Republic of Namibia

Financial Intelligence Centre

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FINANCIAL INTELLIGENCE CENTRE (FIC)

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Second Quarterly Report

July – September 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 and presenting such in the financial system as sourced from legitimate 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."

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[1] FATF Recommendation 7

3. INTRODUCTION

This is the second quarterly statistical report of the 2019/20 financial year issued by the Financial Intelligence Centre (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 communicate relevant statistics on the operation of Namibia's national Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation framework. The report thus speaks to the reporting behaviour of relevant stakeholders, outcomes of such reports forwarded to the FIC, amongst others. Importantly, the report highlights 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 September 2019, a total of **2,042**[2] **(two thousand, forty-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 assessments. Such assessments are followed by interventions such as guidance in the form of assessment reports and where need be, capacity building initiatives. If appropriate, enforcement interventions are also made. The FIC communicates compliance expectations in various ways including the issuing of formal Guidance Notes, Directives, Notices and Circulars to enhance compliance behaviour and increase awareness.

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[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 (CTRs) and Cross Border Movement of Cash Reports (CBMCRs) with the FIC. The graph below shows the volumes of various report types received from various sectors in the reporting period:

Chart 1: STRs received according to Agency Business Type (Sectors)

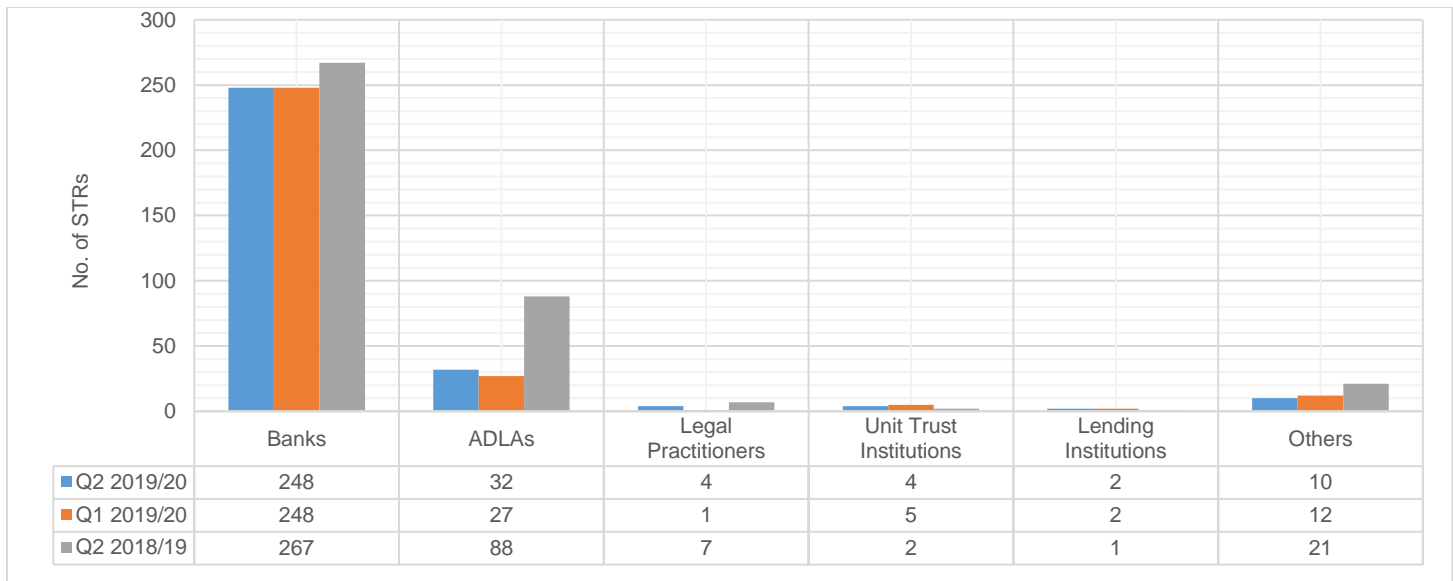|	Banks	ADLAs	Legal Practitioners	Unit Trust Institutions	Lending Institutions	Others
Q2 2019/20	248	32	4	4	2	10
Q1 2019/20	248	27	1	5	2	12
Q2 2018/19	267	88	7	2	1	21

Chart 1 presents a summary of STRs filed by AIs and RIs during the three-month period under review. During the quarter under review, the number of STRs increased slightly to 300 STRs from 295 STRs received during the previous quarter, however the number of STRs decreased significantly when compared to the 386 STRs received during the same quarter of the 2018/19 financial year. Further, in the period under review, the banks continued to file the highest volume of STRs at 83% (or 248 STRs) followed by Authorized Dealers with Limited Authority (ADLAs) at 11% (26 STRs). Other sectors[3] filed a combined total of 10 STRs during the period under review.

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[3] Other Sectors: Asset Management; Casino; Financial Intelligence Unit; Individual Reporting Entity; Insurance/Investment Brokers; Long Term Insurance; Money and Value Transfers; Motor Vehicle Dealer; Supervisory and Regulatory Bodies; Trust and Company Service; Auctioneers; Foreign Financial Intelligence Unit; Short term Insurance; Trust and Loan Company

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

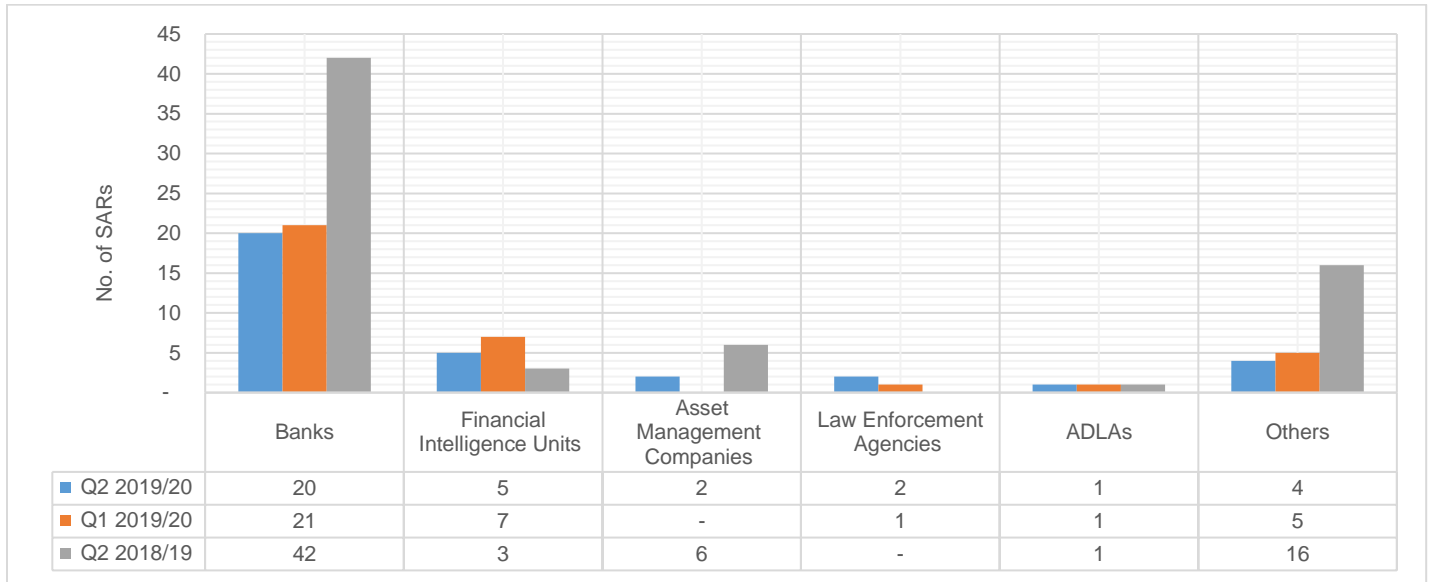|	Banks	Financial Intelligence Units	Asset Management Companies	Law Enforcement Agencies	ADLAs	Others
■ Q2 2019/20	20	5	2	2	1	4
■ Q1 2019/20	21	7	-	1	1	5
■ Q2 2018/19	42	3	6	-	1	16

Chart 2 above presents a comparison of the volume of SARs received during the second quarter of the 2019/20 financial year with the previous quarter and the same quarter during the 2018/19 financial year. During the period under review, the number of SARs decreased to 34 SARs from 35 SARs and 68 SARs received during the previous quarter and same quarter of the previous financial year respectively. In the period under review, the banking sector filed 58.8% of the SARs received, which is the highest amongst all sectors, followed by the Financial Intelligence Units with 14.7%. All other sectors only filed a total of 4 SARs during the period under review.[4]

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, sanctions list);
- prior reports on same subject/entity; and
- duplicate/erroneous filing.

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[4] Other Sectors: Individual Reporting Entity; Real Estate Agencies/Agent; Short term Insurance; Supervisory and Regulatory Bodies; Legal Practitioner; Micro Lender; and Unit Trust Schemes

Table 1: STRs filed vs STRs analysed

	Q2 2019/20	Q1 2019/20	Q2 2018/19
Case File Opened	22	50	78
Low Priority	127	226	304
Set-Aside	3	1	3
Under Cleansing	148	18	1
Grand Total	300	295	386
(%) of STRs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	7.3%	16.9%	20.2%

During the period under review, the FIC analyzed 7.3% of STRs filed, a decrease from 16.9% and 20.2% recorded during the previous quarter and the same quarter of the 2018/19 financial year respectively. Only 22 out of 300 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 148 STRs were still under cleansing[5]. This is an increase from the previous quarter which only had 18 STRs under cleansing, at the same interval. It is further worth noting that a total of 127 STRs were accorded a low priority status due to various reasons. Below are some of the notable reasons for low prioritization:

- poor articulation of the grounds of suspicion in STRs filed;
- STRs reported instead of SARs or AIFs being reported. 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 within the FIC.

Table 2: SARs filed vs SARs analysed

	Q2 2019/20	Q1 2019/20	Q2 2018/19
Case File opened	9	17	30
Low Priority	6	10	38
Set-Aside	1	1	0
Under Cleansing	14	0	0
Grand Total	34	35	68
(%) of SARs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	26.5%	48.6%	44.1%

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

About 26.5% of SARs filed were escalated for further analysis during the period under review. This shows a significant decrease from 48.6% and 44.1% of SARs escalated during the previous quarter and the second quarter of the 208/19 financial year respectively. A total of 9 SARs was escalated to law enforcement while 18 SARs were still under cleansing and 6 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 combatting 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

	Q2 2019/20	Q1 2019/20	Q2 2018/19
Domestic (IRD)	22	9	20
International (IRI)	1	0	4
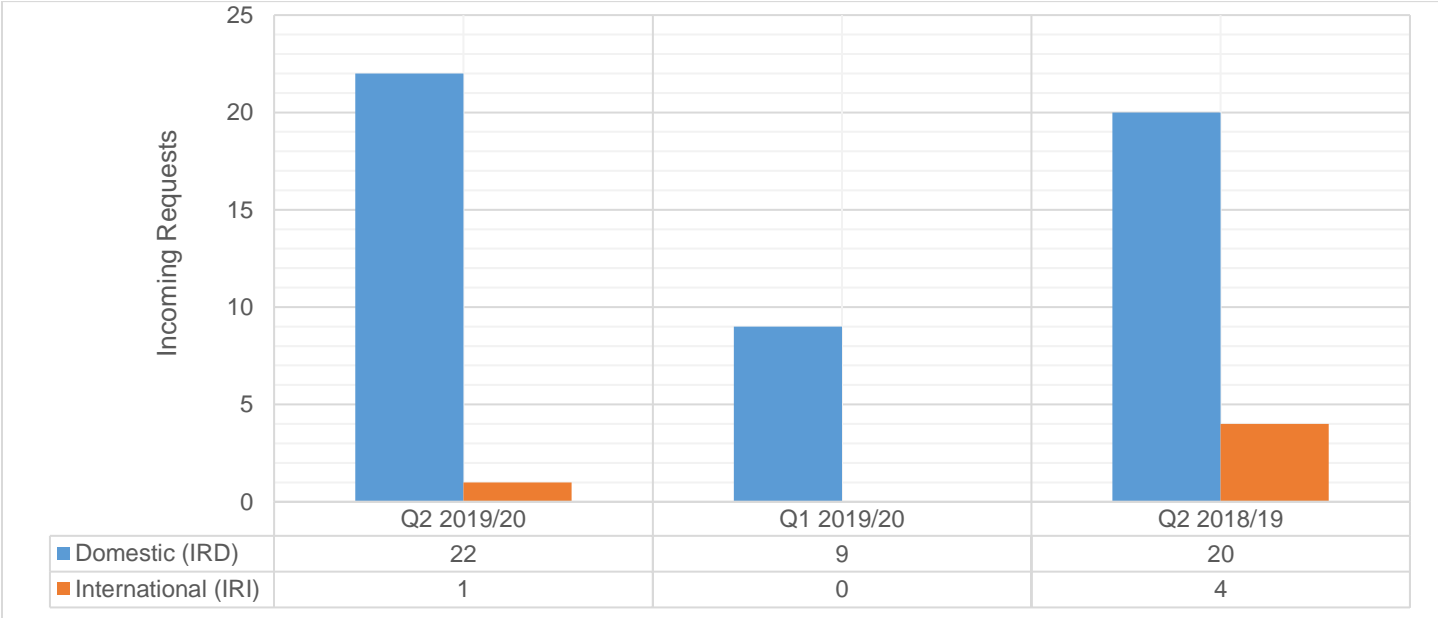
Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified reporting period. The number of requests received totalled 22 IRDs in the period under review. Only one Incoming Request International (IRI) was received by the FIC during the period under review.[6]

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[6] 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)

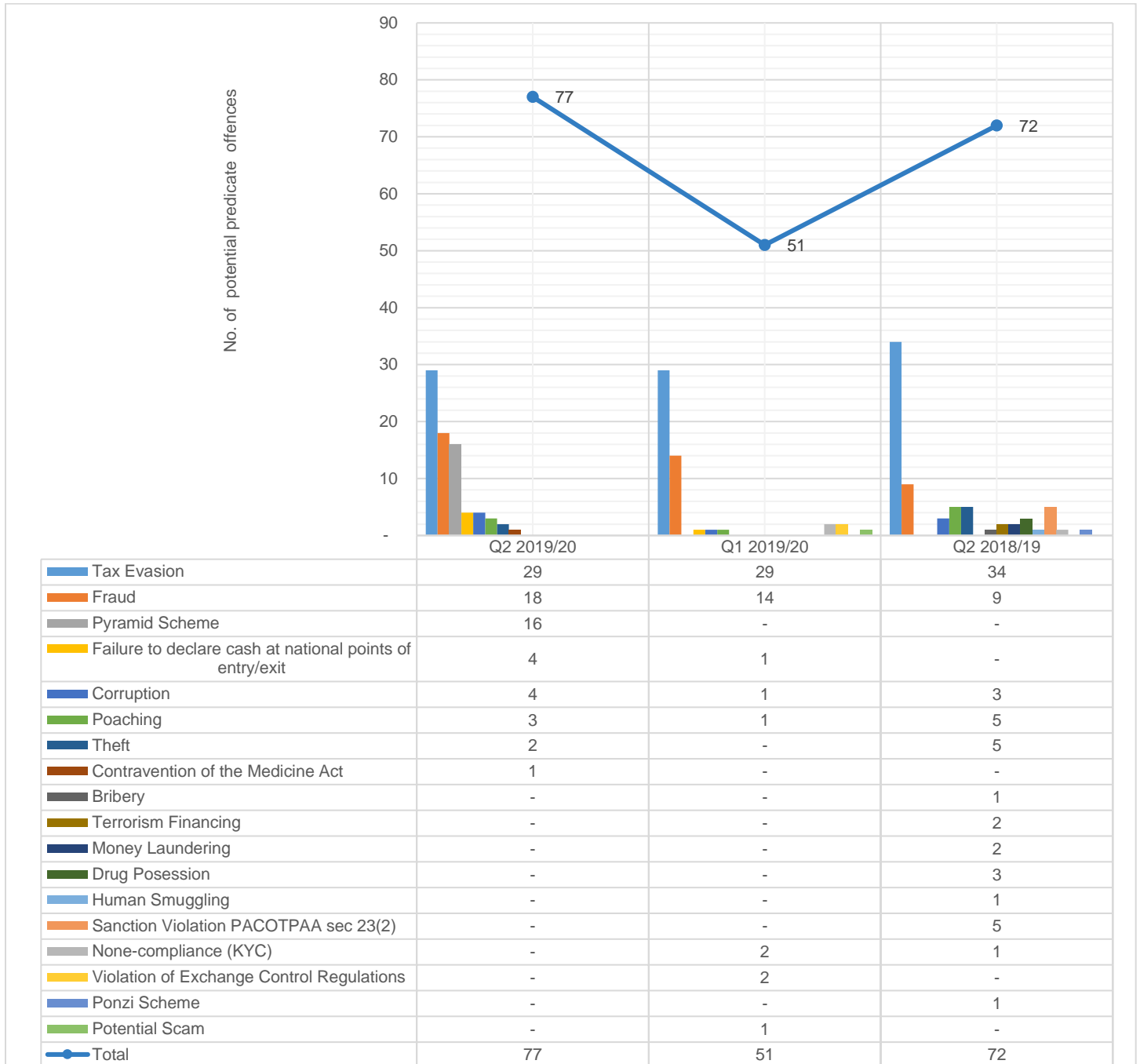|	Q2 2019/20	Q1 2019/20	Q2 2018/19
Anti-Corruption Commision	7	1	3
Foreign Financial Inteligence Units	1	-	2
Ministry of Finance	32	34	34
Namibian Police	19	14	18
Office of the Prosecutor-General	5	9	7
Namibia Financial Institutions Supervisory Authority	-	1	-
Namibian Central Intelligence Service	-	1	-
Master of the High Court	2	1	-
Bank of Namibia	11	2	8
Total	77	63	72
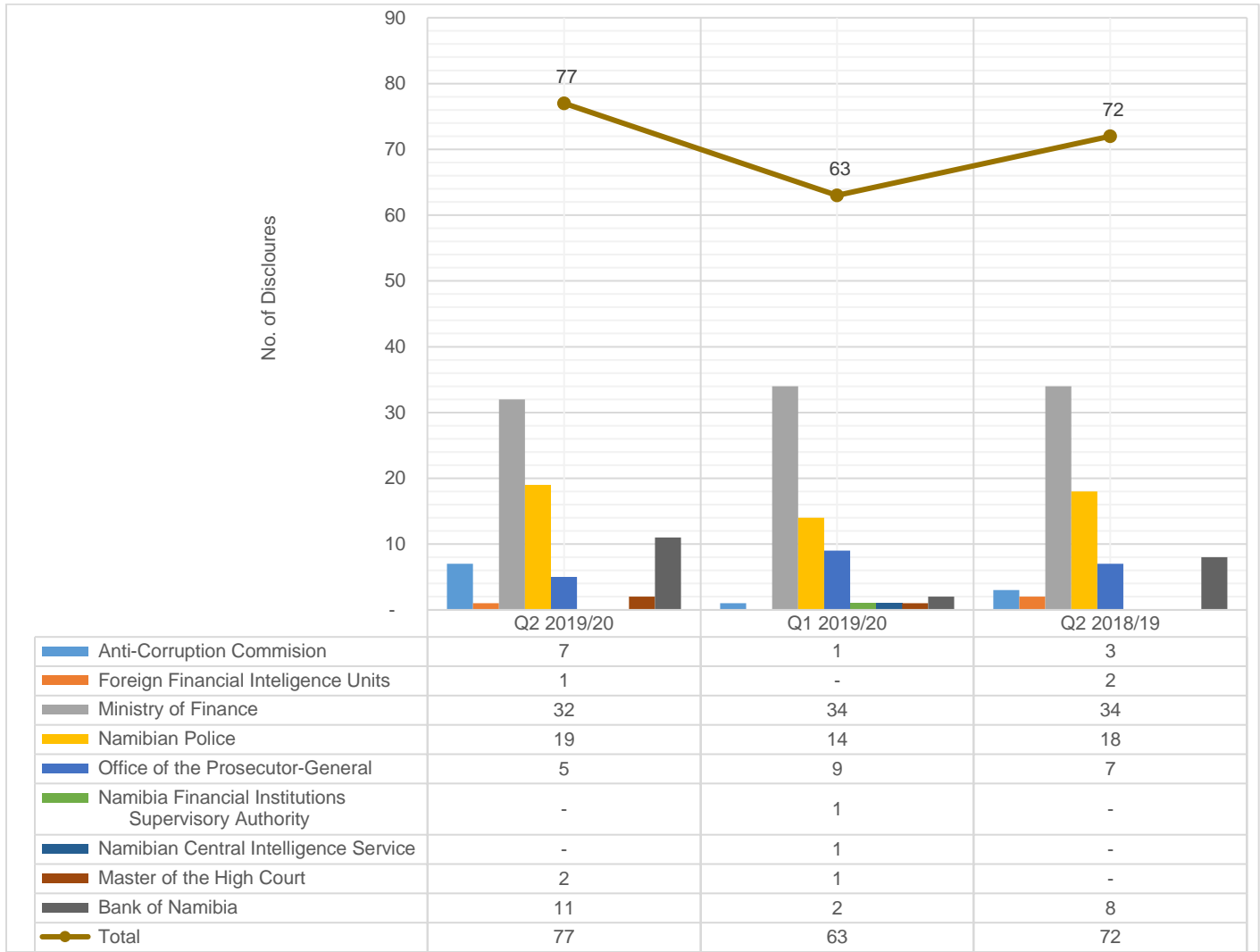
In the reporting, the FIC disseminated a total of 77 disclosures to Law Enforcement Agencies (LEAs). The number of disclosures increased when compared to the 63 disclosures disseminated during previous quarter and 72 disclosures disseminated during the second quarter of the 2018/19 financial year. The Ministry of Finance received the highest number of disclosures in the period under review, receiving a total of 32, followed by the Namibian Police who received a total of 19 disclosures. In each reporting period, most disclosures are escalated to the Ministry of Finance, a trend perhaps reflecting the common potential offences observed by the FIC.

Chart 5: Potential offences

	Q2 2019/20	Q1 2019/20	Q2 2018/19
Tax Evasion	29	29	34
Fraud	18	14	9
Pyramid Scheme	16	-	-
Failure to declare cash at national points of entry/exit	4	1	-
Corruption	4	1	3
Poaching	3	1	5
Theft	2	-	5
Contravention of the Medicine Act	1	-	-
Bribery	-	-	1
Terrorism Financing	-	-	2
Money Laundering	-	-	2
Drug Posession	-	-	3
Human Smuggling	-	-	1
Sanction Violation PACOTPAA sec 23(2)	-	-	5
None-compliance (KYC)	-	2	1
Violation of Exchange Control Regulations	-	2	-
Ponzi Scheme	-	-	1
Potential Scam	-	1	-
Total	77	51	72

Records continue to indicate that Tax Evasion remains the leading potential predicate offence in all the reports published. In the current period, there are 29 cases of potential Tax Evasion, while 29 and 34 incidences recorded in the previous quarter and the same quarter of the 2018/19 financial year respectively.

Chart 6: Potential value per offence

|	Q2 2019/20	Q1 2019/20	Q2 2018/19
Tax Evasion	1,667,137,992	139,164,121	3,584,778,311
Fraud	203,424,489	14,676,000	5,831,242
Terrorism Financing	-	-	2,267,487
Theft	428,299	-	15,626,538
Drug Posession	-	-	1,864,206
Contravention of Namfisa Act	-	4,010,390	-
Violation of Exchange Control Regulations	-	-	213,000,345
Ponzi Scheme	-	-	3,097,377
Failure to declare cash at national points of entry/exit	450,080	-	-
Poaching	-	1,100,700	858,500
Corruption	177,432,127	742,980	26,006,234
Total	2,048,872,987	159,694,191	3,853,330,240

The potential monetary value per predicate offense rose significantly during the period under review (NAD 2,048,872,987) when compared to the previous quarter (NAD 159,694,191). However, the highest potential monetary value per offense was recorded during the second quarter of the 2018/19 financial year, a total of NAD 3,853,330,240. Further, it is worth noting that during the period under review, the highest potential monetary value could be attributed to Tax Evasion, amounting to NAD 1,667,137,992 followed by potential Fraud at NAD 203,424,489.

4.4 COMPLIANCE ASSESSMENTS

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 other 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 in different sectors 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
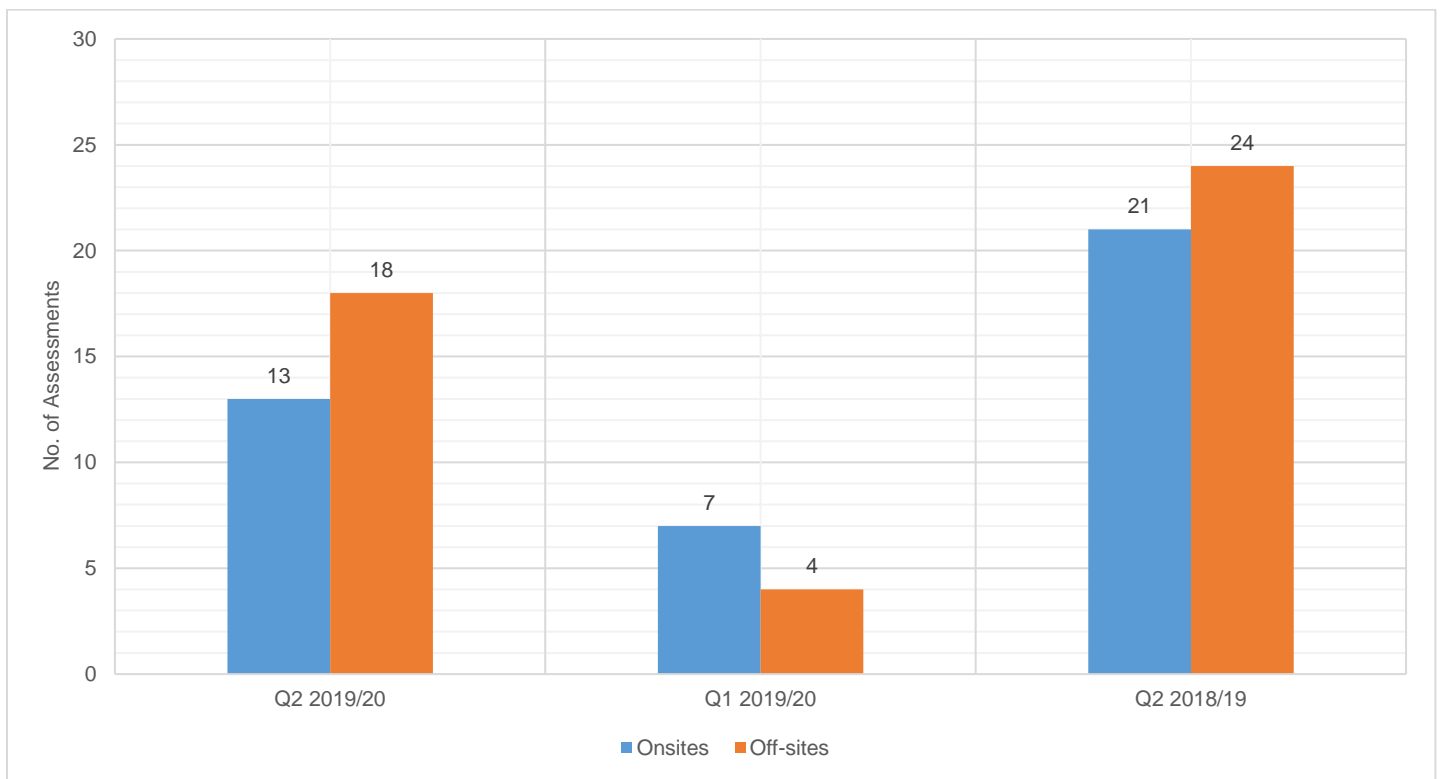
During the second quarter of 2019/20, a total of 18 Off-site assessments and 13 onsite assessments were performed by the FIC. Above, the chart further shows that the highest number of assessments were performed during the second semester of the 2018/19 financial year in which 21 and 24 onsite and off-sites assessments were carried out.

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

Sectors	FIC registered Institutions	FIC Risk Rating	No. of FIC assessments conducted	Percentage coverage
Accountants and Auditors	30	Low	8	27%
ADLAs	11	High	11	100%
Asset Management & Unit Trusts	56	High	15	27%
Auctioneers	20	Low	15	75%
Banks	12	High	12	100%
Casinos	10	Medium	5	50%
Dealers in precious metals and stones	4	Low	4	100%
Insurance/Investment Brokers	24	Medium	0	0%
Legal Practitioners	225	High	165	73%
Lending Institutions	7	Medium	5	71%
Long Term Insurance Companies	23	Medium	5	22%
Micro Lenders	354	Low	1	0%
Money and Value Transfers	4	Low	3	75%
Motor vehicles dealers	102	Medium	69	68%
Others	18	Medium	0	0%
Pension Fund Administrators	2	Low	0	0%
Private Equity	2	Medium	0	0%
Real estate agencies	786	Medium	108	14%
Short term Insurance Companies	13	Low	0	0%
Stock brokers	4	Medium	4	100%
Trust and Company Service Providers	5	Low	3	60%
Total	**1712**		**433**	46%

As at 30 September 2019, the FIC had a total of 1,712 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 433 (or 25.3%) of these institutions were assessed. According to the supervisory assessment outcomes, the ADLAs, Asset Management & Unit Trust Companies, Banks and Legal Practitioners are considered to be high risk sectors.

Chart 8: Registrations
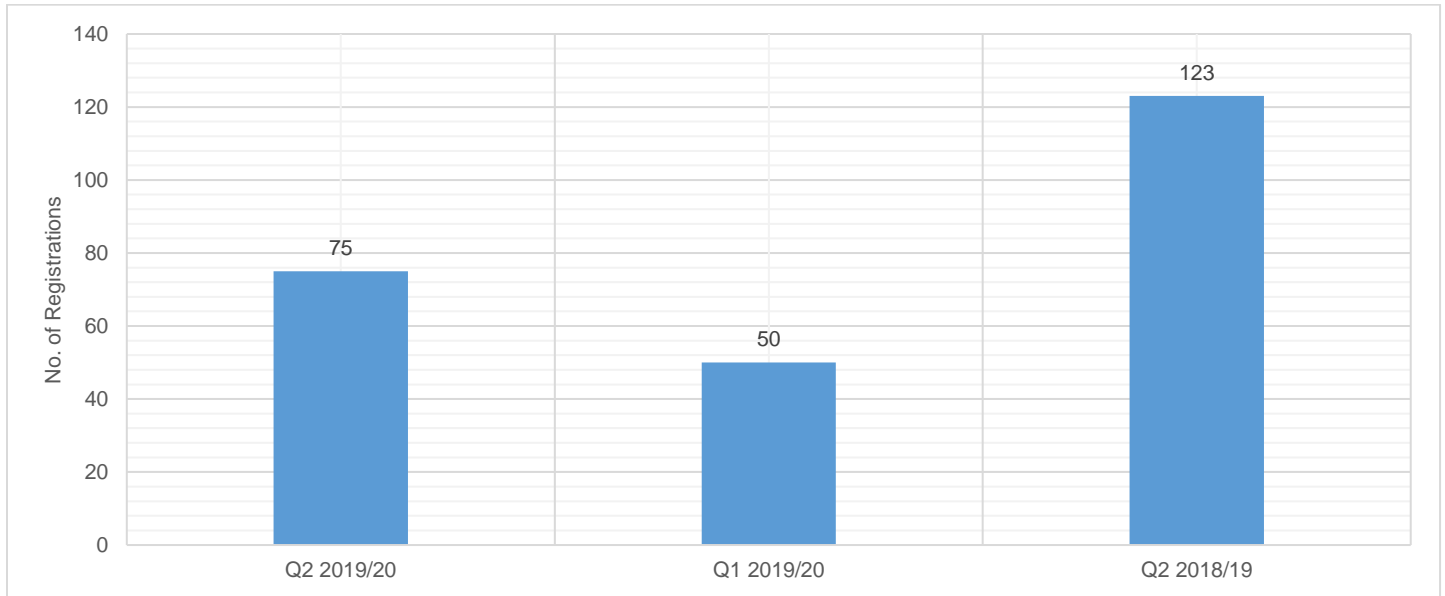
It is critical to note that AIs and RIs should register with the FIC as per the FIA. Such is essential as it enhances supervisory activities and thus FIA compliance. During the period under review, the volume of registrations of AIs and RIs increased to 75 from 50 registrations undertaken during the first quarter of 2019/20. In contrast, the number of institutions registered decreased when compared to the 123 institutions registered during the same period in the previous financial year.

5. PARTNER AGENCIES: STATISTICS

Chart 9: Asset Recovery (Intervention Orders)

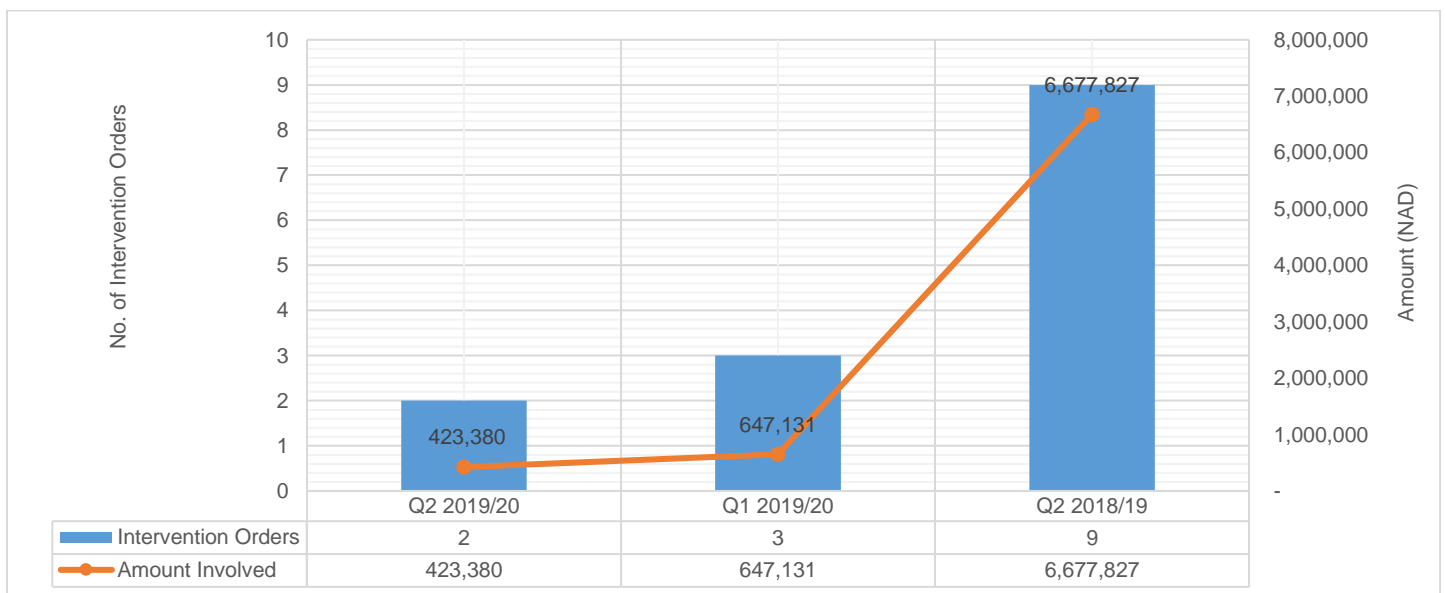|	Q2 2019/20	Q1 2019/20	Q2 2018/19
Intervention Orders	2	3	9
Amount Involved	423,380	647,131	6,677,827

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 3 and 9 intervention orders issued during the previous quarter and the second quarter of the 2018/19 financial year respectively. In monetary terms, highest amounts restricted in term in terms of the FIA was NAD 6,677,827 in the same quarter of the previous financial year.

It is important to note that the Receiver of Revenue's Tax Assessment outcomes emanating from FIC's 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. The amounts provided herein thus only speaks to data in the domain of the FIC.

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 reports that useful and meaningful intelligence can be produced for further use by Law Enforcement and relevant bodies.

This report shows a slight reduction in reporting behavior when compared to the second 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 positively impact the national Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation framework.

L. DUNN
DIRECTOR: FINANCIAL INTELLIGENCE CENTRE