Republic of Namibia

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FIRST QUARTERLY REPORT

APRIL – JUNE 2024

ISSUED: AUGUST 2024

TABLE OF CONTENTS

1. ACRONYMS

ADLAs	-	Authorized Dealers in Foreign Exchange 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, transshipment, 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 first quarterly statistical report of the 2024/25 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 Financing (AML/CFT/CPF) framework. Amongst others, the report speaks to the reporting behavior of relevant stakeholders, outcomes of reports forwarded to the FIC, as well as compliance monitoring and supervision activities. Importantly, the report also highlights areas where all stakeholders, including the FIC could improve in advancing the national framework's overall 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 that assists in 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 minimize 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 3,893[2] Accountable and Reporting Institutions were registered with the FIC *as of* 30 June 2024.

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 needed, capacity-building initiatives. If appropriate, enforcement interventions are also made to further enhance compliance. The FIC

[2] 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 behavior and increase awareness.

3.2 APPLICATION

This quarterly report is directed to all Accountable and Reporting Institutions as well as 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 the 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)

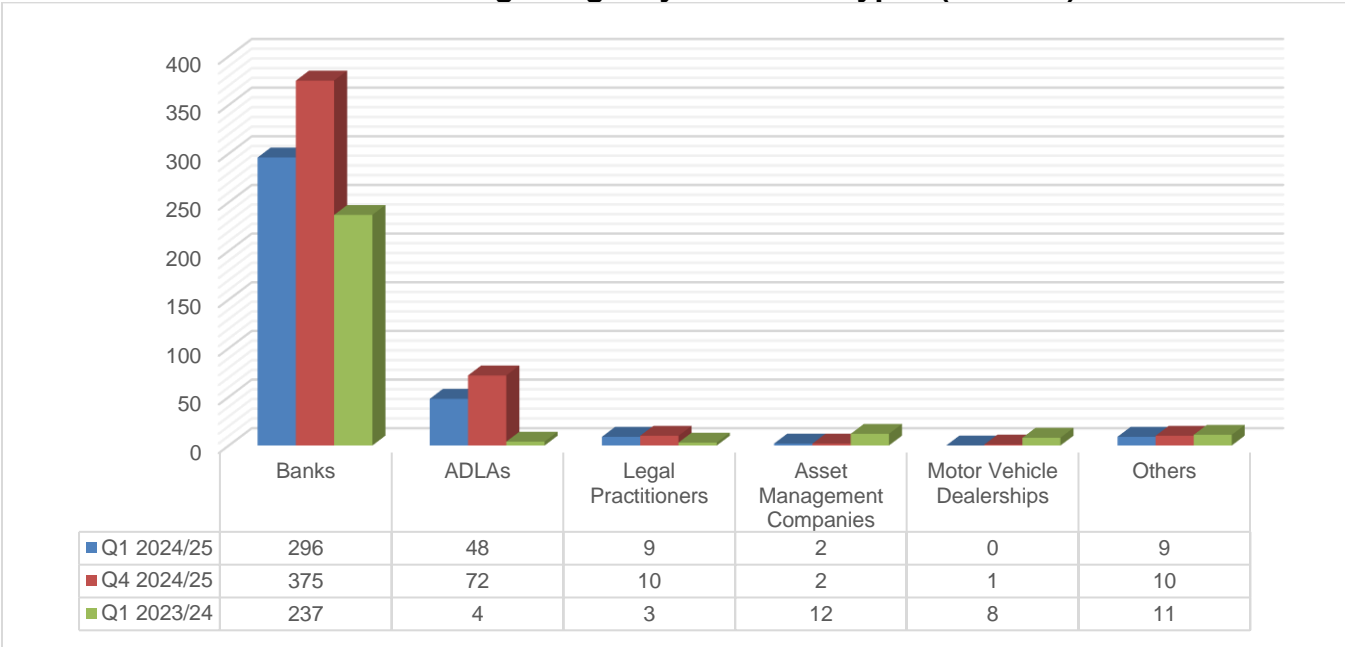|	Banks	ADLAs	Legal Practitioners	Asset Management Companies	Motor Vehicle Dealerships	Others
■ Q1 2024/25	296	48	9	2	0	9
■ Q4 2024/25	375	72	10	2	1	10
■ Q1 2023/24	237	4	3	12	8	11

Chart 1 above presents a summary of STRs filed by AIs and RIs during the period under review. The number of STRs dropped to 296 STRs when compared to 375 STRs received during the previous quarter. The banking sector continued to file the highest volume of STRs in both periods, followed by Authorized Dealers with Limited Authority (ADLAs). Even though various potential predicate offences have been reported to the FIC, tax-related offences featured as the leading predicate offence amongst all reports nationally.

Apart from tax-related offences, the banking sector indicated that fraud and illegal deposit taking, are also significant potential predicate offences in the country.

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

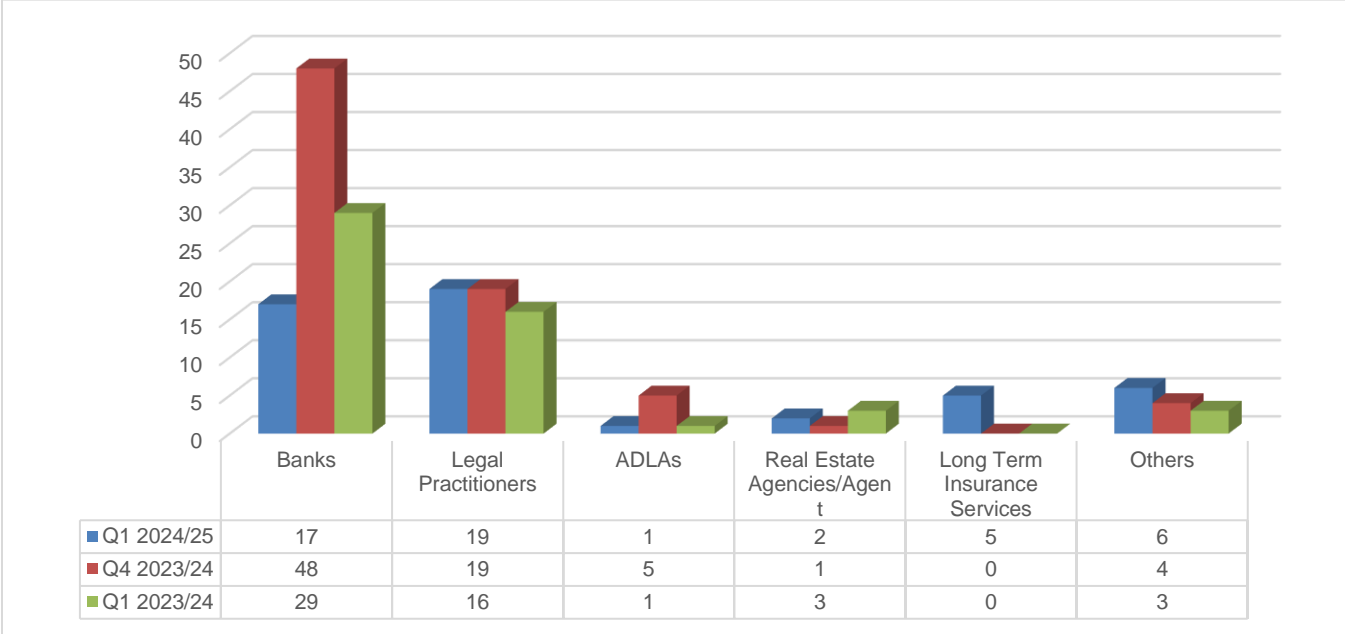|	Banks	Legal Practitioners	ADLAs	Real Estate Agencies/Agent	Long Term Insurance Services	Others
Q1 2024/25	17	19	1	2	5	6
Q4 2023/24	48	19	5	1	0	4
Q1 2023/24	29	16	1	3	0	3

Chart 2 presents a comparison of the volume of SARs received during the first quarter of the 2024/25 financial year with the previous quarter and the same quarter of the 2023/24 financial year. In the current quarter, the FIC received 50 SARs from Accountable and Reporting entities. Similar to the STRs, the banking sector filed most of the SARs followed by the Legal Practitioners.

According to the typology report issued by the FIC on the vulnerability/rate of abuse of different types of legal persons and arrangements in the advancement of ML, TF and PF, the highest volume of SARs (reported to the FIC) involves individual persons at 65%, followed by Proprietary Limited Companies at 23% and then Trusts at 8%. STR reports largely suggest that CCs are

most vulnerable to abuse in advancing ML and TF.

4.2 STRs AND SARs PRIORITIZATION CONSIDERATIONS

The FIC introduced a Prioritization Model into goAML on 01 June 2023. This risk-based model assesses and determines the priority of all STRs/SARs against configured business rules. These rules encompass key texts and phrases, prevalent risks, crime indicators informed by Namibia's Risk Assessment as well as other prevailing financial crime risks. Below are some of the common reasons why STRs/SARs from the Sectors were categorized as low priority.

a. STRs filed with minimal to no indicators of ML/TF or PF;
b. Defensive reporting based on fear of being found non-compliant with the law during FIA Compliance Assessment;
c. Entities not conducting preliminary analysis before they file STRs, the reports lack sufficient grounds for further analysis;
d. Transaction value captured and the amount in the reason of suspicion are different;
e. Multiple indicators selected, yet not linked to the reason for suspicion;
f. Listing of predicate offenses while these are not linked or supported by the reason of suspicion;
g. Reason of suspicion suspect capital flight yet no cross-border transactions are captured or those captured have both source and destination as local accounts; and
h. Preliminary analysis has not been conducted to understand the change in account and transaction behavior.

Table 1: STRs filed vs STRs analysed

	Q1 2024/25	Q4 2023/24	Q1 2023/24
Case Files Opened	12	8	40
Low Priority	342	414	158
Under Cleansing	10	48	77
Grand Total	364	470	275
(%) of SARs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}} \right) \times 100$	3.3%	1.7%	14.5%

In this quarter, the FIC analyzed 3.3% of STRs filed, an increase from the 1.7% recorded during the previous quarter. The above highlighted factors and human resource constraints within FIC's Financial Investigations and Analyses Division contributed significantly to the low volume of

reports analysed.

The issue of human resource constraints stated above also plays a significant role in the cleansing of reports filed and leads to the low prioritisation of enormous reports. At the time of reporting, 10 and 342 STRs were still under cleansing and accorded a low priority status respectively.

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

	Q1 2024/25	Q4 2023/24	Q1 2023/24
Case Files Opened	2	3	1
Low Priority	25	47	36
Under Cleansing	23	27	15
Grand Total	50	77	52
(%) of SARs escalated to LEAs $= \left(\frac{\text{Case File Opened}}{\text{Grand Total}} \right) \times 100$	4.0%	3.9%	1.9%

In the period under review, only 2 of the SARs were escalated for further analysis. Further, 50% of the SARs were accorded a "low priority" status. The challenges highlighted in Table 1 above equally applied to Table 2.

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.
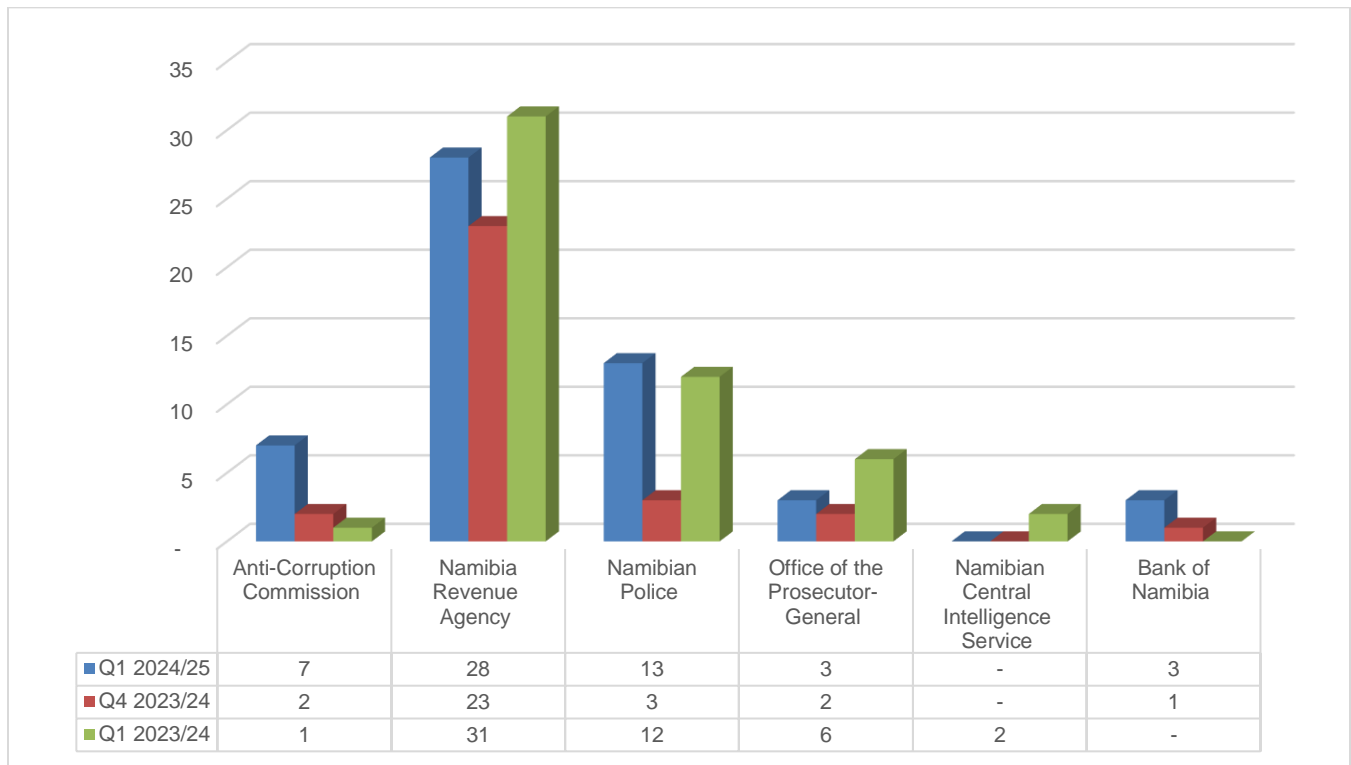
Chart 3: Incoming Requests: Domestic and International
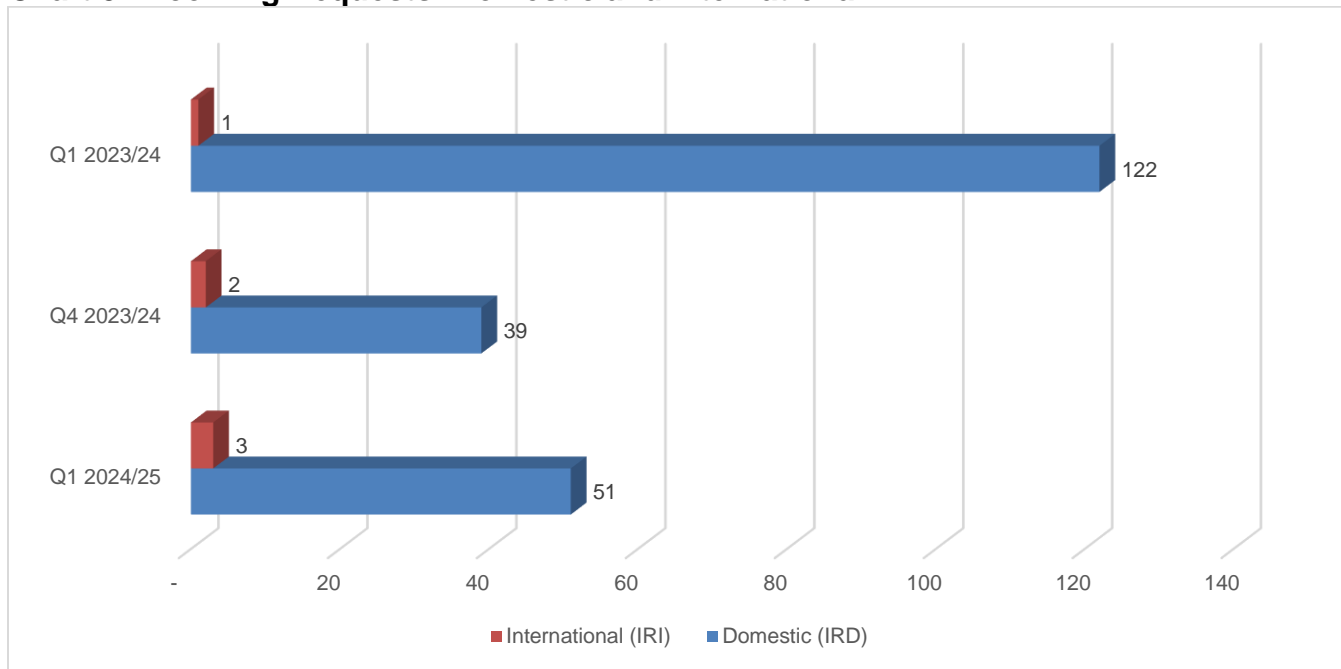
The chart above presents a summary of the number of Incoming Requests for both Domestic (IRD) and International (IRI), as received by the FIC during the specified reporting quarters. The number of requests received totaled 51 IRDs in the period under review. Incoming requests reflect stakeholders searching for information/assistance from the FIC. Such can be from local or international stakeholders. Importantly, 24 of these reports were received from Namibia Revenue Agency followed by Namibian Police with 16, Bank of Namibia with 6, Namibia Central Intelligence Service with 4 and then 1 from Anti-Corruption Commission. It is however significant to indicate that not all the reports have been analyzed at this stage. However, in most cases, all IRDs and IRIs must be escalated for further analysis.

According to the analysis done for all the IRDs and IRIs filed since inception until 31 December 2023, various potential predicate offences have been reported to the FIC, with fraud featured as the leading predicate offence at a prevalence rate of 30%. Poaching comes second with 5.3% and then corruption at 4.7%. It is also critical to indicate that in the requests filed, most institutions indicated more than 3-5 potential predicate offences (red flag indicators) which makes it difficult for analysts to further analyze such requests and finalize them on time. Further, in about 36% of the IRDs filed, the potential predicate offences were not indicated or cited as 'unknown' and 90% of these requests were filed by LEAs. By not indicating the possible predicate offences, it becomes challenging for FIC analysis, and this may further prolong the report finalization.

Chart 4: Spontaneous disclosures (SDs)

	Anti-Corruption Commission	Namibia Revenue Agency	Namibian Police	Office of the Prosecutor-General	Namibian Central Intelligence Service	Bank of Namibia
Q1 2024/25	7	28	13	3	-	3
Q4 2023/24	2	23	3	2	-	1
Q1 2023/24	1	31	12	6	2	-

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 54 disclosures to LEAs. Further, the chart indicates that Namibia Revenue Agency (NamRA) received the highest number of disclosures overall. As indicated, most of the reports (IRDs) have been filed from NamPol and NamRA, equally such institutions have received the most SDs from the FIC for further analysis and action where necessary.

Chart 5: Potential Predicate Offences
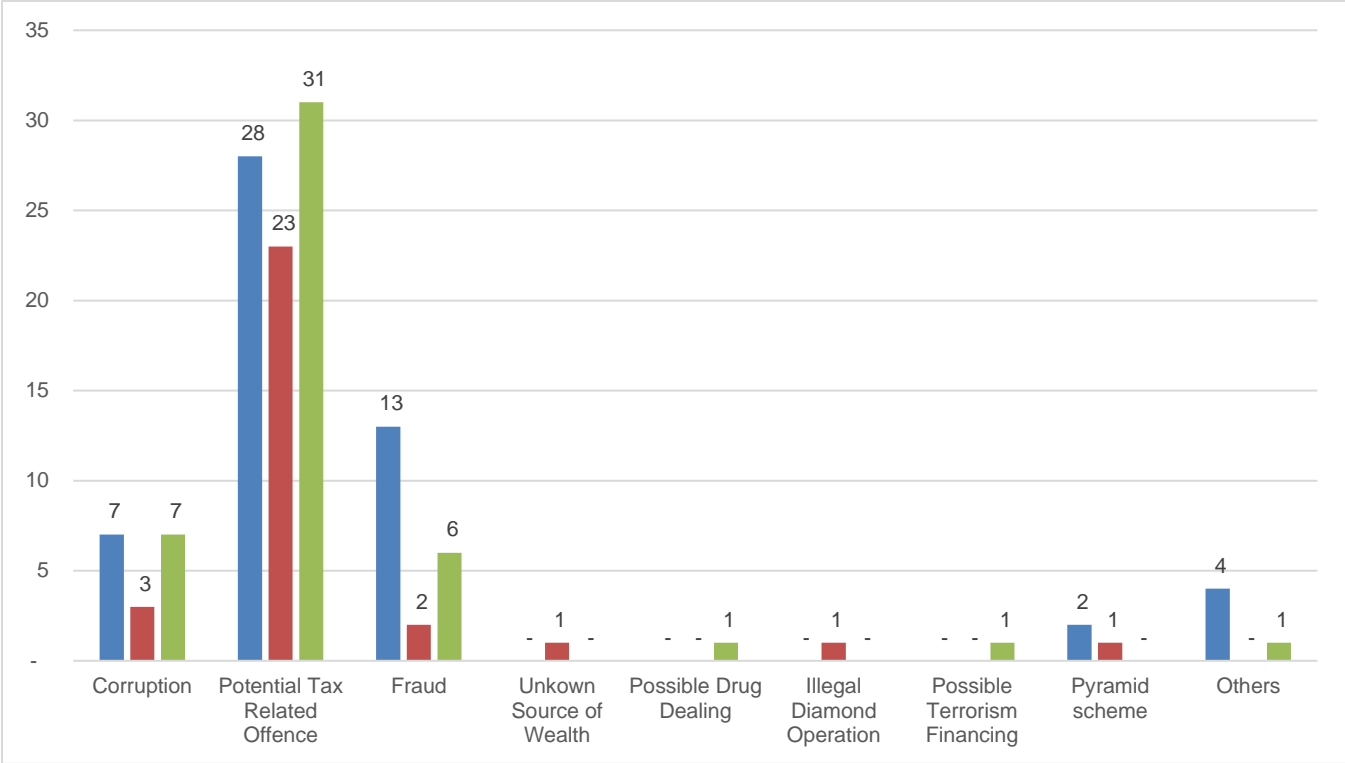
Overall, 54 potential ML predicate offences were recorded in the period under review (after FIC analysis of reported suspicions). Potential tax-related offences featured as the leading predicate offence followed by fraud. Potential tax-related offences need NAMRA's confirmation to determine certainty as statistics herein are limited to FIC analysis and dissemination.

4.4 COMPLIANCE ASSESSMENTS

Continuous efforts are made to increase FIA supervisory coverage as well as enhance the quality of overall risk management in the regulated populace. The ultimate 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 an approach informs the nature, frequency and extent of relevant supervisory activities employed in supervision.

Chart 6: Compliance assessments
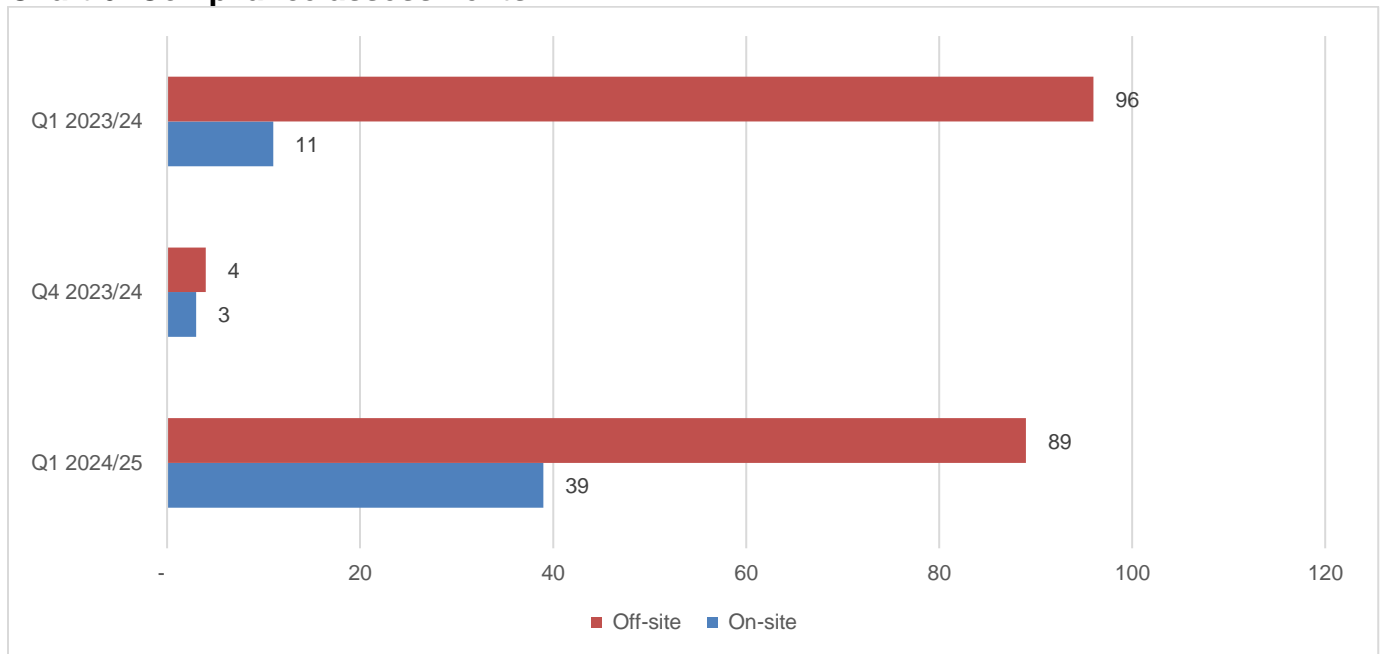
In the first quarter of 2024/25, the FIC conducted 39 and 89 on-site and off-site assessment activities respectively. The Compliance Monitoring and Supervision Division must take effective measures to enhance report quality or value adding STRs/SARs which can lead to effective investigations, prosecutions, asset forfeitures and asset/tax recoveries.

Table 3: Compliance assessment coverage of AIs and RIs as at 30 June 2024

Sectors	Registered Institutions	FIC Risk rating	No of FIC institutions assessed	Percentage coverage
Accountants and Auditors	268	L	19	7.1%
Authorised Dealers with Limited Authorities	4	M	3	75%
Auctioneers	21	L	17	81%
Banks	9	H	8	88%
Casinos	5	M	2	40%
Customs Clearing & Forwarding Agents	243	H	8	3%
Dealers in Precious Metals and Stones	24	L	17	71%
Legal Practitioners	145	M	41	28.3%
Lending Institutions	12	M	2	16.7%
Money and Value Transfer Service Providers	5	L	0	0.0%
Motor Vehicle Dealers	119	H	74	62%
Non-Profit Organizations	226	H	0	0%
Real Estate Agencies	590	M	143	24.2%
Trust and Company Service Providers	266	L	1	0.4%
Total	**1,937**		**335**	

As of 30 June 2024, the FIC had a total of 2,924 active 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. Institutions under the supervision of NAMFISA are excluded from the table. Accordingly, Banks, Customs Clearing & Forwarding Agents are considered to be exposed to higher risks of ML and Non-Profit Organizations for TF.

Chart 7: FIC Registration and Training of Accountable and Reporting Institutions

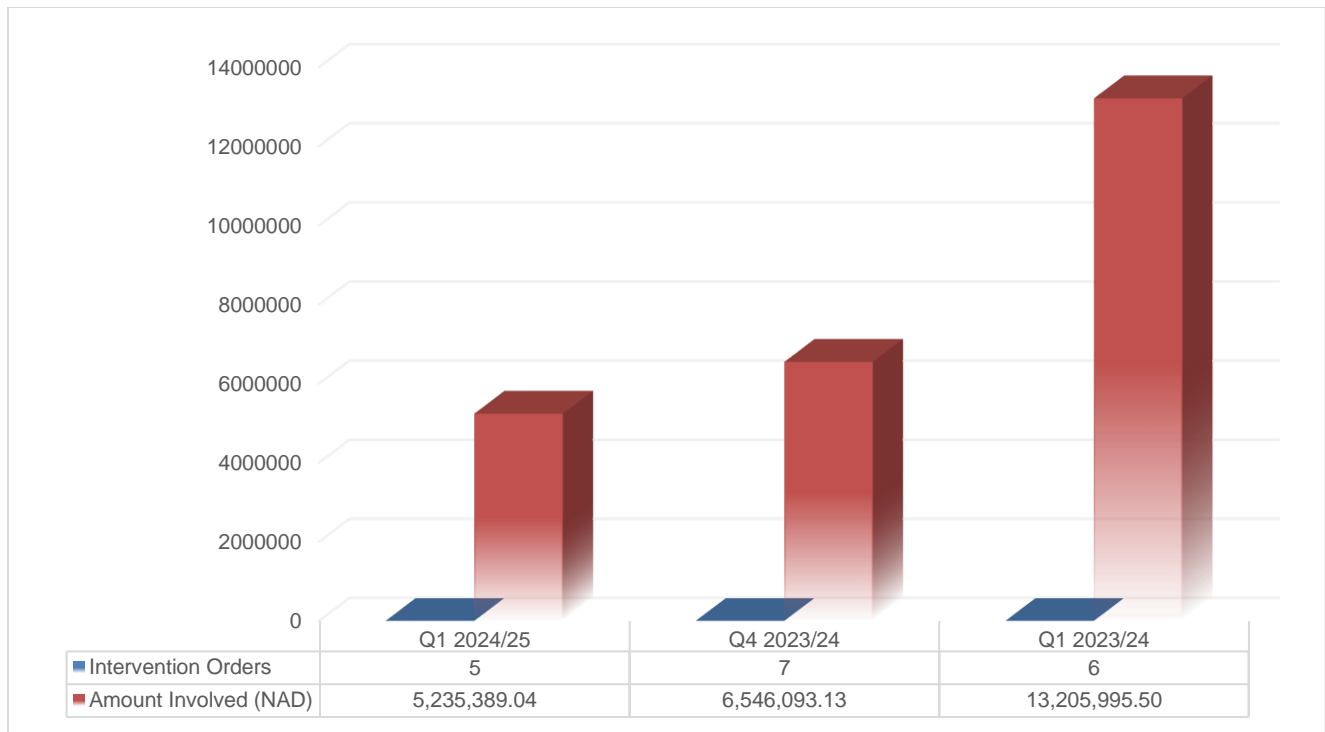|	Q1 2024/25	Q4 2023/24	Q1 2023/24
■ Registrations	74	237	74
■ Trainings	0	1	4
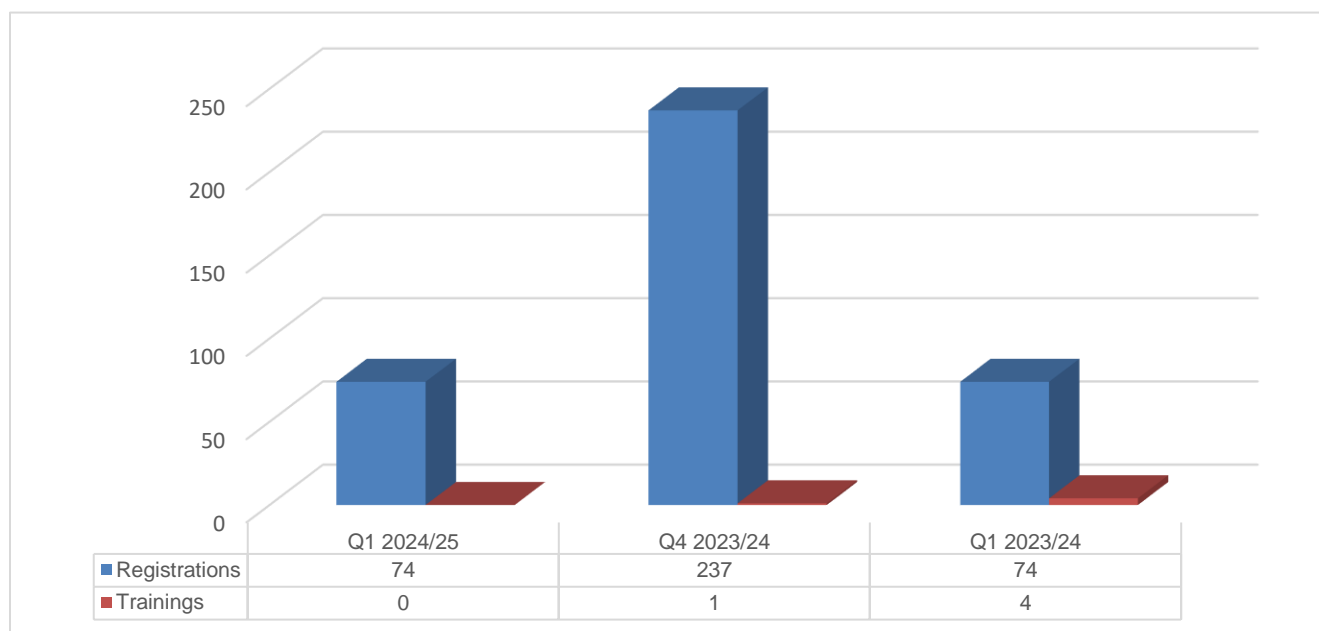
Training and registration are essential to supervisory activities. Training or capacity building in particular are essential in enhancing understanding of risk management which may result in improved compliance behavior. Equally, the registration of institutions with the FIC enhances supervisory effectiveness. Note that not all legal persons and arrangements are undertaking the customer due diligence (CDD) measures required by the FIA and not all the prudential supervisory bodies have the desired level of understanding of information on ML/TF/PF vulnerabilities specific to the legal sector to provide to their members. Limited awareness about ML/TF/PF vulnerabilities and red flag indicators reduces the likelihood that legal persons and arrangements would be in a position to prevent the misuse of their services.

During the period under review, the FIC registered 74 Accountable and Reporting Institutions.

5. PARTNER AGENCIES: STATISTICS

Chart 8: Asset Recovery (Intervention Orders)

	Q1 2024/25	Q4 2023/24	Q1 2023/24
■ Intervention Orders	5	7	6
■ Amount Involved (NAD)	5,235,389.04	6,546,093.13	13,205,995.50

The above chart shows the number of intervention orders issued by the FIC as well as the monetary values involved. Five interventions/restriction orders were issued during the period under review.

It is important to note that NAMRA's Tax Assessment outcomes 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 speak to the data within 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 Financing framework. It is only through these reports that useful and meaningful intelligence can be produced for further use by the FIC, Law Enforcement and other relevant bodies.

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

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