Practitioners	223	M	164	74%
Lending institutions	7	M	5	71%
Money and Value Transfer Service Providers (MVT's)	4	L	3	75%
Motor vehicle dealers	101	H	68	67%
Real estate agencies	785	M	102	13%
Trust and Company Service Providers	5	L	3	60%
<b>Total</b>	<b>1,212</b>		400	33%

As at 30 June 2019, the FIC had a total of 1,212 entities registered as Accountable and Reporting Institutions. It is worth noting that the above table only covered the AIs and RIs supervised by the FIC. Thus, institutions under the supervision of NAMFISA are excluded from the above table. A total of 400 (or 33%) of these institutions were assessed. According to the FIC's supervisory risk assessment the Banks and Motor vehicle dealers are considered to be high risk sectors.

<sup>7</sup> Total active and no-active accountable and reporting institutions registered and supervised by the FIC as at 30 June 2019; and

<sup>8</sup> AML/CFT/CPF Supervisory Risk rating of the Sector.

**Chart 8: Registrations**



It is critical to note that AIs and RIs are required to 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 AIs and RIs dropped to 50 from 62 registrations undertaken during the fourth quarter of 2018/19.

5. PARTNER AGENCIES: STATISTICS

Chart 9: Intervention Orders

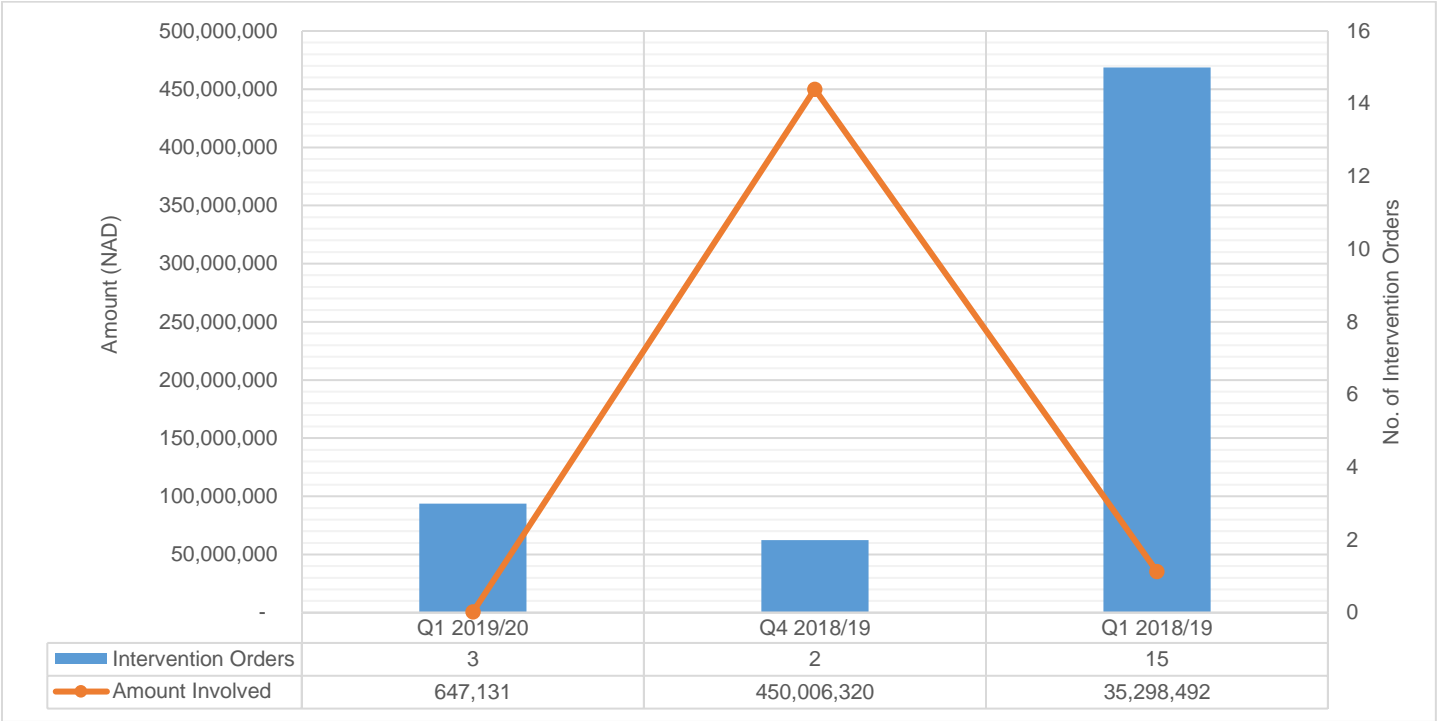


Chart 9 shows the number of intervention orders issued by the FIC as well as the monetary amounts involved. During the first quarter of 2019/20 (under review), a total of 3 intervention/restriction orders involving a monetary value of NAD 647,131.00 were issued. The highest quarterly amount of NAD 450,006,320 was intervened/restricted during the fourth quarter of 2018/19.

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 to the Office of the Prosecutor General were also not included in this report.

## **6. CONCLUSION**

To our esteemed stakeholders, it is essential to ensure that reports submitted to the FIC are relevant, timely and meet quality expectations. It is only through these report standards that useful and meaningful intelligence can be produced for further use.

This quarterly statistical report shows a slight reduction in reporting behaviour when compared to the fourth quarter of the 2018/19 financial year. The report equally presents FIC observations on areas that may need improvement. The FIC humbly requests stakeholders to consider such areas and implement measures to enhance reporting behaviour.

A handwritten signature in black ink, appearing to read 'P.P. K. [unclear]'.

**L. DUNN**

**DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**