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SECOND QUARTERLY REPORT

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1. ACRONYMS

ADLAs	-	Authorized Dealers in Foreign Currency 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.”

¹ FATF Recommendation 7

3. INTRODUCTION

This is the second quarterly statistical report of the 2021/22 fiscal 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 (AML/CFT/CPF) framework. Amongst others, the report speaks to the reporting behaviour of relevant stakeholders, outcomes of such reports forwarded to the FIC as well as compliance monitoring and supervision activities. Importantly, the report highlights areas where all stakeholders, including the FIC, could improve on, in advancing the effective functioning of the national prevention and combatting framework.

3.1 BACKGROUND AND PURPOSE

The FIC is Namibia's Financial Intelligence Unit (FIU) established in terms of the 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 the FIC as well as local and international Law Enforcement Agencies (LEAs).

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 institutional implementation of internal controls that can detect suspicious activities and enable timely reporting of same to the FIC. Compliance supervision of sectors normally commence with such sectors (or institutions) registering with the FIC as per the FIA. A total of **2,531² (two thousand, five hundred and thirty-one)** Accountable and Reporting Institutions were registered with the FIC as at 30 September 2021.

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

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

assessment reports and where need be, capacity building initiatives. If appropriate, enforcement interventions are also considered to discourage poor risk mitigation or non-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.

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 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. Charts 1 and 2 below show the volumes of various report types received from different sectors in the reporting period:

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

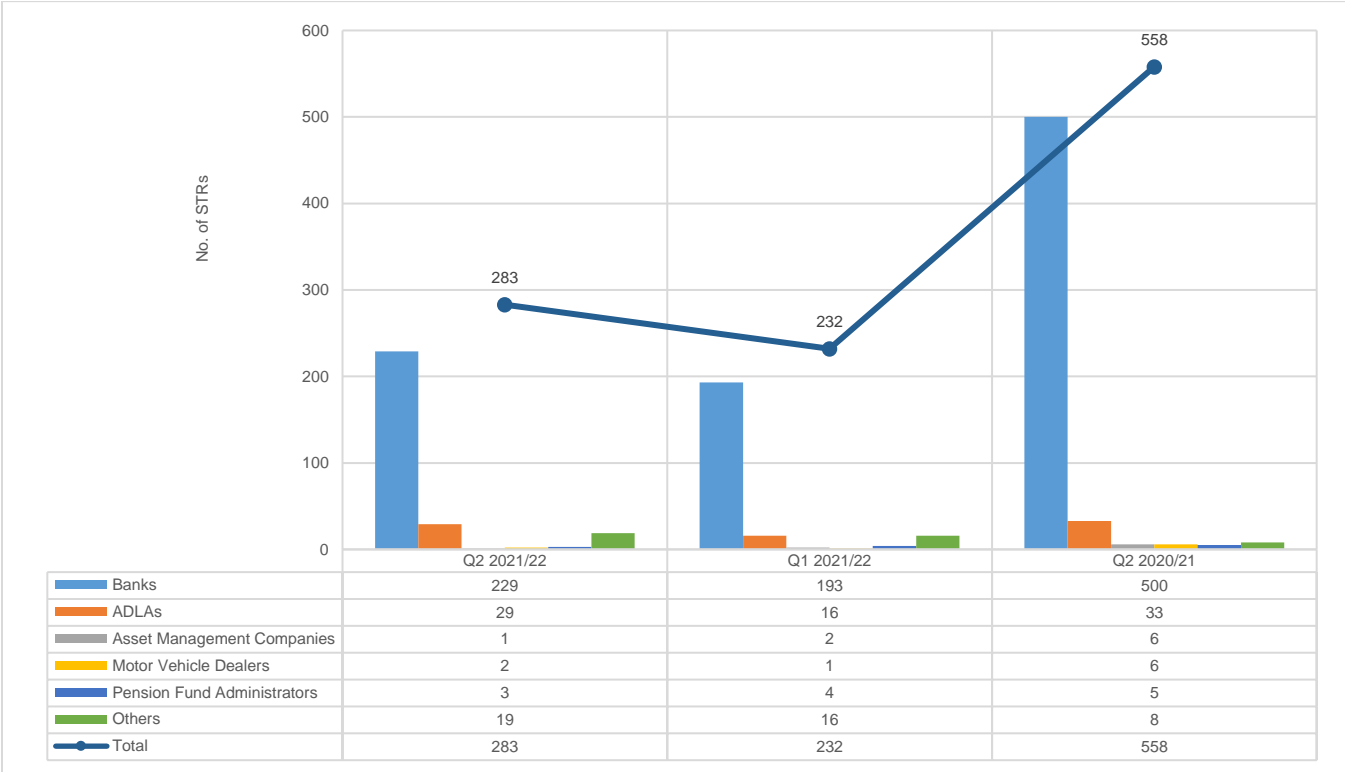


Chart 1 presents a summary of STRs filed by AIs and RIs during the period under review. The number of STRs increased to 283 STRs from 232 STRs received during the previous quarter, however, it dropped when compared to 558 STRs received during the same quarter of the 2020/21 fiscal year. Further, the banks continued to file the highest volume of STRs in such periods (quarters) at 81% (or 229 STRs), followed by Authorized Dealers with Limited Authority (ADLAs) at 10% (or 29 STRs). Other sectors³ filed a combined total of 19 STRs.

³ Other Sectors: Individual Persons; Unit Trust Schemes; Accountant Firms; Foreign Financial Intelligence Units; Long Term Insurance Services; Auctioneers; Short term Insurances Services; Lending Institutions; Pension Fund Administrators; Stock-brokers; Motor Vehicle Dealership and Namibian Police.

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

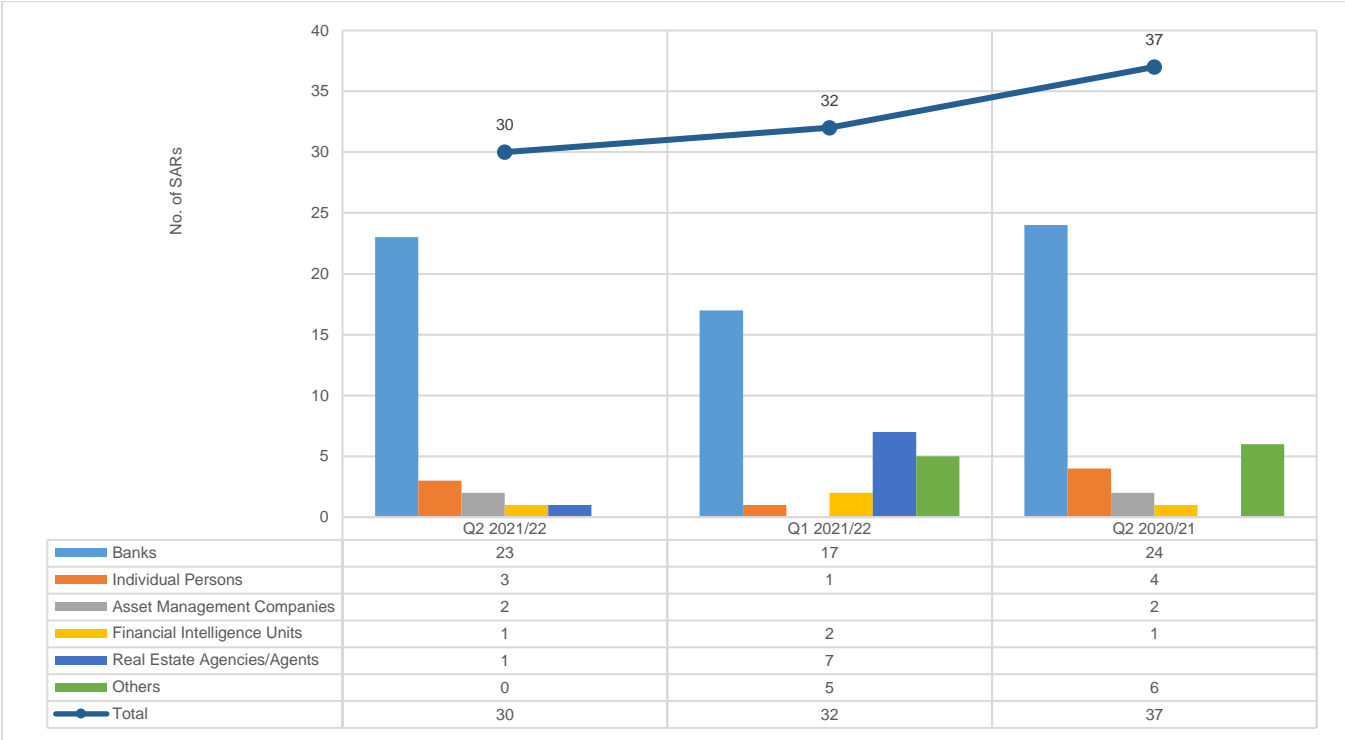


Chart 2 above presents a comparison of the volume of SARs received during the second quarter of the 2021/22 fiscal year with the previous quarter and the second quarter of the 2020/21 financial year. In the current quarter, the FIC received a total of 30 SARs from Accountable and Reporting entities. Overall, in the reporting period, the banking sector filed most of the SARs, a total of 23 reports.

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. In summary, factors which collectively inform prioritization levels include, but are not limited to:

- ✚ known ML, TF and/or PF indicators;
- ✚ sanctions and watch lists [e.g., lists of high-risk persons];
- ✚ prior reports on same subject/entity;
- ✚ geographic risk areas involved;
- ✚ duplicate/erroneous filing (which could result in the STR/SAR being set-aside);
- ✚ risk of funds being placed out of reach of law enforcement.

- ✚ human resource constraints within FIC’s Financial Investigations and Analyses Division; and
- ✚ consideration of the monetary, asset and other values or impacts associated with such report.

Table 1: STRs filed vs STRs analysed

	Q2 2021/22	Q1 2021/22	Q2 2020/21
Case Files Opened	23	56	89
Low Priority	118	175	467
Set-Aside	1	0	0
Under Cleansing	141	1	2
Grand Total	283	232	558
(%) of STRs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	8%	24%	16%

In this quarter, the FIC only analyzed 8% of STRs filed, a decrease from 24% and 16% recorded during the previous quarter and the second quarter of 2020/21 fiscal year, respectively. The reports escalated for further analysis led to actionable intelligence being forwarded to relevant Law Enforcement Agencies for further processing, including investigation.

At the time of reporting, 141 STRs were still under cleansing⁴. It is further worth noting that a total of 118 STRs were accorded a “low priority” status due to various reasons. Below are some notable reasons for low prioritization:

- ✚ lack of ML/TF and/or PF indicators in the reports: It is helpful that upon reporting, such information is availed. More could be done to identify indicators of suspicions;
- ✚ poorly articulated “Reasons for Suspicion” in STRs (closely related to the above matter): usually, when adequate CDD has been undertaken, it is often easier to explain grounds for suspicion. Regardless, attempts should be made to adequately explain why AIs/RIs find transactions or activities suspicious as such helps with FIC analysis of such reports;
- ✚ duplicate and erroneous filing of reports: More care needs to be taken, especially by AML Compliance Officers to reduce such incidences. Such takes from the valuable time that FIC resources could employ on other activities;

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

- ✚ filing of incomplete STRs: more could be done to ensure completeness of information shared in STRs. It helps with the usefulness of such STRs and could reduce the volume of reports set aside or classified as low priority;
- ✚ STRs reported instead of SARs or AIFs being reported. Limited understanding which can be enhanced through capacity building (training of reporting officers);
- ✚ operational priority of law enforcement; and
- ✚ inadequate resources within the FIC (which leads to prioritizing).

Table 2: SARs filed vs SARs analysed

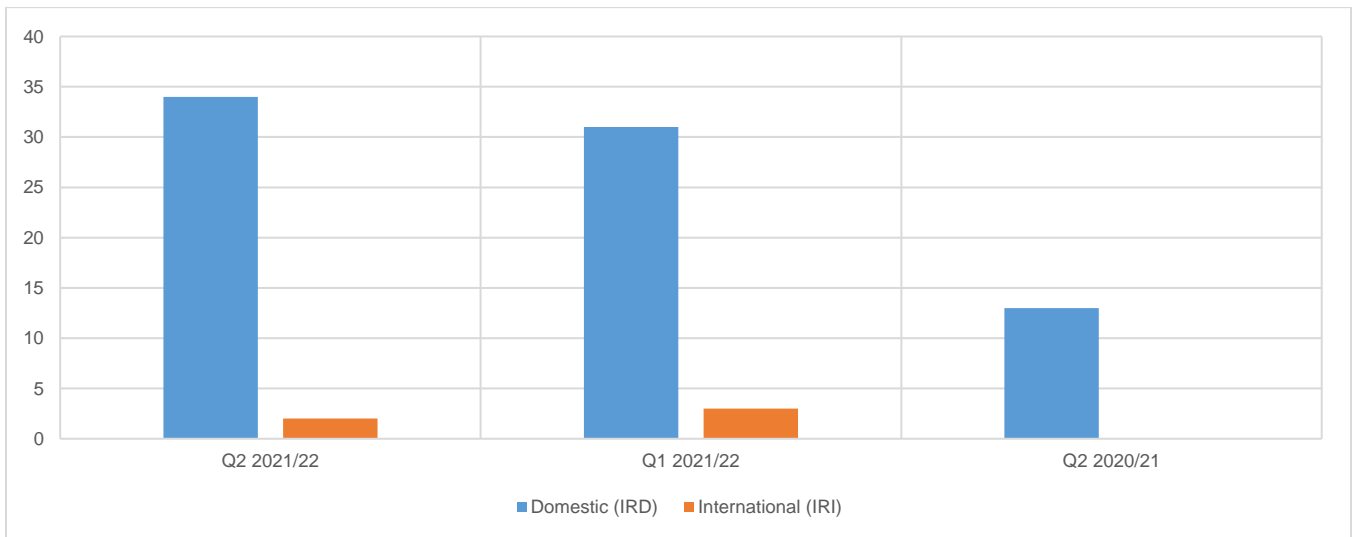
	Q2 2021/22	Q1 2021/22	Q2 2020/21
Case Files Opened	9	7	11
Low Priority	10	22	26
Under Cleansing	11	3	
Grand Total	30	32	37
(%) of SARs escalated to LEAs = $\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100$	30%	22%	30%

In the period under review, 30% of the SARs filed were escalated for further analysis. Further, 11 SARs were still under cleansing and 10 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 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.

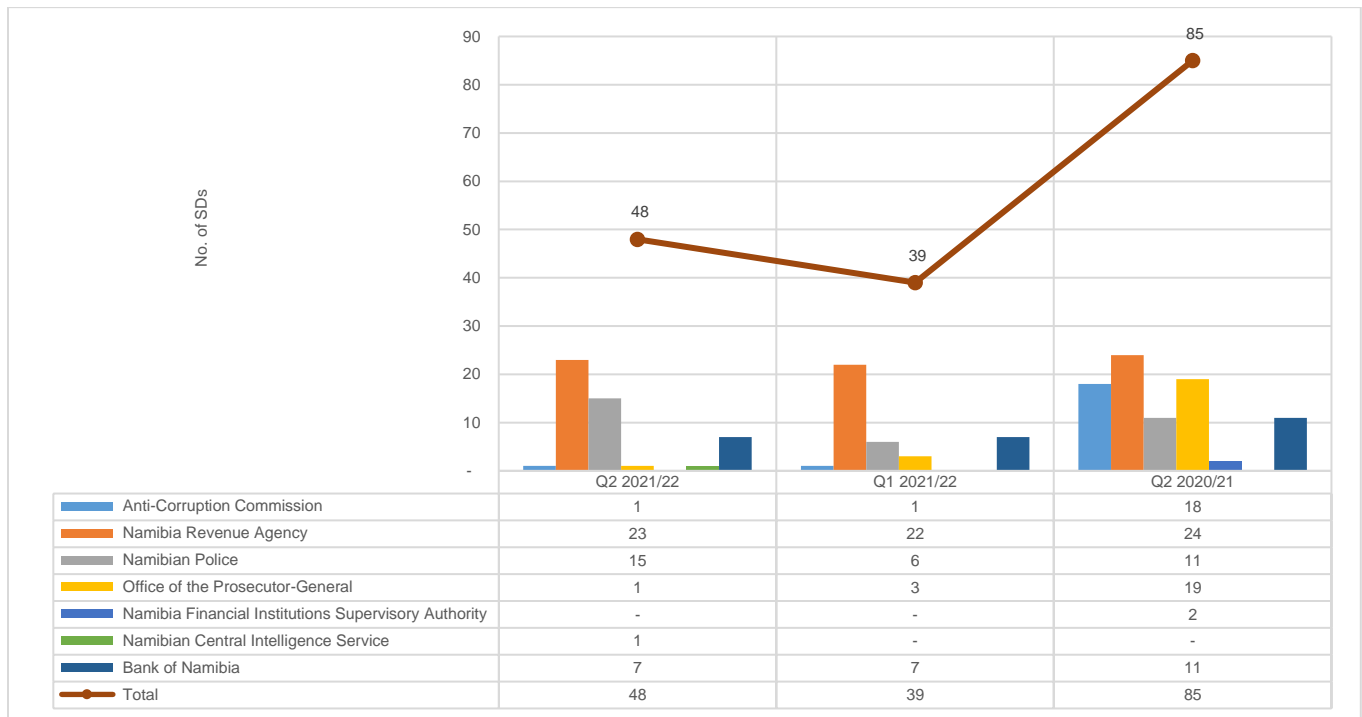
Chart 3: Incoming Requests: Domestic and International



The chart 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 34 IRDs and 2 IRIs in the period under review.⁵ Incoming requests reflect stakeholders searching for information/assistance from the FIC. Such can be from local or international stakeholders.

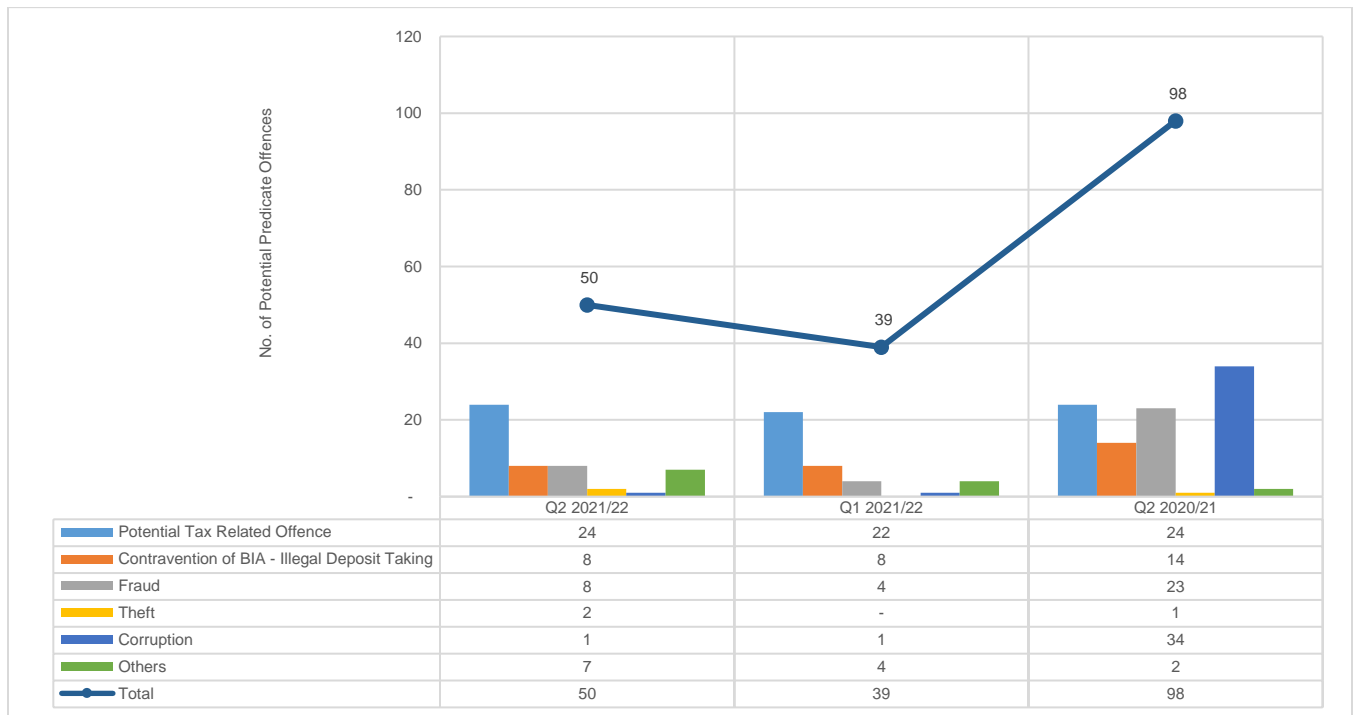
⁵ FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC's output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise have gone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

Chart 4: Spontaneous disclosures (SDs)



Spontaneous Disclosures are disclosures of information made by the FIC to other combatting agencies or authorities. In the reporting period, the FIC disseminated 48 reports to LEAs. The number of disclosures increased when compared to the 39 reports disseminated during the previous quarter. Chart 4 suggests the Namibia Revenue Agency received the highest number of disclosures in the period under review, followed by the Namibian Police and Bank of Namibia, who received 15 and 7 disclosures, respectively.

Chart 5: Potential Predicate Offences



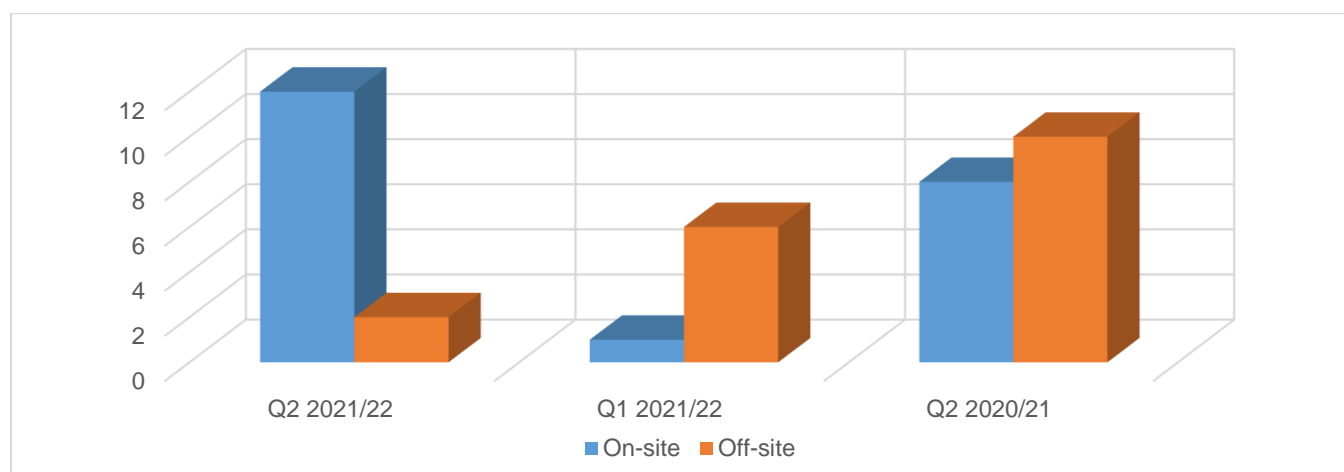
Overall, 50 potential predicate offences were recorded in the period under review. Potential tax related offences featured as the leading potential predicate offence followed by contravention of the Banking Institutions Act (BIA) and Fraud. Potential tax related offences need NAMRA’s confirmation to determine certainty as statistics herein are limited to FIC analysis and disseminations. On the other hand, BIA contraventions reflect potential operations, schemes, financial services, investments etc., which ideally require approval or compliance to the BIA but are found to potentially contravene the BIA, as per FIC analysis. Such are shared with the Bank of Namibia for further consideration

4.4 COMPLIANCE ASSESSMENTS

Continuous efforts are made to increase FIA supervisory coverage as well as enhance the quality of overall supervisory activities in the regulated populace. The object of such is to enhance ML/TF/PF risk management controls at the 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 on-site and off-site FIA compliance assessments (inspections). These are undertaken to gain assurance on the

level of control effectiveness 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



In the second quarter of 2021/22, the FIC conducted 12 on-site and 2 off-site assessment activities.

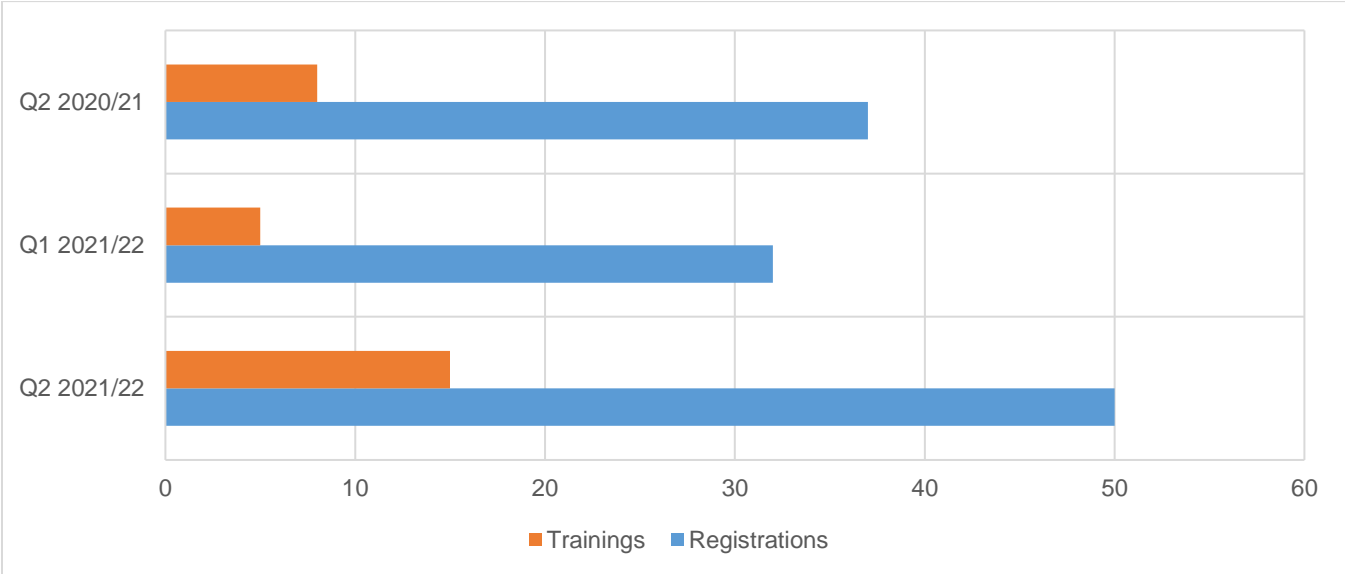
Table 3: Compliance assessment coverage of AIs and RIs as of 30 September 2021

Sectors	Registered Institutions	FIC Risk rating	No of FIC institutions assessed	Percentage coverage
Accountants and Auditors	84	Low	8	10%
ADLAs	10	High	10	100%
Auctioneers	22	Low	16	73%
Banks	10	High	10	100%
Casinos	10	Medium	5	50%
Customs Clearing and Forwarding Agents	195	High	15	8%
Dealers in precious metals and stones	11	Low	7	64%
Legal Practitioners	265	High	168	63%
Lending Firms	9	Medium	5	56%
Money and Value Transfers (MVT's)	7	Low	3	43%
Motor vehicles dealers	112	Medium	72	64%
Real estate agencies	1072	Medium	126	12%
Trust and Company Service Providers	44	Low	3	7%
Total	1,851		448	

As of 30 September 2021, the FIC had a total of 1,851 active entities registered as Accountable and Reporting Institutions. It is worth noting that the above table only covered the AI's and RI's

supervised by the FIC. Institutions under the supervision of NAMFISA are excluded from the table. Accordingly, ADLAs, Banks, Customs Clearing and Forwarding Agencies and Legal Practitioners are considered high-risk sectors for potential money laundering.

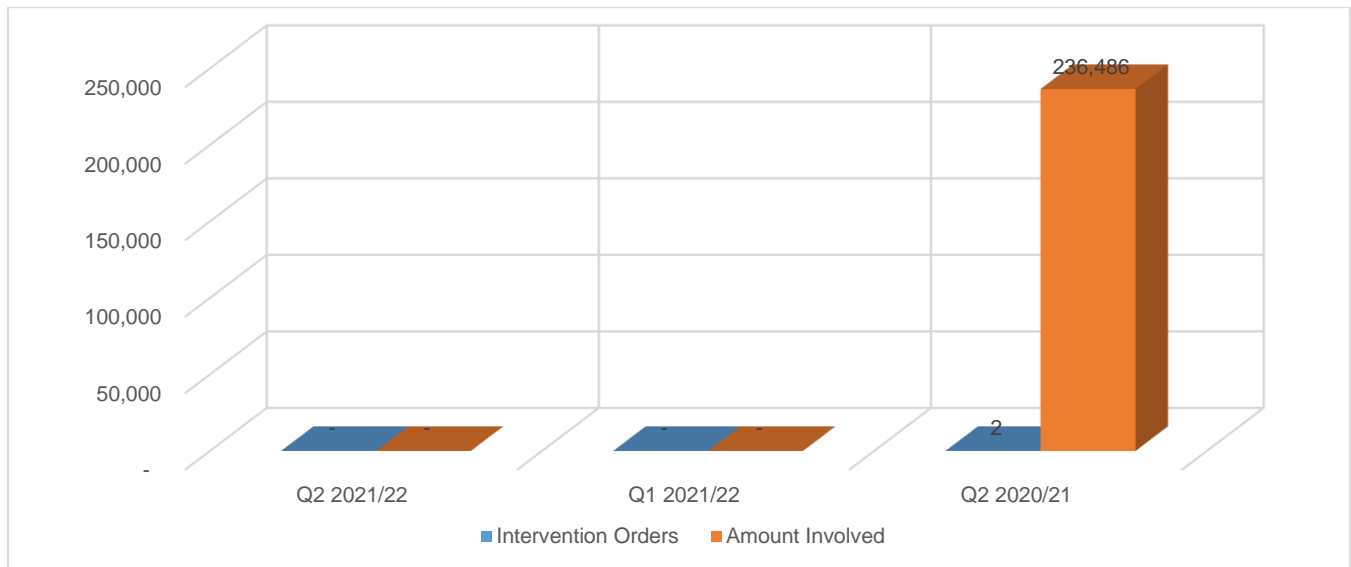
Chart 7: Registrations and Trainings of Accountable and Reporting Institutions with the FIC



Training and registration are essential to supervisory activities. Training or capacity building in particular is essential as it enhances compliance behavior. Equally, registration of institutions with the FIC enhances supervisory effectiveness. During the period under review, the FIC trained 15 institutions and registered 50 Accountable and Reporting Institutions.

5. PARTNER AGENCIES: STATISTICS

Chart 8: Asset Recovery (Intervention Orders)



The above chart shows the number of intervention orders issued by the FIC as well as the monetary values involved. In the period under review, no intervention/restriction order was issued.

It is important to note that the Receiver of Revenue's Tax Assessment outcomes (by the Namibia Revenue Agency) 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. The amounts provided herein therefore 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, especially in terms of explaining grounds for suspicions (with STRs/SARs). It is only through these reports that useful and meaningful intelligence can be produced for further use by the FIC and Law Enforcement Agencies.

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.

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