Republic of Namibia

Financial Intelligence Centre

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FOURTH QUARTERLY REPORT

JANUARY – MARCH 2020

ISSUED: MAY 2020

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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 last 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, 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 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 2020, a total of **2,148**[2] **(two thousand, one hundred and forty-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 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 to further enhance compliance. 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 graphs 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)

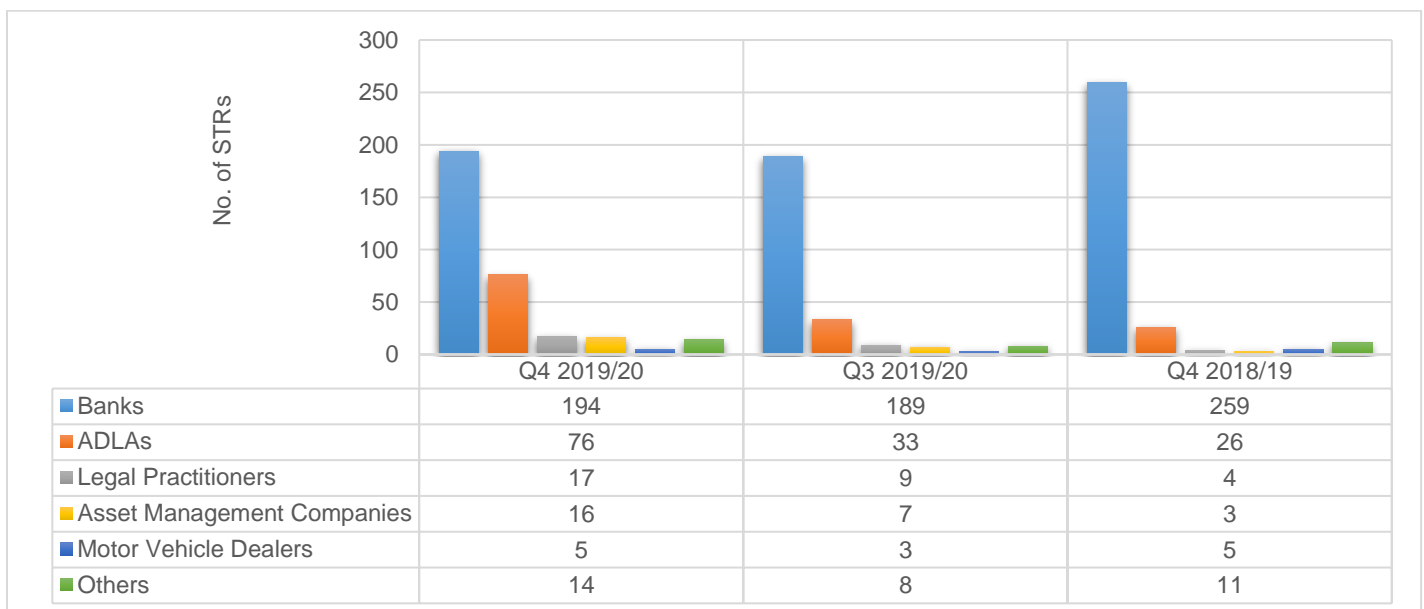|	Q4 2019/20	Q3 2019/20	Q4 2018/19
Banks	194	189	259
ADLAs	76	33	26
Legal Practitioners	17	9	4
Asset Management Companies	16	7	3
Motor Vehicle Dealers	5	3	5
Others	14	8	11

Chart 1 presents a summary of STRs filed by AIs and RIs during the periods under review. In this quarter, the number of STRs increased to 322 STRs from 249 and 308 STRs received during the previous quarter and the same quarter of the 2018/19 financial year respectively. Further, the banks continued to file the highest volume of STRs at 60.2% (or 194 STRs), followed by Authorized Dealers with Limited Authority (ADLAs) at 23.6% (or 76 STRs). Other sectors[3] filed a combined total of 14 STRs.

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[3] Other Sectors: Casino; Individual Reporting Entities; Insurance/Investment Brokers; Long Term Insurances; Money and Value Transfers; Supervisory and Regulatory Bodies; Trust and Company Service; Auctioneers; Foreign Financial Intelligence Units; Short term Insurances; Trust and Loan Companies; Unit Trust Schemes; Lending Institutions; Pension Fund Administrators; Real Estate Agencies/Agent.

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

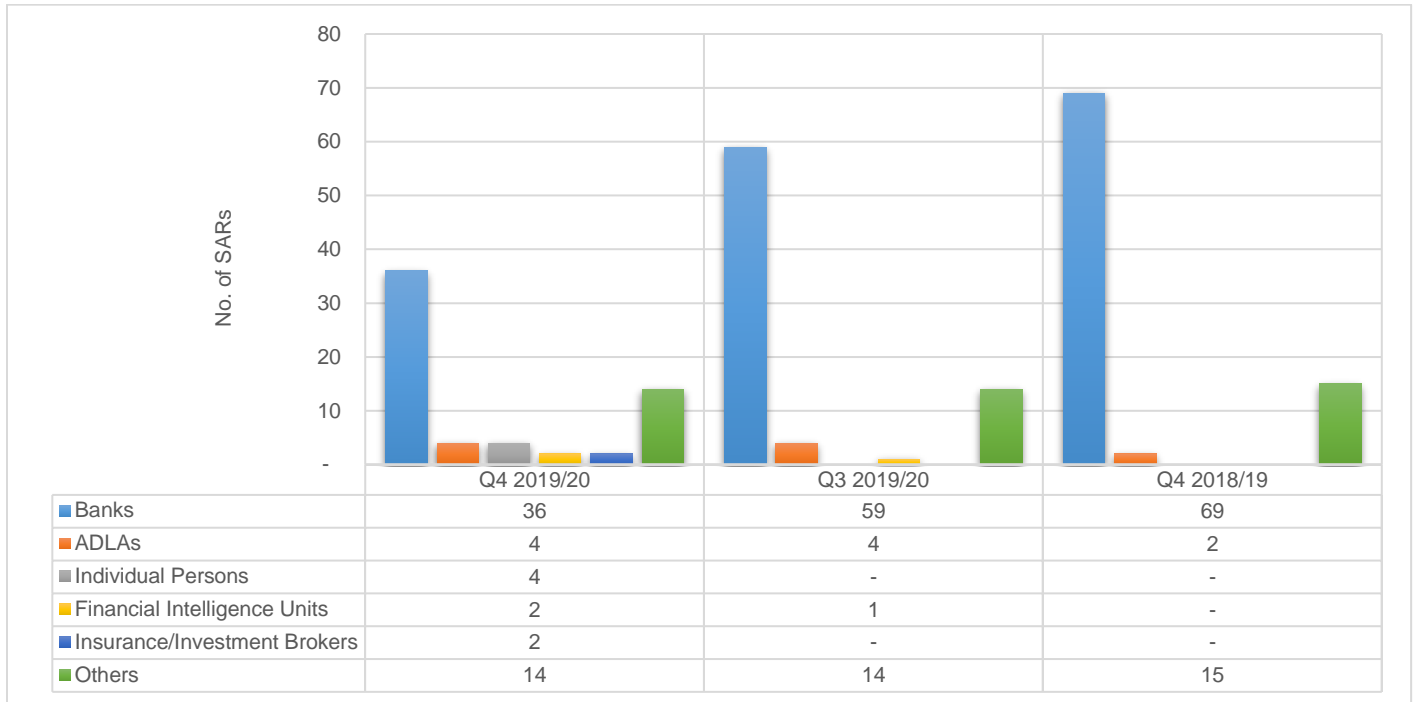|	Q4 2019/20	Q3 2019/20	Q4 2018/19
■ Banks	36	59	69
■ ADLAs	4	4	2
■ Individual Persons	4	-	-
■ Financial Intelligence Units	2	1	-
■ Insurance/Investment Brokers	2	-	-
■ Others	14	14	15

Chart 2 above presents a comparison of the volume of SARs received during the fourth quarter of the 2019/20 financial year with the previous quarter and the same quarter during the 2018/19 financial year. In this quarter, the number of SARs decreased significantly to 62 from 78 and 86 SARs received during the previous quarter and same quarter of the 2018/19 financial year respectively. The banking sector filed 58.1% of the SARs which is the highest amongst all sectors, followed by the ADLAs with 6.5%. Other sectors have filed a total of 14 SARs.[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 each one of 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 (PEPs, sanctions list);

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[4] Other Sectors: Individual Reporting Entities; Motor Vehicle Dealers; Short term Insurances; Supervisory and Regulatory Bodies; Stock Brokers; Law Enforcement Agencies; Auctioneers; Courier and Customs Clearing Agencies; Foreign Financial Intelligence Units; Long Term Insurances.

- prior reports on same subject/entity; and
- duplicate/erroneous filing.

Table 1: STRs filed vs STRs analysed

	Q4 2019/20	Q3 2019/20	Q4 2018/19
Case File Opened	28	30	47
Low Priority	208	136	257
Set-Aside	2	1	1
Under Cleansing	84	82	3
Grand Total	322	249	308
(%) of STRs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}} \right) \times 100$	9%	12%	15%

In this quarter, the FIC analyzed 9% of STRs filed, a decrease from 12% and 15% recorded during the previous quarter and the same quarter of the 2018/19 financial year respectively. The reports escalated for further analysis led to actionable intelligence being forwarded to relevant Law Enforcement Agencies and investigating authorities for further investigation.

At the time of reporting, a total of 84 STRs were still under cleansing[5]. This is an increase from the previous quarter which had 82 STRs under cleansing, at the same interval. It is further worth noting that a total of 208 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

|	Q4 2019/20	Q3 2019/20	Q4 2018/19
Case File opened	11	16	25
Low Priority	13	23	60
Set-Aside	-	-	1
Under Cleansing	38	39	-
Grand Total	62	78	86
(%) of SARs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}} \right) \times 100$	18%	21%	29%

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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 18% of SARs filed were escalated for further analysis during the period under review. Further, a total of 38 SARs where still under cleansing and 13 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.
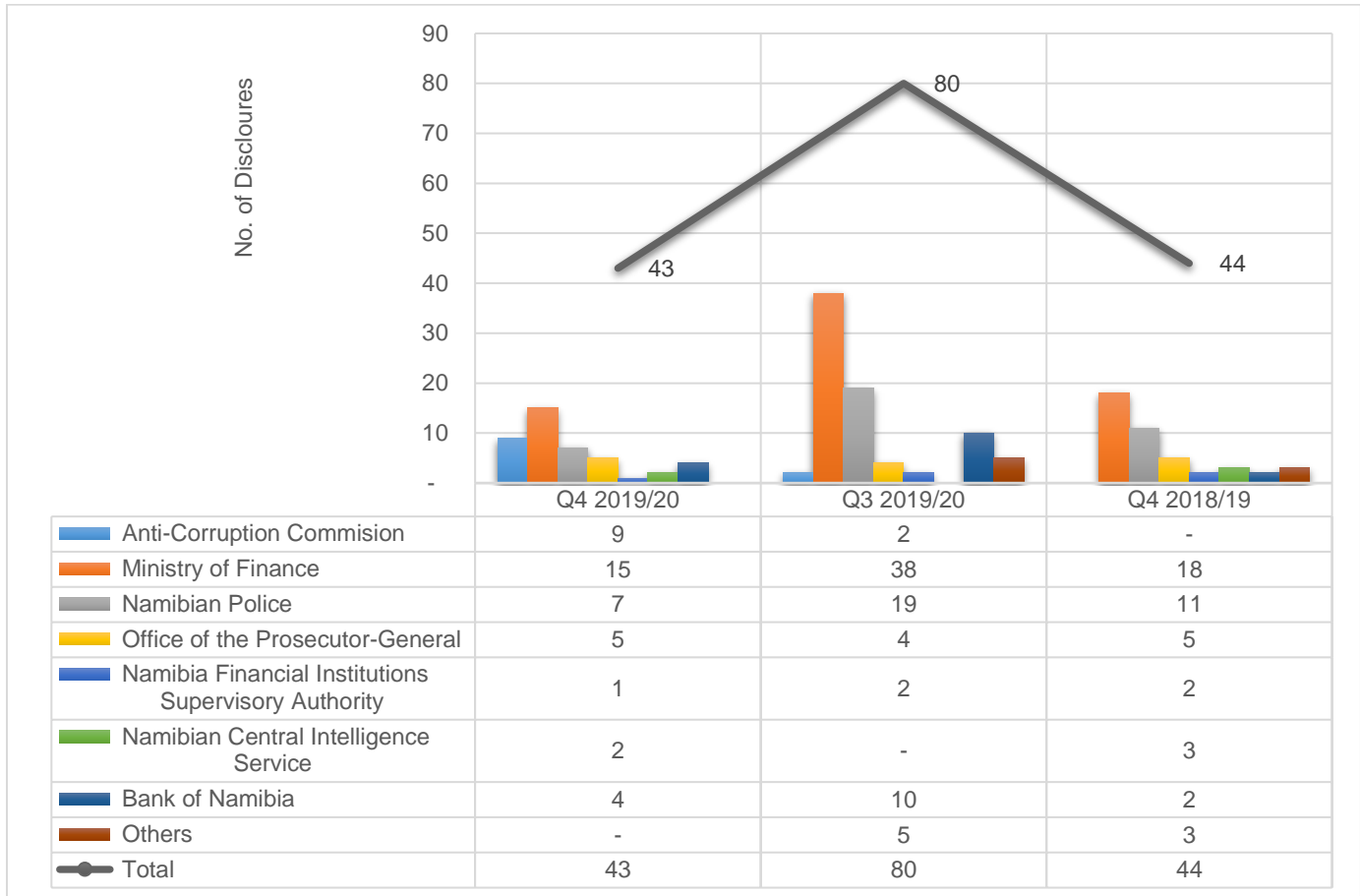
Chart 3: Incoming Requests: Domestic and International
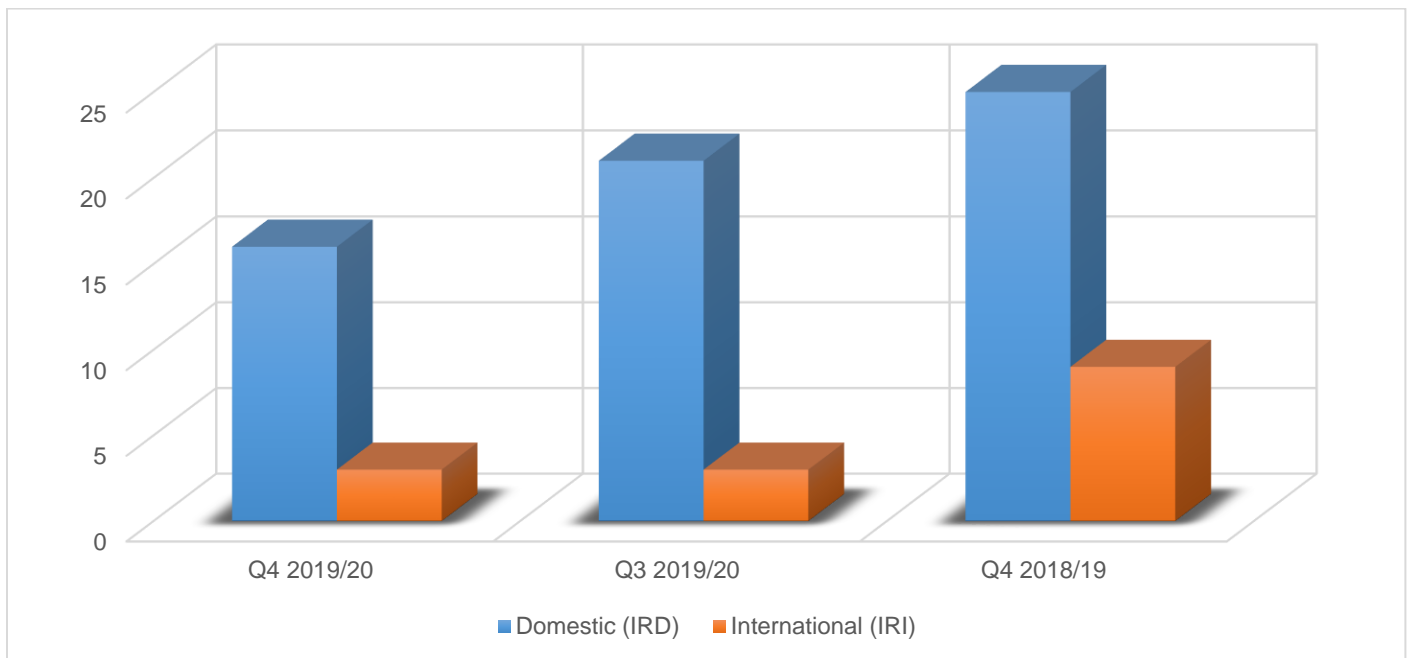
Incoming requests seek information/assistance from stakeholders in the combatting sphere. Such can be from local or international stakeholders. Chart 3 above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified reporting quarters. The number of requests received totalled 16 IRDs in the period under review. Only 3 Incoming Requests International (IRIs) were received by the FIC during the period under review.[6]
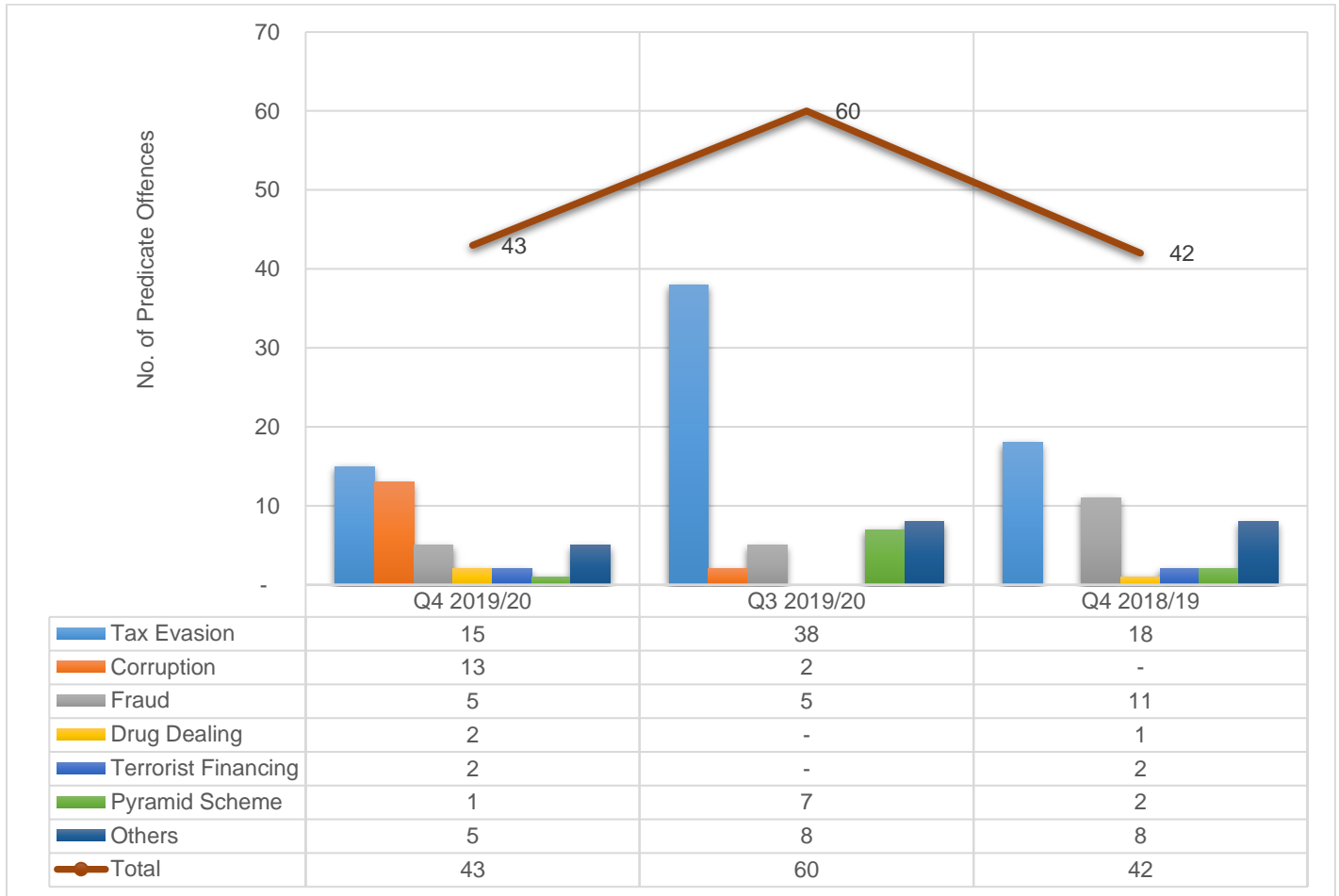
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[6] FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC's output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone unnoticed.

Chart 4: Spontaneous disclosures (SDs)

	Q4 2019/20	Q3 2019/20	Q4 2018/19
Anti-Corruption Commision	9	2	-
Ministry of Finance	15	38	18
Namibian Police	7	19	11
Office of the Prosecutor-General	5	4	5
Namibia Financial Institutions Supervisory Authority	1	2	2
Namibian Central Intelligence Service	2	-	3
Bank of Namibia	4	10	2
Others	-	5	3
Total	43	80	44

Spontaneous Disclosures are disclosures of information made by the FIC to other combatting agencies or authorities. In the reporting period, the FIC disseminated a total of 43 disclosures to Law Enforcement Agencies (LEAs). The number of disclosures decreased when compared to the 80 disclosures disseminated during the previous quarter and 44 disclosures disseminated during the fourth 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 15, followed by the Namibian Police who received a total of 7 disclosures.

Chart 5: Potential Predicate Offences

|	Q4 2019/20	Q3 2019/20	Q4 2018/19
Tax Evasion	15	38	18
Corruption	13	2	-
Fraud	5	5	11
Drug Dealing	2	-	1
Terrorist Financing	2	-	2
Pyramid Scheme	1	7	2
Others	5	8	8
Total	43	60	42

Records continue to indicate that Tax Evasion remains the highest leading potential predicate offence in all FIC publications. In the current period, there are 15 cases of potential Tax Evasion, while 38 and 18 incidences were recorded in the previous quarter and the same quarter of the 2018/19 financial year respectively.

4.4 COMPLIANCE ASSESSMENTS

Continuous efforts are made to increase FIA supervisory coverage, as well as enhance quality of overall supervisory activities in the regulated populace. The object of such is to enhance ML/TF/PF risk management controls at institutional level. Only the Namibia Financial Institutions Supervisory Authority (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 6: Compliance assessments**
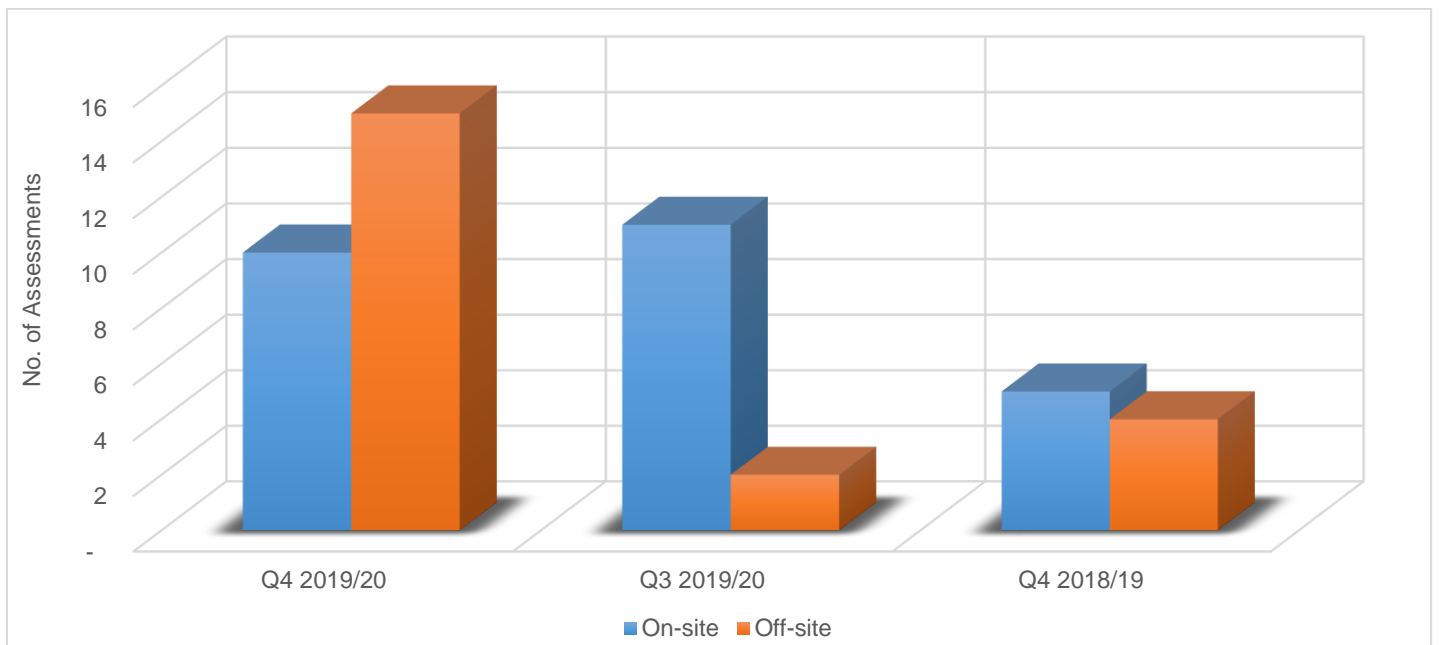
During the fourth quarter of 2019/20, a total of 10 and 15 on-site and off-site assessments were performed by the FIC respectively.

Table 3: Compliance assessment coverage of AIs and RIs as at 31 March 2020

Sectors	Registered Institutions	FIC Risk Rating	No. of FIC assessments conducted	Percentage coverage
Accountants and Auditors	82	Low	8	10%
ADLAs	11	High	11	100%
Auctioneers	20	Low	15	75%
Banks	12	High	12	100%
Casinos	5	Medium	5	100%
Custom and Clearing Agencies	53	High	0	0%
Dealers in precious metals and stones	7	Low	4	57%
Legal Practitioners	233	High	166	71%
Lending Institutions	7	Medium	5	71%
Money and Value Transfers (MVT's)	6	Low	3	50%
Motor vehicles dealers	102	Medium	72	71%
Real estate agencies	863	Medium	118	14%
Trust and Company Service Providers	39	Low	3	8%
Total	**1440**		**422**	

As at 31 March 2020, the FIC had a total of 1,440 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. According to the supervisory vulnerability assessment outcomes, the ADLAs, Banks, Customs Clearing and Forwarding Agencies and Legal Practitioners are considered to be high risk sectors for potential money laundering.

Chart 7: Registrations
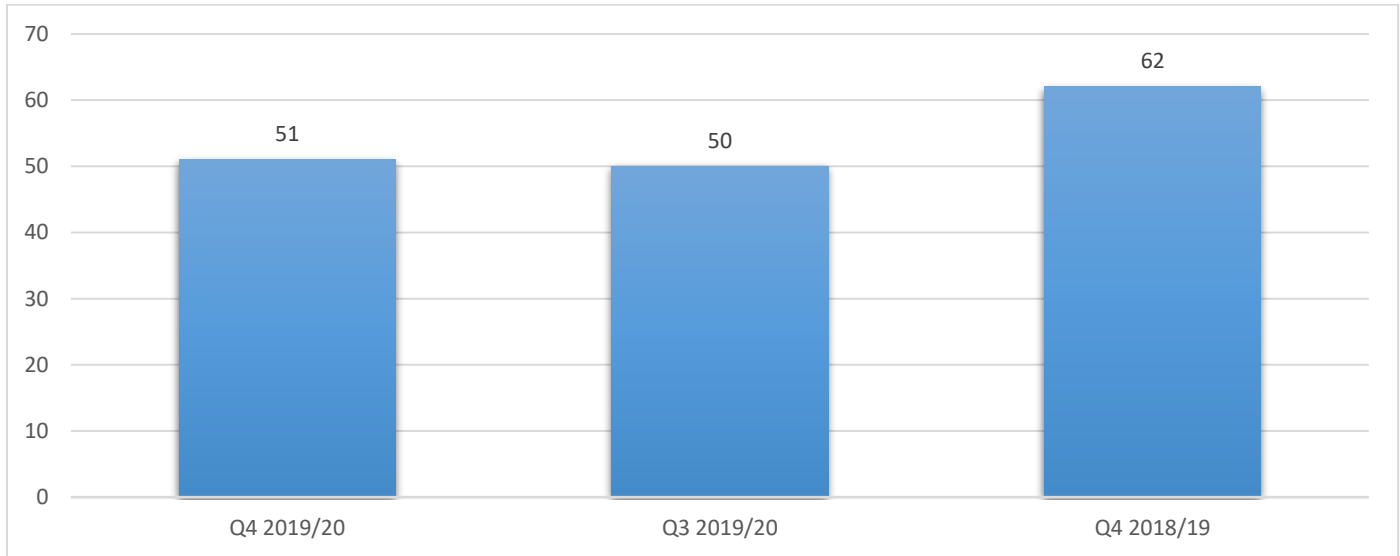
It is critical to note that relevant institutions should register with the FIC as per the FIA. Such is essential as it enhances supervisory activities and thus FIA compliance. During the period under review, the FIC managed to register a total of 51 institutions.

5. PARTNER AGENCIES: STATISTICS

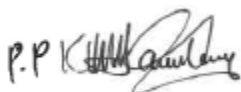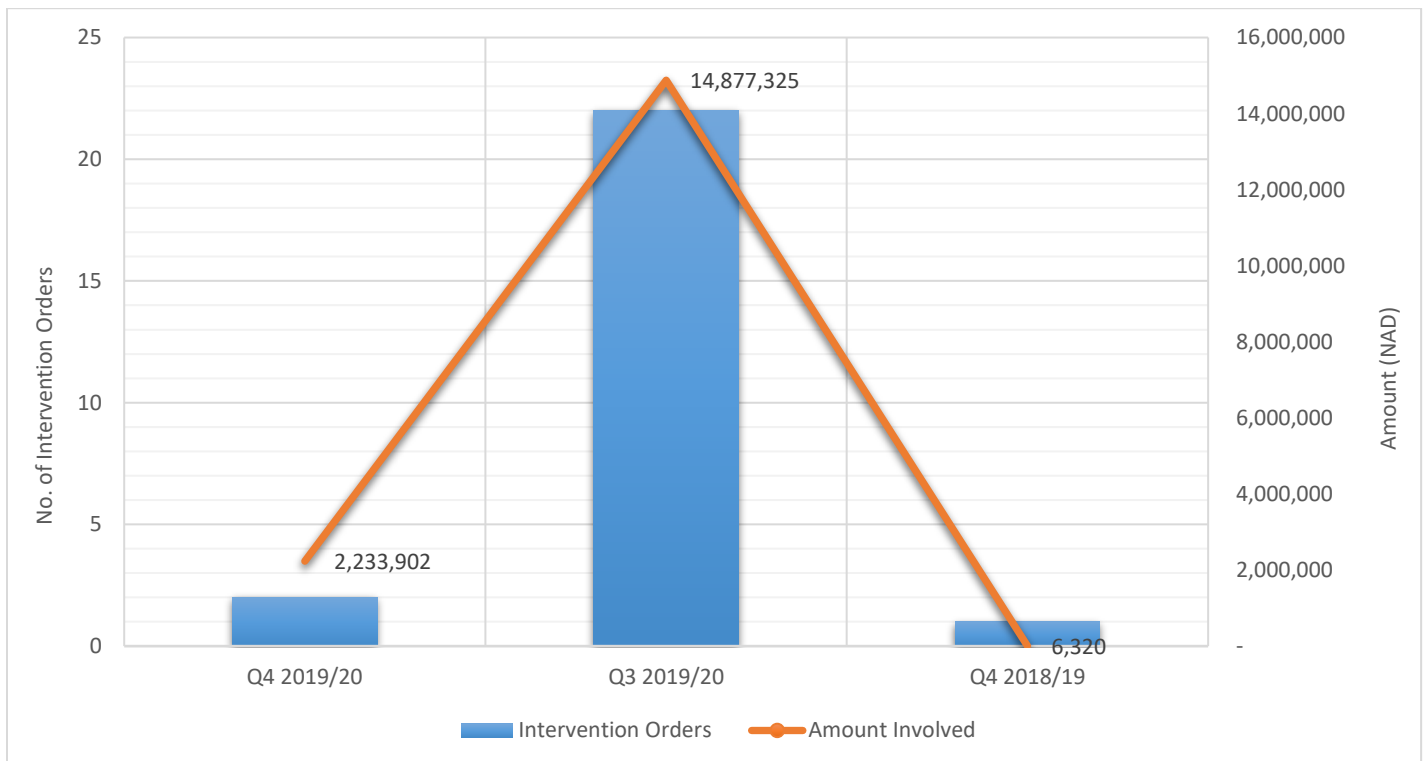## Chart 8: Asset Recovery (Intervention Orders)

Chart 8 shows the number of intervention orders issued by the FIC as well as the monetary amounts involved. During the period under review, a total of 2 interventions/restriction orders were issued, showing a significant decrease from 22 intervention orders issued during the previous quarter. In monetary terms, the highest amounts restricted in terms of the FIA over the three quarters was NAD 14,877,325 recorded during the third quarter of 2019/20.

It is important to note that the Receiver of Revenue's Tax Assessment outcomes (by the Ministry of Finance) emanating from the 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.

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.

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