



Republic of Namibia  

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Financial Intelligence Centre

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**FIRST QUARTERLY REPORT**

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## 1. ACRONYMS

<b>ADLAs</b>	-	Authorized Dealers in Foreign Exchange with Limited Authority
<b>AML/CFT/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 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.”<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 2022/23 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 (AML/CFT/CPF) framework. Amongst others, the report speaks to the reporting behaviour of relevant stakeholders, outcomes of 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 national framework's effectiveness.

#### **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 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 commences with such sectors (or institutions) registering with the FIC as per the FIA. A total of 2,724<sup>2</sup> Accountable and Reporting Institutions were registered with the FIC as at 30 June 2022.

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 assessment activities, amongst others. 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

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<sup>2</sup> The figure includes both active and non-active accountable and reporting institutions

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 other 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. 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)**

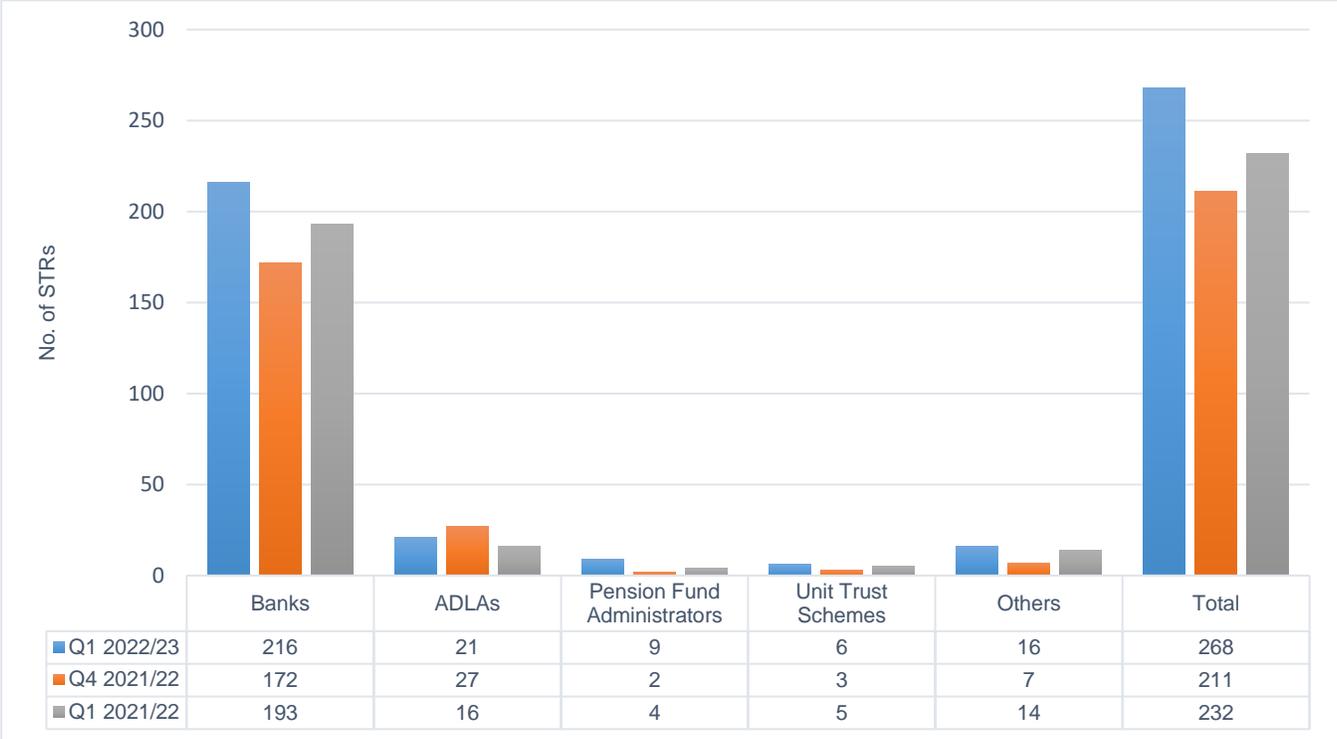


Chart 1 presents a summary of STRs filed by AIs and RIs during the period under review. The number of STRs increased significantly to 268 STRs when compared to 211 and 232 STRs received during the previous quarter and the same quarter of the 2021/2022 fiscal year, respectively. The banking sector continued to file the highest volume of STRs in both periods (quarters) at 82% (or 581 STRs), followed by Authorized Dealers with Limited Authority (ADLAs) at 9% (or 64 STRs). Other sectors<sup>3</sup> filed a combined total of 37 STRs in the current quarter.

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

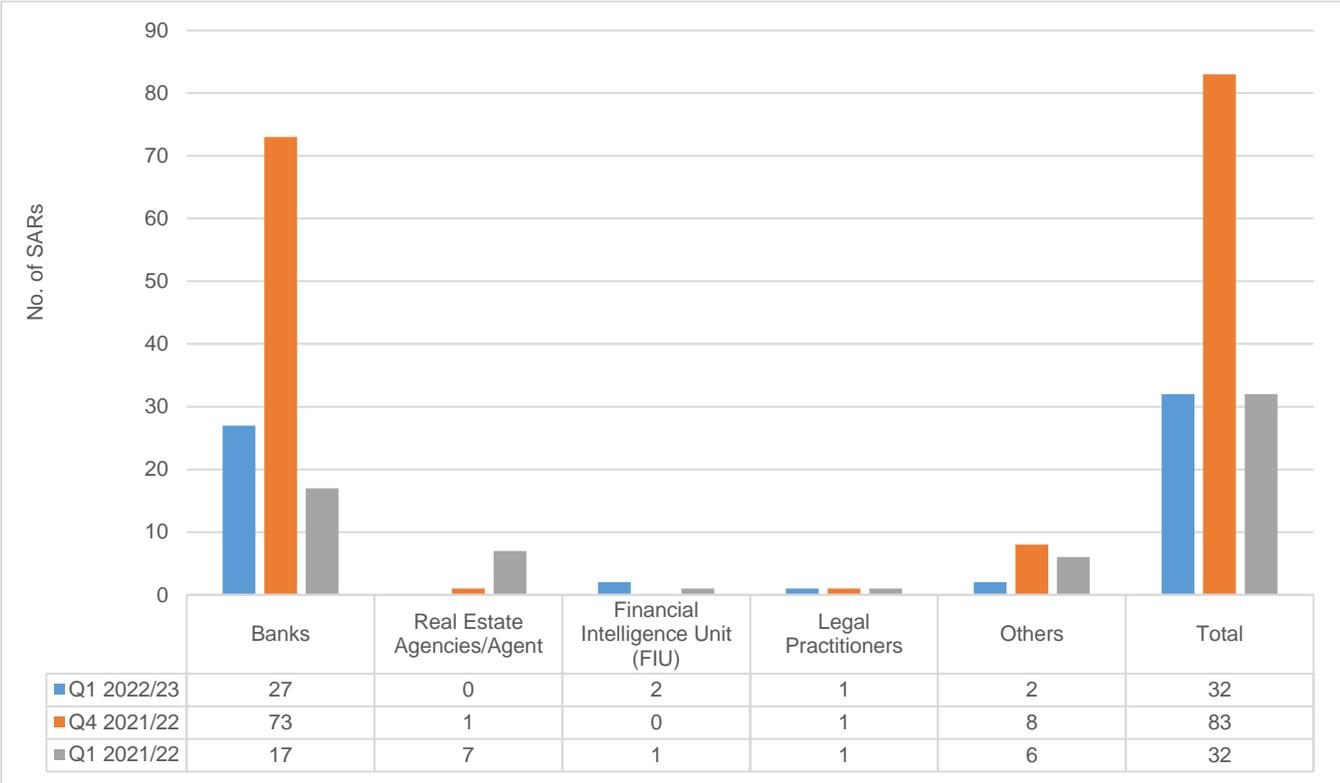


Chart 2 above presents a comparison of the volume of SARs received during the first quarter of the 2022/23 financial year with the previous quarter and the first quarter of the 2021/22 financial year. In the current quarter, the FIC received a total of 32 SARs from Accountable and Reporting entities. Overall, in the reporting period, the banking sector filed most of the SARs amongst all sectors, a total of 117 reports.

<sup>3</sup> Other Sectors: Foreign Financial Intelligence Unit (FIU); Foreign Financial Intelligence Units; Legal Practitioners; Asset Management Companies; Motor Vehicle Dealership; Legal Practitioner; Stock-brokers; Natural Persons; NamPol; Real Estate Agencies/Agent; and Long Term Insurance Services.

## 4.2 STRs AND SARs PRIORITIZATION CONSIDERATIONS

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**

	Q1 2022/23	Q4 2021/22	Q1 2021/22
<b>Case File Opened</b>	58	28	56
<b>Low Priority</b>	197	181	176
<b>Set-Aside</b>	1	0	0
<b>Under Cleansing</b>	12	2	0
<b>Grand Total</b>	<b>268</b>	<b>211</b>	<b>232</b>
<b>(%) of STRs escalated to LEAs = <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	<b>22%</b>	<b>13%</b>	<b>24%</b>

In this quarter, the FIC analyzed 22% of STRs filed, an increase from 13% recorded during the previous quarter. 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, 12 STRs were still under cleansing<sup>4</sup>. It is further worth noting that a total of 197 STRs were accorded a “low priority” status due to various reasons. Below are some notable reasons for low prioritization:

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

- ✚ 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 or reasons for 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;
- ✚ 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. General enhancement in understanding could emanate from capacity building or trainings of personnel entrusted with analysis and reporting;
- ✚ operational priority of law enforcement; and
- ✚ inadequate resources within the FIC.

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

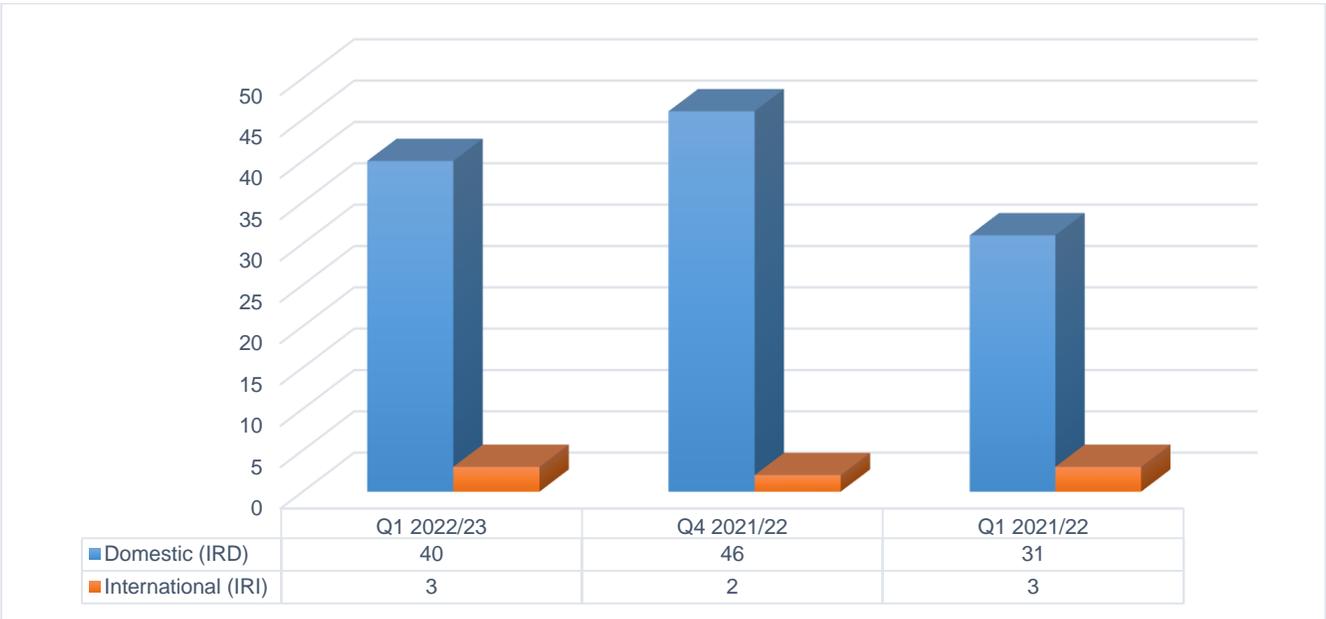
	Q1 2022/23	Q4 2021/22	Q1 2021/22
<b>Case Files Opened</b>	10	9	8
<b>Low Priority</b>	22	74	24
<b>Under Cleansing</b>	0	0	0
<b>Grand Total</b>	<b>32</b>	<b>83</b>	<b>32</b>
<b>(%) of SARs escalated to LEAs = <math>\left(\frac{\text{Case File Opened}}{\text{Grand Total}}\right) \times 100</math></b>	<b>31%</b>	<b>11%</b>	<b>25%</b>

In the period under review, 31% of the SARs filed were escalated for further analysis. Further, 22 SARs were accorded a “low priority” status. The reasons cited above for low prioritization of STRs are similar for SARs.

### 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.

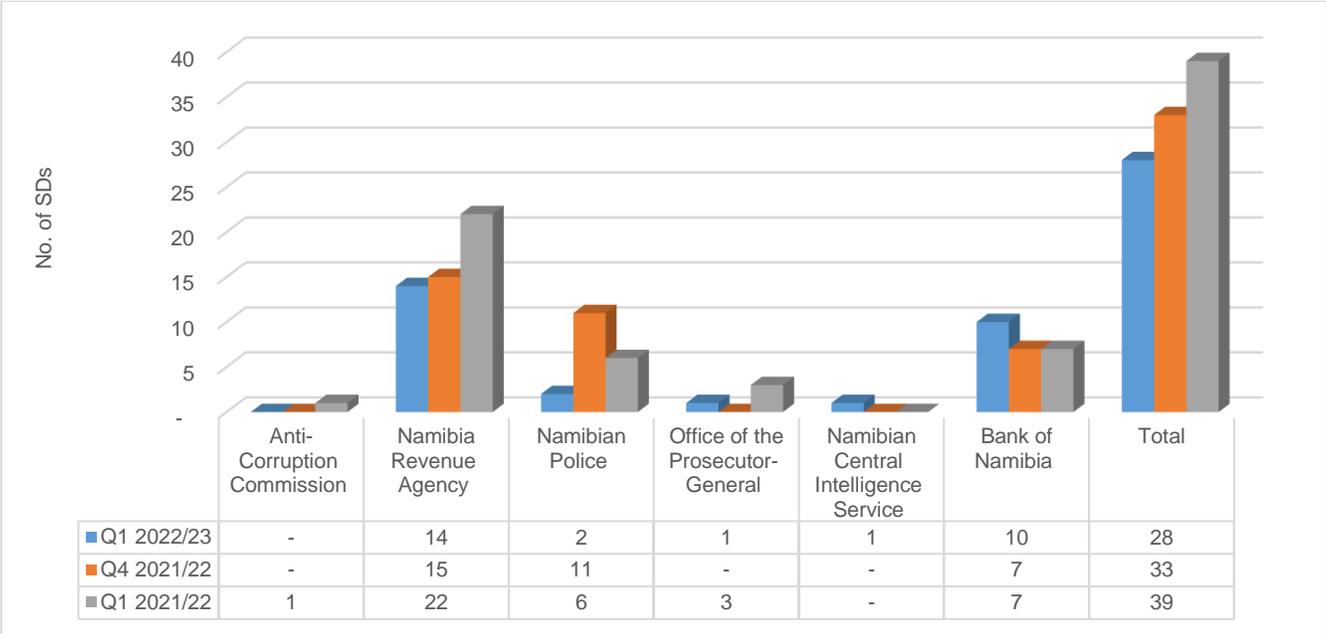
**Chart 3: Incoming Requests: Domestic and International**



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 40 IRDs and 3 IRIs in the period under review.<sup>5</sup> Incoming requests reflect stakeholders searching for information/assistance from the FIC. Such can be from local or international stakeholders.

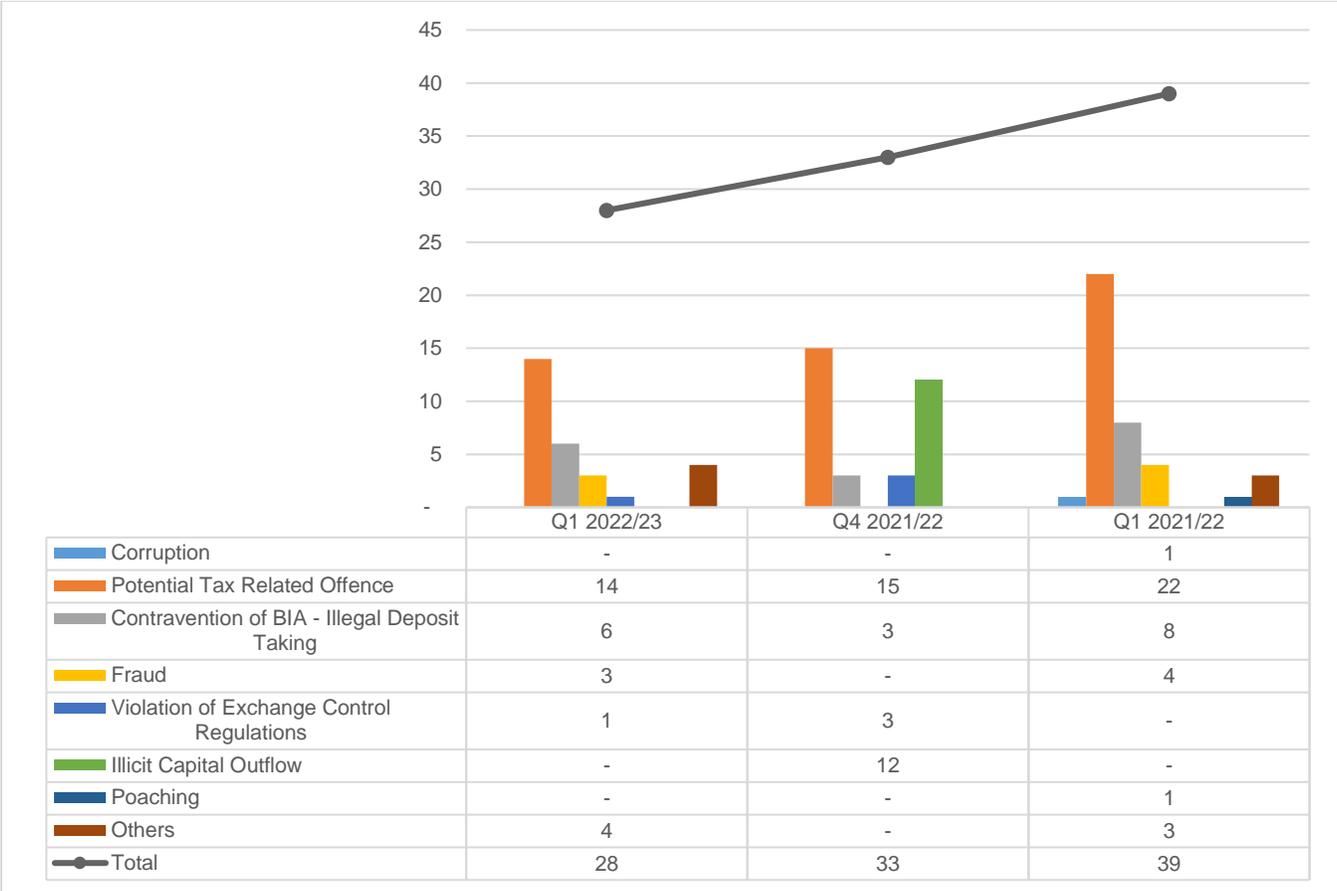
<sup>5</sup> FIC will increase existing efforts to further outline to Competent Authorities Nationally, the value addition FIC’s output can have to existing cases under investigation by such authorities, and or by informing them (Domestic and International) of criminal activities which would otherwise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

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



Spontaneous Disclosures are disclosures of intelligence or information made by the FIC to other combatting agencies or authorities. In the reporting period, the FIC disseminated 28 disclosures to LEAs. The number of disclosures decreased when compared to the 33 disclosures disseminated during the previous quarter. Further, the chart indicates that Namibia Revenue Agency (NamRA) received the highest number of disclosures in the period under review, followed by the Bank of Namibia (BoN) with 10 SDs. Disclosures to NamRA are on account of potential tax evasion and such related irregularities that may have been observed while disclosures to the BoN could primarily be around potential contraventions of the Banking Institutions Act (BIA) and/or the Exchange Control Rulings and Regulations.

**Chart 5: Potential Predicate Offences**



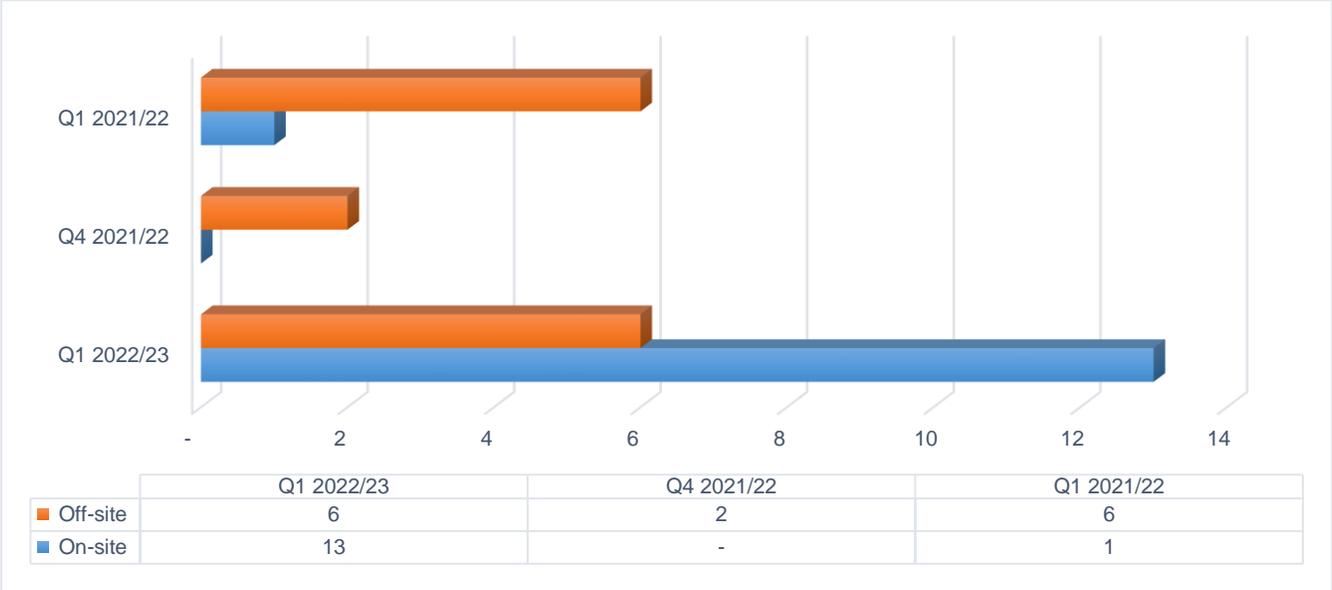
Overall, 28 potential predicate offences were recorded in the period under review (after FIC analysis). Potential tax related offences featured as the leading predicate offence followed by Contravention of BIA - Illegal Deposit Taking. Potential tax related offences need NAMRA’s confirmation to determine certainty as statistics herein are limited to FIC analysis and disseminations.

**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**



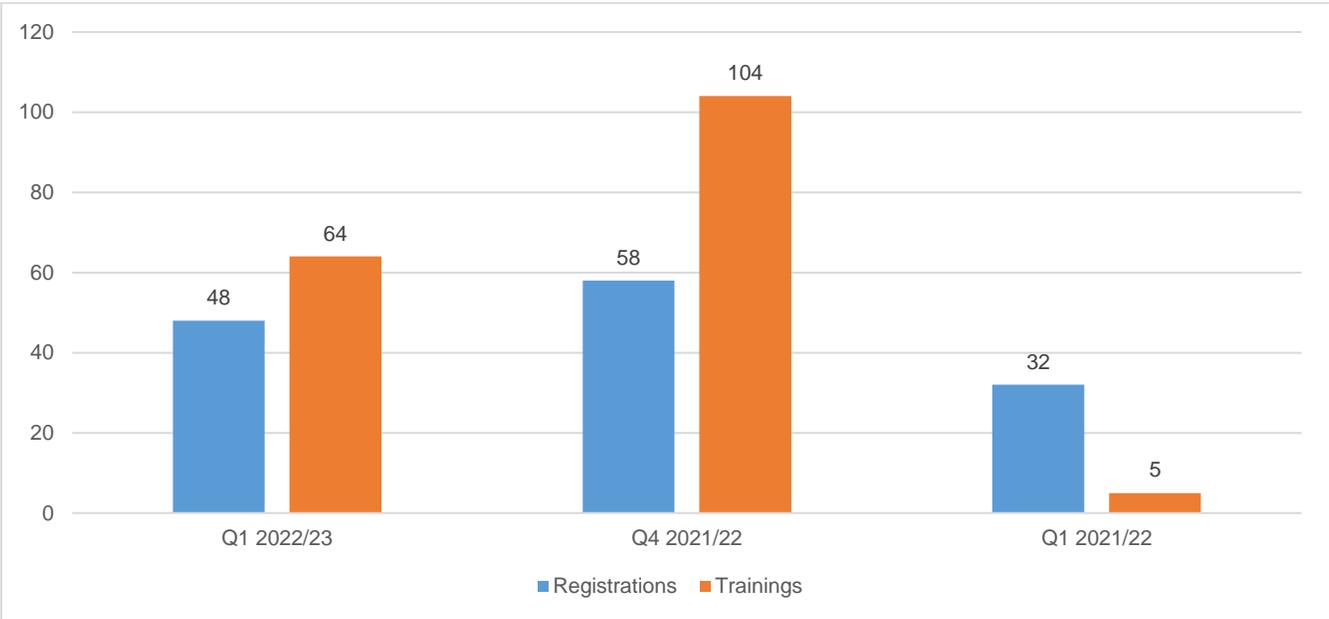
In the first quarter of 2022/23, the FIC conducted 13 and 6 on-site and off-site assessment activities, respectively.

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

Sectors	Registered Institutions	FIC Risk rating	No of FIC institutions assessed	Percentage coverage
Accountants	30	Low	8	27%
ADLAs	11	Medium	11	100%
Auctioneers	20	Low	15	75%
Banks	12	High	12	100%
Casinos	10	Medium	5	50%
Customs Clearing and Forwarding Agents	192	High	8	4%
Dealers in Precious Metals and Stones	7	Low	7	100%
Legal Practitioners	223	Medium	169	76%
Lending Institutions	7	Medium	5	71%
Money and Value Transfer Service Providers	4	Low	3	75%
Motor Vehicle Dealers	102	High	74	73%
Non-Profit Organizations	46	High	0	0%
Real Estate Agencies	798	Medium	127	16%
Trust and Company Service Providers	5	Low	2	40%
<b>Total</b>	<b>1,463</b>		<b>407</b>	

As of 30 June 2022, the FIC had a total of 1,463 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, Banks, Customs Clearing and Forwarding Agencies and Motor Vehicle Dealers and Non-Profit Organizations are considered high-risk sectors for potential money laundering.

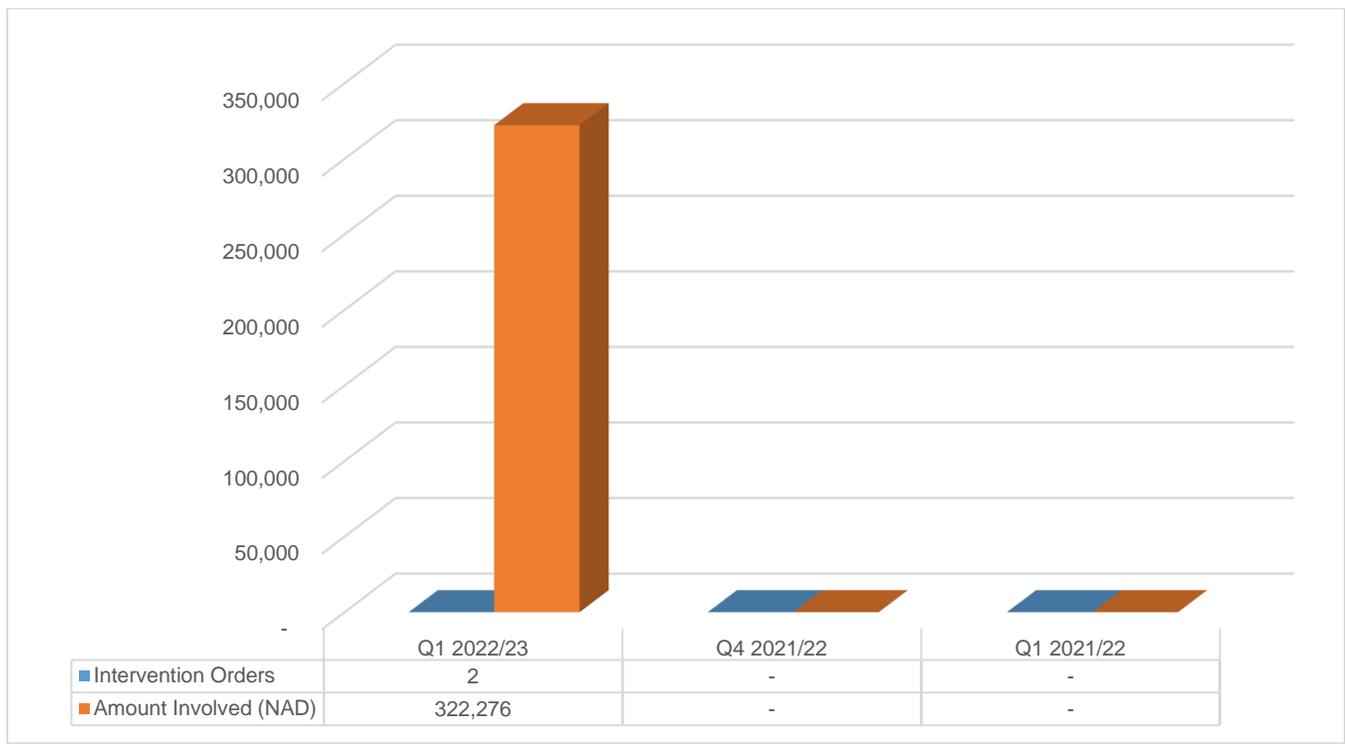
**Chart 7: Registrations and Trainings of Accountable and Reporting Institutions with the FIC**



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 64 institutions and registered 48 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, 2 intervention/restriction orders were issued involving a total amount of NAD 322,276.00.

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 in this report. 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). 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. It is only through these reports that

useful and meaningful intelligence can be produced for further use by the FIC, Law Enforcement and such other relevant bodies.

The report equally presents FIC observations on areas that may need improvement. The FIC will internalize to find way to enhance its outputs, particularly around resource constraints which often hamper its outcomes.

A handwritten signature in black ink, appearing to read 'P.P. K. G. Eiman'.

**G. EIMAN**

**ACTING DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**