



# FIC Annual Report 2017/18



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## **The Financial Intelligence Centre (FIC) Annual Report 2017/18**

This is the FIC's Annual Report and Financial Statements for the financial year ended 31 March 2018, prepared pursuant to section 15 of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) (FIA) as amended.

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Published by the Financial Intelligence Centre  
71 Robert Mugabe Avenue  
PO Box 2882  
Windhoek  
NAMIBIA  
Tel.: +264 61 283 5100  
Fax: +264 61 283 5259  
<http://www.fic.na>

Enquiries: [helpdesk@fic.na](mailto:helpdesk@fic.na)



# Abbreviations and Acronyms

|                    |  |
|--------------------|--|
| <b>AIFs</b>        | Additional Information Files   |
| <b>AML/CFT/CPF</b> | Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation.                    |
| <b>AMLCFTPC</b>    | Anti-Money Laundering and Combating the Financing of Terrorism and Proliferation Council.            |
| <b>CTRs</b>        | Cash Transaction Reports   |
| <b>CBMCRs</b>      | Cross Border Movement of Cash Reports  |
| <b>EFTs</b>        | Electronic Funds Transfers   |
| <b>ESAAMLG</b>     | Eastern and Southern African Anti Money Laundering Group.  |
| <b>FATF</b>        | Financial Action Task Force.   |
| <b>FIA</b>         | Financial Intelligence Act, 2012 (Act No 13 of 2012), as amended.                                    |
| <b>FIC</b>         | Financial Intelligence Centre.   |
| <b>FIU</b>         | Financial Intelligence Unit.   |
| <b>IMF</b>         | International Monetary Fund.   |
| <b>IFTs</b>        | International Funds Transfers  |
| <b>ML</b>          | Money Laundering.  |
| <b>PACOTPAA</b>    | The Prevention and Combating of Terrorist and Proliferation Activities Act, 2014 (Act No 4 of 2014). |
| <b>PF</b>          | Proliferation Financing.   |
| <b>POCA</b>        | The Prevention of Organised Crime Act, 2004 (Act No. 29 of 2004) as amended.                         |
| <b>SARs</b>        | Suspicious Activity Reports  |
| <b>STRs</b>        | Suspicious Transaction Reports   |
| <b>TF</b>          | Terrorist Financing.   |
| <b>UN</b>          | United Nations.  |
| <b>UNODC</b>       | United Nations Office Against Drugs and Crime  |
| <b>UNSC</b>        | United Nations Security Council.   |
| <b>UNSCR</b>       | United Nations Security Council Resolution.  |



# Introduction

## About the FIC

The FIC is Namibia's national unit established in terms of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) (FIA) with the mandate to prevent and combat Money Laundering, Terrorist and Proliferation Financing Activities in collaboration with other Law Enforcement Agencies and identified private sector stakeholders.

## Governance

The FIC reports on all governance functions to the Anti Money Laundering and Combating the financing of Terrorist and Proliferation Council, AML/CFTP established in terms of section 17 of the FIA.

### Functions of the AML/CFTP Council

- a) advises the Minister responsible for Finance at its own initiative or upon request, on:
  - policies and measures to combat money laundering, financing of terrorism and proliferation activities; and
  - the exercise by the Minister of the powers entrusted to the Minister under the Act;
- b) consult, when necessary, with the FIC, associations representing categories of Accountable or Reporting institutions, Offices, Ministries, Agencies, supervisory bodies, regulators and any other person;
- c) advise the FIC concerning the performance of its functions;
- d) consider and recommend the proposed budget of the FIC to the Minister for approval;
- e) consider and recommend to the Minister; human resources and other resources required by the FIC to effectively carry out its functions in terms of the FIA for approval; and
- f) recommend to the Minister the appointment or removal of the Director.

# The Council members



**Mr. I Shiimi**  
(Chairperson of the Council)



**Ms. E Shafudah**  
PS (Ministry of Finance)  
Member



**Mr. IVK Ndjoze**  
PS (Ministry of Justice)  
Member



**Ms. Baronice Hans**  
President  
(Bankers Association of  
Namibia)  
Member



**Mr. K Matomola**  
CEO (NAMFISA)  
Member



**Inspector General SH Ndeitunga**  
(Nampol)  
Member

# The Council members



**Ms. E. Angula**  
(The Law Society of Namibia)  
Member



**Mr. G Sinimbo**  
PS (Min. of Industrialization, Trade & SME  
Development)  
Member



**Mr. J Kandjeke**  
(Public Accountant & Auditor's Board)  
Member



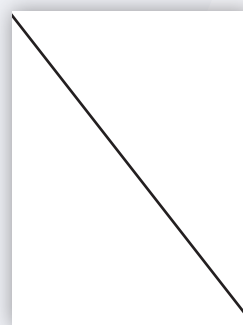
**Comm. (Rtd) T. Kamati**  
PS (Min. of Safety and Security)  
Member



**Adv. O.M Imalwa**  
(Prosecutor General)  
Member



**Mr. Paulus Noa**  
Director General (Anti-Corruption Commission)  
Member



**Mr. B.K Likando**  
Director (NCIS)  
Member

## Foreword by the Minister



The national economic goals remain a guiding compass towards the attainment of vision 2030 and the Harambee Prosperity Plan. This national aspiration can be undermined by tribulations of Money Laundering, and the Financing of Terrorist and Proliferation Activities.

It should be noted that effective governance is an automatic consequence for socio-economic development, while corruption remains the number one enemy in the war against poverty, as it diverts scarce resources intended for development. Therefore, to effectively stamp out corruption requires a robust governance architecture underpinned by strict principles of accountability and transparency.

Corruption, amongst other crimes, is a predicate offence of Money Laundering, and requires considered effort to curtail.

It is common knowledge that the scourges of Money-Laundering, and Financing of Terrorist and Proliferation Activities, if not adequately addressed, have a greater potential for undermining the overall performance of the country's economy.

These tribulations can result in abrupt stalling of commerce and prompt isolation of a country's economy from the rest of the world.

Namibia, like other members of the United Nations, made international commitment through ratification of relevant international conventions and enacted domestic laws to criminalise Money Laundering, Terrorism Financing and the Financing of Proliferation Activities, as well as setting out procedures on conviction and non-conviction based forfeiture of illicit assets.

The continuous alignment of the national AML/CFT/CPF Policy, legislative and implementation framework with international AML/CFT/CPF obligations, standards and best practices is testimony that Namibia is committed to ensure effective fulfilment of both national and international obligations on combating Money Laundering, the Financing of Terrorist and Proliferation Activities, and seek to realize a robust AML/CFT/CPF Regime.

The AMLCFTP Council and the FIC plays a pivotal role in mobilization of both private and public institutions to ensure effective implementation of the National AML/CFT/CPF Policies and Laws. This in turn ensures that Namibia effectively complies with her international AML/CFT/CPF obligations, which is entrenched in applicable UN Conventions, UN Security Council Resolutions and the FATF Recommendations on combating money laundering, terrorist financing and proliferation financing.

Corruption, Terrorist Financing, Proliferation Financing, de-risking and financial inclusion, Beneficial Ownership, and Virtual Currency Payment Products and Services (VCPSS) continue to be high priority on the international AML/CFT/CPF agenda and experts are working tirelessly monitoring and developing improved guiding tools on implementation of FATF recommendations. Countries are assessed through mutual evaluation, on technical and effectiveness to ensure compliance with international AML/CFT/CPF obligations and standards. Namibia is in the process of preparing for her upcoming mutual evaluation scheduled to take place in 2020 to test the effectiveness of the country's AML/CFT/CPF regime.

I want to express my gratitude to the FIC's staff for their commitment and dedication to serving the nation passionately during the period under review.

In the same vein, I want to applaud the AMLCFTP Council, private sector, law enforcement, the Prosecutor-General, and all other relevant stakeholders for their collaborative effort to preserve the integrity of the national financial system in particular, and contribute towards the protection of the national and global payment system in general, against the abuse for purposes of Money Laundering, Terrorist and Proliferation Activities Financing.

**Hon. C. Schlettwein**  
Minister of Finance



# Chairman's overview



The primary role of the FIC is to contribute towards safeguarding the integrity of the Namibian financial system in order to create a favourable economic environment for trade and investment, in support of economic growth and development.

As indicated in the two previous annual reports, as a member of a regional body called the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Namibia is preparing for her second Anti-Money Laundering, Counter Terrorism and Counter Proliferation Financing (AML/CFT/CPF) mutual evaluation starting in 2019 with an off-site evaluation and concluding in 2020 with an on-site evaluation. As part of this preparation, the AML/CFTP Council in 2015 commissioned the FIC to conduct a national AML/CFT/CPF self-assessment, in order to determine to what extent Namibia is complying with her international obligations and identify possible gaps in the national AML/CFT/CPF framework. The Self-Assessment Report and its Action Plan was approved by the Cabinet. The FIC has been at the helm of driving the implementation of the Action Plan nationally.

One of the deficiencies identified during the self – assessment was the lack of ML/TF/PF investigation, prosecution and/or conviction statistics. Statistics is the measuring stick that the mutual evaluators use in order to determine the effectiveness of a country's national AML/CFT/CPF framework. If a country cannot produce statistics, it is regarded as not being effective in the global fight against ML/TF/PF and runs the risk of being denied access the international financial system; inevitably negatively impacting on the national economy.

Due to a lack of human and financial resources in relevant offices/ ministries/ agencies the aforementioned statistical deficiency has not been addressed yet, and this is a very serious cause for concern. The AML/CFTP Council instructed all stakeholders (including the FIC) to address this deficiency before the on- site evaluation in 2020. As such, there exist a dire need for domestic cooperation amongst public and private institutions to ensure that the country is ready for the scheduled mutual evaluation.

Other challenges, like the absence of an explicit legal framework allowing the sharing of information amongst banking institutions continue to hamper timeous actions against Money Laundering, Terrorist Financing and Financing of Proliferation Activities. However, the FIC and the Bank of Namibia has now joined forces in order to find a solution to this obstacle.

Namibia is also in the process of updating the ML/TF/PF National Risk Assessment (NRA) as part of a continuous strive to effectively mitigate the risks of ML/TF/PF, using a risk-based approach.

During the period under review, the AML/CFTP Council noted yet another considerable hike of the FIC's workload which is attributed to a sharp incline in Reports and Information Requests received by the Centre.

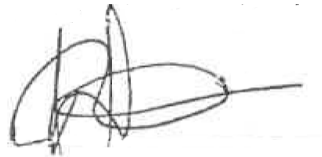
A similar increase was also noted in the previous financial year, attributed to the growth of the regulated populace and the general awareness of reporting obligations.

The AML/CFTP Council thus applauds the FIC that, despite severe challenges, it continued its unwavering delivery on the FIA mandate by ensuring that both private and public institutions contribute meaningfully towards safeguarding the national financial system against the abuse for Money Laundering, Terrorist Financing and the Financing of Proliferation Activities.

I recognise the commitment and dedication of the FIC staff, the Council members, respective Law Enforcement Agencies and the Office of the Prosecutor-General in their endeavours to ensure that Namibia contributes significantly to the protection of the global financial system from being abused for Money Laundering, Terrorist Financing and Proliferation Financing activities.

In conclusion, I recognise the crucial role played by members of the public in general towards safeguarding the national financial system.

I call upon all Namibian citizens to remain vigilant and render their support to the FIC, other Law Enforcement Agencies and the private sector in order to effectively combat Money Laundering, Terrorist Financing and Proliferation Financing activities.

A handwritten signature in black ink, appearing to be 'Lipumbu Shiimi', written over a faint horizontal line.

**Lipumbu Shiimi**

Chairman: AML/CFTP Council

## Director's overview



Namibia's financial system continues to remain stable, calmly operating in a complex, dynamic and ever changing global environment. The benefits for Namibians of having such type of financial system remains significant. However, the more stable the national financial system, the more attractive and vulnerable it remains to abuse by those involved in Money Laundering (ML), Terrorist Financing (TF) and Proliferation (PF). Once exploited, Namibia's economic wellbeing will have negated with the safety of the citizenry put at risk.

In lieu of the above, the Financial Intelligence Centre's (FIC) core focus remains assisting with the protection and safeguarding of the stability and integrity of the Namibian financial system from criminal abuse, for the benefit of Namibia and her people. This the FIC does by ensuring effective adherence to and compliance with the national Anti-Money Laundering (AML), Combatting the Financing of Terrorism (CFT) and Proliferation (CPF) policy, legislative and implementation framework.

Being effective on the FIC's core focus area, by no means is an easy task. It requires a continuous effort to better understand Namibia's ML/TF/PF risk and threat exposure. Better understanding ensures effective resource allocation for purposes of effective risk mitigation. FIC maintains that improved understanding of ML/TF/PF risks and threats, remains most effective in assisting the Private Sector, Law Enforcement and Supervisors in directing resources to target areas of high ML/TF/PF risk, thereby ensuring that Namibia's approach to the preventing and combatting of financial crimes is risk-based and proportionate.

The year in review indeed proved to be an eventful one. FIC's compliance, intelligence and enforcement activities remained key in significantly disrupting and preventing the exploitation and abuse of Namibia's financial system by criminal elements. It further demonstrated that key reforms must be introduced, to ensure the overall effectiveness of the national AML/CFT/CPF regime.

After an eventful 2017, the year ahead will not be dull on Namibia's AML/CFT/CPF horizon. Some of what lies ahead in 2018 is set to build on what has been attained thus far and complement other key developments, planned and unplanned, that will emerge. In particular, the 2018 focus will be applied to, amongst others:

- combatting de-risking: a phenomenon driven by a number of factors, including the increasing cost of complying with the national AML/CFT/CPF laws. In particular, the incidence of potential exorbitant fines and penalties and the difficulty of assessing the threat of non-compliance, has greatly increased operational risks faced by financial institutions over the past two years, causing them to de-risk customers. Upon de-risking, affected customers lose access to basic financial services, which has the propensity to undermine national financial inclusion and development objectives. Additionally it may impair national efforts to effectively prevent and combat ML/TF/PF with the consequential risk of underground banking operations blossoming in the country;
- operationalising the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended (FIA) Schedule I item 13 requirements to address ML/TF/PF risks emanating from crypto assets and the diverse nature of the crypto asset landscape. Whilst crypto assets and related financial services may spur financial innovation and efficiency and enhance financial inclusion, it also creates opportunities for ML/TF/PF. In order to ensure that Namibia mitigate all national ML/TF/PF risk exposure an urgent need has been identified for FIC to take coordinated action to prevent the use of Crypto assets for ML/TF/PF purposes. In this regard, certain segments in the crypto assets value chain may be required to adopt and maintain an AML/CFT/CPF program; identify, assess, mitigate and manage ML/TF/PF risks; ascertain and verify the identities of customers; report to the FIC various reportable transactions; keep prescribed records; and fulfil remaining obligations as prescribed by the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended;

- complementing the 2012 National AML/CFT/CPF Risk and Threat Assessment and its 2014/15 update, through sectoral ML/TF/PF Risk and Threat Assessments;
- maturing the FIC's intelligence capability and ensure its alignment with the National AML/CFT/CPF Risk and Threat Assessment outcomes, the National Crime Threat Assessment outcomes and strategic priorities of partner agencies;
- understanding FIA regulatory satisfaction by the remaining FIA regulated populace not covered during 2017/18; and
- enhancing AML/CFT/CPF compliance through usage of digital identification: This process entails understanding the benefits that can be derived for more effective Know-Your-Customer, Customer-due-diligence and Enhanced customer-due-diligence, by using digital identification as part of the on-boarding process. It will further entail

an assessment of different challenges surround digital identification (e.g. technology/security/risk management/ data use) and whether recommendations should be supported to align/change the FATF Recommendations to support the growing use of digital identification for the identified purposes by the FIA regulated populace.

At the forefront of delivering FIC's 2018 objectives will be safeguarding the integrity of Namibia's financial system and protecting the citizenry from harm caused by ML/TF/PF risks.

As in all previous years, the FIC remains resolute in vigorously contributing to the identification, understanding, assessment and mitigation of Namibia's ML/TF/PF risk exposure and remain committed to serve the Namibian Nation without fear, favour or prejudice.



**Leonie Elleneza Dunn**  
Director: FIC

# Statement of accountability

**To the best of my knowledge and belief, I confirm the following:**

All information and amounts disclosed in this Annual Report are consistent with the Annual Financial Statements audited by the FIC's external Auditors.

This Annual Report is complete, accurate and free from any material omissions.

This Annual Report has been prepared in accordance with general Annual Report Guidelines endorsed by the Government of the Republic of Namibia.

The Annual Financial Statements have been prepared in accordance with applicable standards and that the FIC, with the administrative support availed by the Bank of Namibia as per the Financial Intelligence Act, 2012 (Act No. 13 of

2012) as amended, is responsible for the preparation of the financial statements and for the judgements made in this regard.

The FIC is responsible for establishing and implementing a system of internal controls to provide reasonable assurance as to the integrity and reliability of the performance information, human resources information and the Annual Financial Statements.

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In lieu of the above, I most humbly opine that this Annual Report adequately and fairly reflects the operations, performance, human resources and financial affairs of the FIC for the financial year ending 31 March 2018.



Leonie Dunn  
Director: FIC  
29 June 2018

# Getting to know the FIC

## 1. The history of the FIC and record milestones

The FIC came into being on 13 October 2007, but only became statutorily operational on 09 May 2009. At the time of creation, it was a department housed within the Bank of Namibia (the Bank), as per the repealed Financial Intelligence Act 2007 (Act No. 3 of 2007). The repealing of the Financial Intelligence Act, 2007 (Act No. 3 of 2007) by the Financial Intelligence Act 2012 (Act No. 13 of 2012) as amended (The FIA) remain one of the FIC's record milestones, and the ultimate objective was to ensure that Namibia's AML/CFT/CPF framework is fully aligned with international AML/CFT/CPF obligation standards and best practices.

Furthermore, the FIC attained operational autonomy, which implies that the FIC's functions are segregated from those of the Bank of Namibia. Today the FIC is a national operationally autonomous Centre responsible for combating ML/TF/PF in collaboration with other Law Enforcement Agencies. Meanwhile, the FIC continues to receive administrative support from the Bank of Namibia as provided for in terms of section 7(2) of the FIA.

### Other record milestones attained during the period:

- In the context of international cooperation, the FIC signed a memorandum of understanding with the Financial Intelligence Units of the People's Republic of China and Bangladesh on strategic, technical and operational cooperation.
- Domestically, the FIC revised and signed a memorandum of understanding with the Business and Intellectual Property Authority (BIPA) of Namibia on sharing of information pertaining to intellectual property rights, companies and close corporations.
- The FIC also widened the regulated population by registering additional Accountable and Reporting Institutions whose activities are described under schedule 1 and 3 of the FIA.

<sup>1</sup> All Administrative Action to be undertaken by the FIC to address identified FIA Non-Compliance by Accountable and Reporting Institutions as well as Supervisor Bodies are mandated by s. 56 of the FIA.

- The FIC updated the national ML/TF/PF risk assessment through sectoral risk assessments.
- The FIC published three Circulars on High risk and Non-Cooperative Jurisdictions to alert the Regulated Populace, stakeholders and the general public on the risks posed by the identified jurisdictions in terms of the FATF publication of June and November 2017 and March 2018.
- The FIC concluded investigations on phase 1 of a mega case involving potential proceeds of unlawful activities amounting to N\$ 3.5 billion. Work on the remaining phases of the case is ongoing.
- The FIC in its quest to strengthen strategic analysis, designated two officials on a permanent bases to develop strategic reports including trends and typologies, early warning, as well as quarterly bulletins on prominent predicate offenses and reporting behavior of the FIA Regulated Populace.
- The FIC during the review period reinforced its workforce by recruiting staff in vacant positions to meet its statutory goals.

## 1.1 The functions of the FIC

### The FIC's primary functions in terms of the FIA are :

- receive, prioritise, analyse, interpret financial data and disseminate intelligence to Law Enforcement Agencies spontaneously and upon request;
- inform, advise, and co-operate with other agencies domestically, as well as with foreign FIUs to disrupt ML/TF/PF activities;
- monitor, supervise and avail guidance to Accountable and Reporting Institutions, Supervisory Bodies and individuals in respect of the FIA;
- create public awareness, and offer training to the Regulated Institutions to fully understand their obligations under the FIA;
- Enforce compliance with the FIA by imposing proportionate and dissuasive administrative sanctions<sup>1</sup>;
- Implement a registration system for all Accountable and Reporting Institutions;

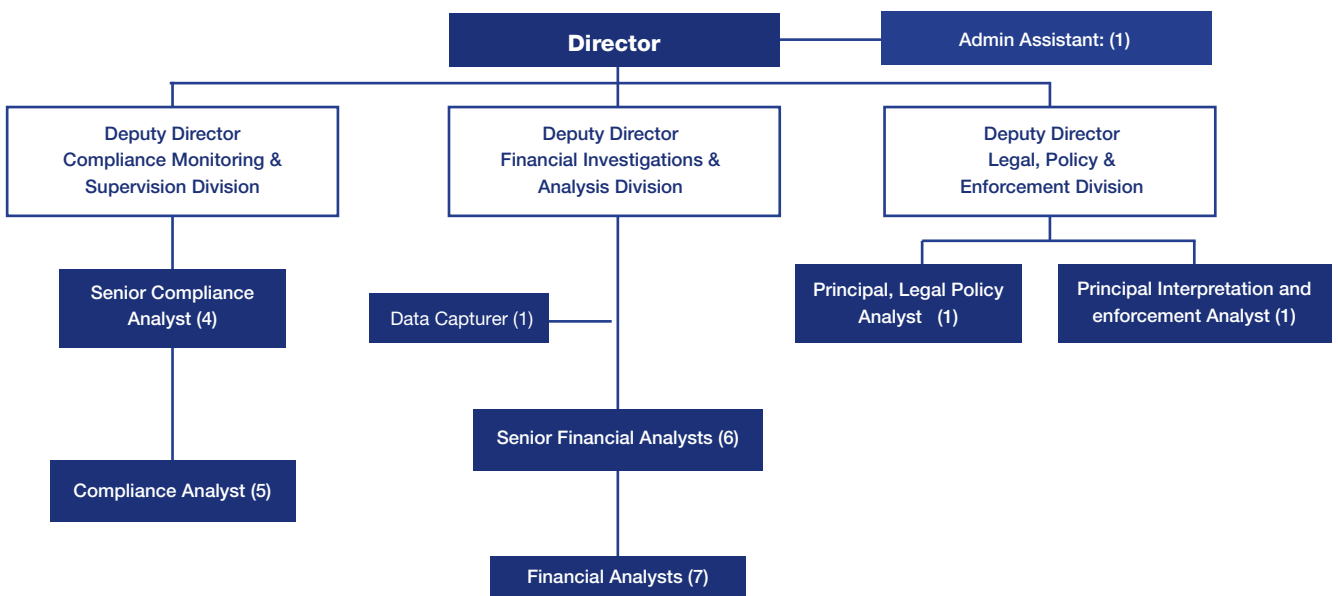
- align Namibia's National AML/CFT/CPF system with international AML/CFT/CPF obligations, standards and best practices;
- assist in the protection of the domestic and international financial systems against the abuse for purposes of ML/TF/PF.

**Other functions include:**

- identification, assessment and understanding of national ML/TF/PF risks, threats and vulnerabilities and ensure that preventative measures are effectively coordinated to address vulnerabilities and mitigate identified risks/threats;
- develop AML/CFT/CPF policies and strategies for consideration by the AML/CFTP Council the Minister of Finance and Cabinet;
- coordinate all National AML/CFT/CPF preventative and combatting efforts;
- preventing and combatting ML/TF/PF and related activities in collaboration with Law Enforcement Agencies, foreign FIUs, cooperating and supporting nations and organizations<sup>2</sup>;

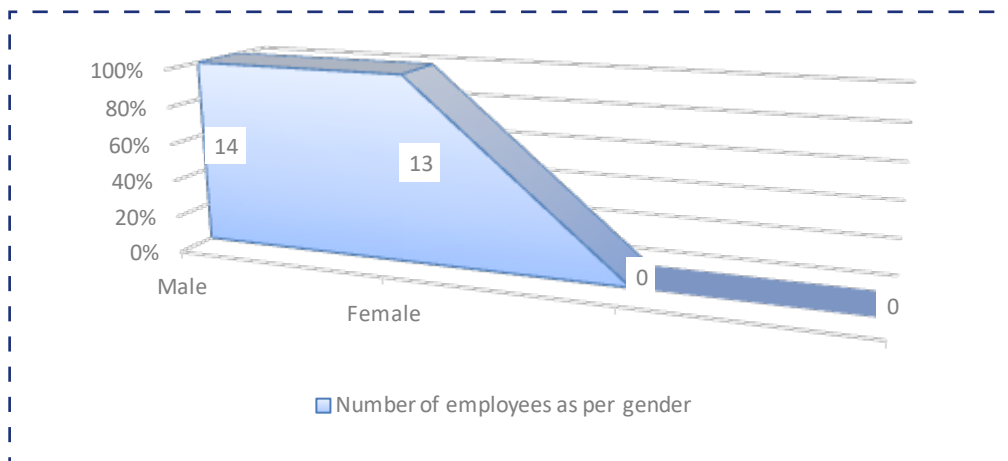
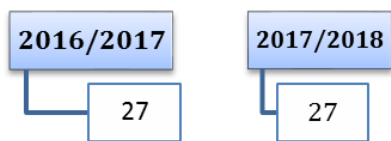
- identifying the proceeds of unlawful activities, through the receipt and analyses of reporting types<sup>3</sup>, and disclosure of financial intelligence indicative of ML/TF/PF and related activities to law enforcement agencies and foreign FIUs;
- ML/TF/PF risk based FIA compliance monitoring and supervision of Accountable and Reporting Institutions designated under Schedules I and III of the FIA;
- continuously align Namibia's National AML/CFT/CPF policies, laws and implementation frameworks with international AML/CFT/CPF obligations standards and best practices;
- maintain a national AML/CFT/CPF and ML/TF/PF statistical database;
- issue Early Warning Indicators to Government, Partner Agencies and the FIA Regulated Populace on ML/TF/PF Risks, Trends and Typologies;
- ensure a balance exists between National AML/CFT/CPF measures and the National Financial Inclusion Initiative;
- ensure containment of the threat of de-risking due to ML/TF/PF/;
- represent Namibia at national, regional and international AML/CFT/CPF forums; and
- render administrative support to the AML/CFTP Council.

**Organisational structure of the FIC**



<sup>2</sup> Egmont Group of FIUs, FATF, ESAAMLG, Alliance for Financial Inclusion, World Bank, IMF, United Nations, the Global Forum, but to mention a few.  
<sup>3</sup> Suspicious Transaction Reports; Suspicious Activity Reports; Large Cash Transactions Reports; Electronic Funds Transfer Reports; Cross-Border Movement of Cash and Bearer Negotiable Instrument Reports; and Requests for Information from Law Enforcement Agencies and International FIUs.

## FIC's workforce as at 31 March 2018



### 1.2 Supporting role of the Bank of Namibia

The Bank of Namibia renders administrative support to the FIC in terms of section 7(2) of the FIA as amended.

#### The administrative support, amongst others, includes:

- Remuneration and other payments in terms the Bank's remuneration and payment policies and procedures;
- Performance management in terms of the Bank's policies and procedures;
- The services of the Bank's Budget Committee before the FIC's proposed budget is submitted to the AML/CFTP Council;
- The Bank's Finance and Administration Department for financial accounting and financial reconciliation, processing of all requests for payment of expenses, all procurement services, compiling of quarterly financial expenditure reports for consumption by the AML/CFTP Council and the Ministry of Finance and availing the necessary information and documentation for auditing of all financial accounting records of the FIC by external auditors. However, the FIC's books are audited separately from those of the Bank, by the external auditors;
- The FIC is integrated in the Bank's Risk Management and Business Continuity operations to an extent that:
  - The FIC is included in the Bank's business continuity and disaster recovery mechanisms, as per the Bank's policies; and
  - FIC staff serve on management and other committees of the Bank.

### 1.3 Relationship with external stakeholders

External stakeholder relations are facilitated by the Director of the FIC, the Management Team and members of the AML/CFTP Council. The Council members are drawn from key domestic stakeholders to ensure effective domestic coordination of AML/CFTP activities.

#### These are:

- Governor of the Bank of Namibia;
- Permanent Secretary of the Ministry of Finance;
- Permanent Secretary of the Ministry of Justice;
- Permanent Secretary of the Ministry of Trade, Industrialization and SME Development;
- Permanent Secretary of the Ministry of Safety and Security;
- Chief Executive Officer of the Namibia Financial Institutions Supervisory Authority;
- Director-General of the Anti-Corruption Commission (ACC);
- Auditor-General of the Republic of Namibia;
- Prosecutor-General of the Republic of Namibia;
- Inspector-General of the Namibian Police Force;
- Director of the Namibian Central Intelligence Services (NCIS);
- President of the Bankers Association of Namibia (BAN); and
- Executive Member of the Council of the Law Society of Namibia.



**The aforementioned stakeholders work in a coordinated fashion to ensure that stakeholders play key roles in Namibia's AML/CFT/CPF regime namely:**

- identify, assess and understanding national ML/TF/PF risk exposure and ensuring same is regularly updated thereby ensuring that domestic actions are coordinated to effectively mitigate identified risk exposure in an effort to effectively prevent and/or combat ML/TF/PF;
- policy, legislative and implementation efforts;
- preventative and combatting efforts;
- collection of most relevant types of information supporting the AML/CFT/CPF cause;
- ML/TF/PF information sharing;
- the use of financial information to profile criminals and their networks;
- understanding of challenges and deployment of good practices associated with the sharing of AML/CFT/CPF information; and
- preparation of the country for the 2019/2020 AML/CFT/CPF mutual evaluation.

## 1.4 Relationship with the regulated populace

The FIC maintains a well balanced relationship with Accountable and Reporting Institutions to ensure they effectively execute their gate-keeping function and implement, identified corrective measures to enhance compliance and reduce risks of ML/TF and PF from materialising.

**On a risk exposure basis, the FIC initiates Compliance Monitoring and Supervision engagements with the FIA Regulated Populace for the sole purpose of enhancing their compliance with the Act. The FIC also has an open-door policy, which creates a platform for institutions to initiate engagements by, amongst others:**

- Filing FIA statutorily mandated reports;
- Seeking guidance on intermediate action to be undertaken where proceeds of crime or funds destined for terrorist or proliferation activities are suspected;
- Seeking capacity building opportunities to ensure effective compliance with the FIA; and
- Requesting guidance to enhance compliance effectiveness and behaviour etc.

## 1.5 The FIC-Bankers Association of Namibia (BAN) partnership

As a key stakeholder, BAN has been identified by the FIC as a significant compliance partner with whom ideas are shared, consultations are effected on enhancing compliance behaviour and effective ML/TF/PF risk mitigation. Scheduled

and ad-hoc bilateral meetings occur at regular intervals during which matters regarding FIA compliance ML/TF/PF risk and trends and related issues are deliberated upon.

## Relationship with other domestic Regulatory/Supervisory authorities

The FIC further have a close working relationship with other regulatory and supervisory authorities domestically, to ensure ML/TF/PF risk identification and mitigation and ensuring effective monitoring and supervision of Accountable and Reporting Institutions.

## The Regulatory Bodies include

Bank of Namibia, the Law Society of Namibia, Public Accountants and Auditors Board and the Namibia Estate Agents Board.

As of current, the FIA apart from the FIC, only recognizes the Namibia Financial Institutions Supervisory Authority (NAMFISA) as a supervisory body in terms of schedule 2.

The FIC has a robust risk based compliance monitoring framework which include joint inspections with NAMFISA on high risk Financial Institutions and Financial Service Providers.

The FIC, receives quarterly reports from NAMFISA on AML/CFT/CPF compliance monitoring and inspections of non-banking financial institutions under direct supervision of NAMFISA. This enables the FIC to track progress on mitigation of the risks of ML/TF/PF in the non-banking sector.

## 1.6 Cross-border relationships and engagements

In terms of international cooperation, the FIC cooperates with its counterparts in foreign jurisdictions through Memoranda of Understanding (MOU's) to ensure smooth and timeous exchange of information pertaining to criminals, criminal assets and other assets of corresponding value for preservation, confiscation and forfeiture purposes and investigation and prosecution of identified subject matters.

This cooperation is significant in solving cross-border ML/TF/PF and repatriation of criminal assets.

**Other platforms which contribute to cross-border exchange of information and technical assistance, more particularly capacity building are:**

- Egmont Group of FIUs;
- ESAAMLG;

- FATF;
- World Bank;
- UNODC;
- IMF; and
- Alliance for Financial Inclusion, to mention but a few.

## 1.7 Relationship with the Australian Transaction Reports and Analysis Centre (AUSTRAC)

**AUSTRAC, which is considered a leading FIU in the international community, remains a strategic partner of the FIC, which for the past years yielded the below results, amongst others:**

- Laying of the foundation for risk based compliance monitoring and supervision activities of the FIC;
- Enhancing the FIC's strategic planning, regulatory and supervisory model in the earlier years; and
- enhancing activities of the FIC's financial investigation and analysis function

## 1.8 The relationship with the UNODC

The UNODC has been part of the FIC's formative years to date and continues to be a most valuable partner in Namibia's AML/CFT/CPF prevention and combatting efforts.

It availed various human and technical capacity building assistance for both ML/TF/PF preventive and combatting efforts, and still remains actively involved in capacitating Law Enforcement Agencies (NAMPOL; Office of the Prosecutor-General, Ministry of Finance: Directorates Customs & Excise and Inland Revenue) in Namibia to ensure the effective combatting of ML, TF and PF matters.

## 1.9 The roles of other bodies and institutions

Combatting ML, TF and PF activities requires the contribution of regulated institutions and various stakeholders, supervisory bodies, Law Enforcement agencies and the Judiciary, amongst others.

The FIA requires Accountable and Reporting Institutions and all businesses operating in Namibia to play their part as far as the combating of ML/TF/PF is concerned. This include; detection and reporting to the FIC suspicious transactions and activities, threshold based reporting of large cash transactions, domestic and cross border electronic funds transfers, and cross-border movement of cash and bearer negotiable instruments.


**The FIA presents a regulatory framework of compliance obligations requiring certain categories of businesses<sup>4</sup> to take steps regarding:**

- conducting ML/TF/PF risk and threat assessments on clients, products, services, and processes to ensure that business relationships are managed as per the risk categories identified;
- client identification (Know Your Customer) and (Know Your Customer's Customer), and identification of beneficial owners;
- transaction monitoring (ensuring that the client's established financial profiles correspond with transactional behaviour observed);
- record keeping of the entire business relationship for a period of five years or longer if specifically so requested by competent authorities;
- the appointment of Compliance Officers at Management Level;
- the training of employees on how to ensure institutional internal policies drive FIA compliance;
- the filing of various statutory reports with the FIC;
- ensure independent assurance of the effectiveness of institutional compliance with the FIA and subsidiary legislations; and
- registration with the FIC and demonstration of their respective institutional compliance regimes to the FIC.

The FIA assigns certain roles, responsibilities and powers to a supervisory body to support the achievement of the FIA objectives on prevention and combating ML/TF/PF. Currently, Namibia only has one such designated body, namely; Namibia Financial Institutions Supervisory Authority (NAMFISA), which assists the FIC in its regulatory monitoring and supervisory efforts. NAMFISA's powers under the FIA are limited to the institutions under its supervision.

The FIA thus confers the mandate upon the FIC to directly regulate, monitor and supervise all Financial Institutions and Designated Non-Financial Businesses and Professions, Banks, Bureau de Changes, Estate Agents, Law Firms, Stock Brokers, Auctioneers, Casinos, Gambling Houses, Jewellers, Motor Vehicle Dealers (new and second hand) Dealers in Precious Metals and Stones, Art Dealers, Totalisator Agencies, Accountants, Auditors, Customs Clearing Agents, Non-Profit Organizations, to mention a few.

The 2016/17 update to Namibia's 2012 National AML/CFT/CPF Risk and Threat Assessment may cause the addition of industries to the FIA regulated populace directly supervised by the FIC, to ensure identified threats and vulnerabilities are effectively assessed, addressed and mitigated.



**Law Enforcement Agencies inclusive of the Office of the Prosecutor-General, closely work with the FIC to effectively combat ML/TF/PF activities through proactive and re-active intelligence led investigations, prosecutions, identification of realizable assets, conviction and non-conviction based asset forfeiture through:**

- Information sharing spontaneously or upon request to initiate or aid on-ongoing investigations, preservation, confiscation and forfeiture of criminal assets;
- forming Law Enforcement Priority Task Forces to fast track investigation of strategic cases involving ML/TF/PF; and
- operating at a strategic level to enhance combatting efforts and mitigate ML/TF/PF risks.

Domestic cooperation between the FIC and other Law Enforcement Agencies is provided for in the FIA, and no limitations whatsoever are placed on the type of information that can be accessed and shared by the FIC, provided it is pursuant to the combating and prevention of ML/TF/PF activities.

The Office of the Prosecutor General is one of the FIC's key stakeholders with the primary objective to prosecute criminal cases including ML/TF/PF. It is also responsible for non-conviction forfeiture of criminal assets.

The success of the FIC is depended upon the contribution of the Judiciary by ensuring that criminals are permanently deprived of their ill-gotten proceeds. The prevention of the flow of funds to terrorist elements and for the furtherance of nuclear weaponry programs is also paramount to the success of the FIC.

# Operations of the FIC

## 2. Office of the Director

The office of the Director is responsible for the FIC's overall leadership, management and execution of its statutory mandate. The Director:

- reports strategically and on governance matters to the Council and the Minister, whilst administratively reporting to the Governor of the Bank of Namibia in relation to administrative support availed by the Bank to the FIC as per the Act;
- provides relevant AML/CFT/CPF Policy advice and guidance to the Council, the Minister of Finance and other relevant Ministries, Offices and Agencies;
- represents Namibia at regional and international fora dealing with AML/CFT/CPF matters such as FATF, ESAAMLG, the Egmont Group of FIUs, World Bank, IMF, Alliance for Financial inclusion, ARINSA, SADC, to mention a few;
- coordinates and facilitates Namibia's National AML/CFT/CPF Risk and Threat Assessments;
- coordinates and facilitates Namibia's National AML/CFT/CPF Self-Assessments and FATF/ESAAMLG Mutual Evaluations;
- coordinates and facilitates the alignment of Namibia's National AML/CFT/CPF Policy, Laws and Implementation Framework with international AML/CFT/CPF obligations, standards and best practice;
- sets the strategic direction of the FIC inclusive of its strategic roadmap, operational plans and operational activities;
- drives effective implementation of FIA by all stakeholders in public and private sector;
- manages national, regional and international AML/CFT/CPF stakeholder relationships;
- impose administrative sanctions in respect of FIA non-compliance; and
- manages FIC's budget, staff and other resources, and

ensure the overall administration of the FIC including planning, monitoring and evaluation of divisional operations within the FIC.

In particular, the Director ensures that all FIC operations are geared towards delivering on the FIC's national, regional and international mandate, namely:

- continuous alignment of the national AML/CFT/CPF regime with international AML/CFT/CPF obligations<sup>5</sup>, standards and best practice;
- effective identification, assessment and mitigation of ML/TF/PF risk exposure to the national financial system;
- ensure monitoring and supervision of compliance<sup>6</sup> with national AML/CFT/CPF preventative laws by the FIA regulated populace;
- production of timeous actionable intelligence resulting from suspicious transaction and other reports received from the FIA regulated populace, which in turn timeously inform partner agencies (of which Law Enforcement remains a priority partner) on criminal activities, perpetrators and proceeds of crime they are not aware of;
- real time joint intelligence exchange between AML/CFT/CPF stakeholders to detect, prevent and disrupt ML/TF/PF and wider economic crime threats against Namibia, with the primary objective being to:
  - improve the collective understanding of the national ML/TF/PF threat (detect);
  - inform and strengthen the national financial system and controls (protect); and
  - inform the investigation, prosecution and disruption of ML/TF/PF matters and syndicates (disrupt).
- administratively penalize non-compliance with national AML/CFT/CPF preventative laws;
- coordination of activities of the various national AML/CFT/CPF role players and stakeholders;
- conduct research into trends and developments in the

<sup>5</sup> Derived from applicable AML/CFT/CPF UN Conventions and mandatory UN Security Council Resolutions as embodied in the Financial Action Task Force Recommendations on ML/TF/PF.

<sup>6</sup> FIA compliance obligations allow for certain economic activities to be more transparent which helps prevent and deter individuals and organizations from using Namibia's Financial System, to launder the proceeds of their crimes, finance their criminal activities or finance terrorist activities or finance proliferation activities.

area of ML/TF/PF and recommend improved ways of detecting, preventing and deterring ML, TF and PF to the FIA regulated populace;

- collect and interpret national ML/TF/PF and related statistics as per the FIA to ensure timeous forewarning reports are issued on new trends and methods used for ML/TF/PF purposes.

In FIC's strive to develop innovative approaches that eliminate ML/TF/PF risk, improve operational efficiency and enable retention of flexibility to evolve with ML/TF/PF threats in real time, the Director ensures that FIC continuously explore digital analytical solutions to optimize outputs, build effective Artificial Intelligence<sup>7</sup> strategies and Big Data analytical capabilities through:

- intelligent automation: Whilst talent is a key element in managing ML/TF/PF risks, just adding more people won't solve the problem. To balance efficiency and effectiveness, FIC must leverage on the latest available technologies;
- robotic process automation (RPA): which has globally been used to improve the overall efficiency and quality of Financial Crime Risk Management such as ML/TF/PF and predicate offences to ML. RPA delivers a 24/7 resilient operational solution, with virtual bots being used to validate incoming FIA reporting types and expedite analyses, or to document various scenarios in identifying existing and emerging criminal trends. Overall RPA can enable reduced turn-around times of incoming FIA reporting types and enable simpler, shorter processes to identify and remove proceeds of crime from the national financial system;

*7 With the help of AI, FIC can access and analyse massive amounts of FIA reporting types, transactional and client information, business relationships from a variety of sources such as core bank systems, KYC databases, Transaction Monitoring Systems (TMS), Lines of Business customer information, Business and Intellectual Property Authority Databases as well as investigative databases, public Internet sources and the deep web, but to mention a few. To conduct such analysis, AI systems utilize agents generally referred to as "virtual bots" which are nothing more but highly specialized algorithms responsible for collecting and interpreting data, modelling behaviours, detecting anomalies, inferring relationships, and identifying issues. These virtual bots then report any irregularities to a machine learning engine by delivering both the alerts and all necessary supporting evidence. Examining voluminous data within the FIC's domain (such as bank data), AI systems "learn" common patterns of behaviour and compare transactional data amongst others, against those patterns to identify behavioural anomalies. For example, while there is no economic purpose for a government fire protection agency to purchase fertilizer, that business relationship would not be flagged by a typical Transaction Monitoring System of a Bank. On the other hand, an AI solution can compare the National Industry Classification System codes of both entities and would determine that they were not engaged in complementary lines of business. An AI solution would trigger an alert for further investigation into the two entities and their business transactions. Additionally, AI can identify patterns and typologies in sets of data that TMS and human investigators simply don't have the time to find. An AI system automatically pulls and consolidates data points, scores transactions and information for risk and documents anomalies. With the help of AI, AML/CFT/CPF analysts/investigators can now evolve from researchers desperately fighting against the clock to unearth relevant data, into analysts presented with automated financial crime reports and evidence that allow them to make more informed and more accurate determinations more quickly.*

- machine learning<sup>8</sup>: where use of business rules, data analytics, unsupervised learning and more sophisticated algorithms etc. to:
  - learn from past and timeously identify evolving criminal behavior; and
  - deliver a more sophisticated and effective approach to dealing with ML/TF/PF cases.
- leveraging on benefits of blockchain technology: where data structures that enables identifying and tracking transactions digitally enables the sharing of identified information across a distributed network of computers (creating in a sense a distributed trust network), providing a transparent and secure means for tracking the ownership and transfer of assets.

The AML/CFT/CPF landscape remains complex and new areas of vulnerability may not be covered by current technologies, thus the Director must ensure the FIC can optimally benefit from the latest technologies which can assist in the Centre's aim to timeously detect, disrupt and deter ML/TF/PF.

The Director in 2017/18 also particularly applied attention to understanding proactive intelligence gains that can be derived from active Public Private Partnership engagements which functions parallel to the FIA reporting regime. FIC is working towards providing an environment for the financial sector and Law Enforcement to exchange and analyse actionable real time intelligence to detect, prevent and disrupt ML/TF/PF and wider economic crime threats against Namibia. The PPP engagement's primary objectives will be to:

- improve the collective understanding of the ML/TF/PF threat (Detect);
- inform and strengthen financial systems and controls (Protect); and
- inform the prosecution and disruption of ML/TF/PF activity (Disrupt).

It will involve:

- public-private co-development of typologies of risk;
- law enforcement sharing specific entities of concern with private sector firms to support case investigations;
- co-location of law enforcement and private sector analysts for real-time intelligence and information exchange;

*8 Emerging technologies, from artificial intelligence to distributed ledgers, are transforming the financial services landscape: These technologies could drive substantial efficiency gains in the financial sector, including in the areas of payments, financing, investments, asset management and insurance. However, they could also pose risks to the stability and integrity of the financial system, in particular where they operate outside of the purview of financial regulation and supervision. IMF*



- shared analytical services available to all AML/CFT/CPF Stakeholders;
- collaborative private–private creation of enhanced STRs/SARs only made possible through institution to institution information exchange; and
- enabling Innovative Systems of financial transactions and payments to emerge.

Additionally, it can contribute to an AML/CFT/CPF regulatory framework that delivers a more efficient and adaptable system of regulation. In such system, strong focus is placed on enabling industry to test ‘creative business models and design new AML/CTF controls’ in their changing environments. The ultimate objective of co-designing an AML/CFT/CPF regulatory framework will be to deliver greater efficiency and adaptability.

The FIC is one of the very few global Financial Intelligence Units (FIU) where all of the above functions has been merged in one national agency. Globally, these functions are spread widely across Government with the FIU only attracting the analyses of ML/TF/PF reports received, as its core function. In turn, such a wide spread approach may cause fragmentation in coordination and negate understanding of the importance of having a harmonized, well informed and well-functioning AML/CFT/CPF national system aligned to ML/TF/PF risk exposure. As such, maximizing the results of all the above statutory assigned functions remains at the core of the FIC’s strategic approach and response in its strive to:

- be a world class FIU and AML/CFT/CPF regulator who proactively capitalize on timeous identification and mitigation of ML/TF/PF risk exposure;
- prioritize compliance by the FIA regulated populace to ensure timeous:
  - mitigation of ML/TF/PF risk exposure; and
  - reporting of suspicious transactions, suspicious activities and all other reporting types as per the FIA;
  - issuance of actionable intelligence; and
- creating an increasingly hostile environment for those who seek to abuse or threaten Namibia’s financial system.

As alluded to earlier, the Office of the Director is primarily tasked with providing strategic leadership and direction, organizational management, maintaining stakeholder relationships at all fronts (domestic, regional and international) and avail guidance to the FIC’s operations. In so doing, the office has to ensure that the FIC operations can demonstrate a cost-benefit to the Namibian Nation and that its operational outputs, positively impact on the mandates of national, regional and international stakeholders.

In ensuring the Namibian Nation remains well appraised of the value addition on FIC’s operational outputs, this section

presents a high level summary on outputs attained by the Office of the Director, for the year under review.

## 3. FIC Operational Achievements during the period under review

### 3.1. Strategic Management and direction

The office of the Director has a responsibility to ensure the FIC continuously calibrate the national AML/CFT/CPF Policy, Legislative and Implementation Framework to ensure its effective alignment with changes introduced in the international AML/CFT/CPF obligations, standards and best practices arena.

**Additionally, the Director must ensure the FIC remains operationally independent and autonomous. This the Director do, by:**

- conducting tri-annual gap analyses between the national AML/CFT/CPF framework and changes introduced by international AML/CFT/CPF obligation, standard and best practice setters and crafting strategies complemented by domestic implementation modules to ensure effective alignment of the national AML/CFT/CPF regime with changes advocated internationally;
- conducting national AML/CFT/CPF Risk and Threat Assessments and ensuring its continuous update. In so doing, the Office of the Director enables Namibia to have a real and updated understanding of her ML/TF/PF risk and threat exposure, which in turn enables the country to deploy timeous and effective ML/TF/PF risk mitigation strategies;
- developing and navigating the FIC’s strategic direction, Key Performance Areas and attainment of identified milestones:
  - The FIC’s Five Year Strategy was set during the 2017/18 Financial Year with an annual review to be conducted mid-way the 2018/19 financial year. The FIC’s Strategic intent has as its main aim, assisting Government in timeous and effective identification, understanding, assessment and mitigation of national ML, TF, PF risks and threats;
  - working with the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council (the Council) to ensure the FIC is properly structured and resourced to fulfil its statutory mandate and strategic objectives:

A human resource impact assessment was availed to the Council during the month of November 2017.

It highlighted that the FIC as from 2012 onwards experienced significant expansion in demand for its services given the:

- success attained through the use of Financial Intelligence and Compliance products;
- continuous expansion of its legislative mandate through inclusion of sectors/industries not previously forming part of the FIA Regulated Populace, but whose activities has in the National ML/TF/PF Risk and Threat Assessment update been identified as posing significant ML/TF/PF risks;
- continuous expansion of the international criteria to ensure ML/TF/PF risks are effectively mitigated,

but to mention a few.

FIC's statutory mandate as an autonomous, independent legal entity tasked with the responsibility of preventing and combating ML, TF and PF activities in collaboration with the FIA Regulated Populace and identified Partner Agencies, requires the FIC to continuously, consistently and effectively meet its statutory mandate, Namibia's international obligations and standards, requirements of applicable UN Conventions, UN Security Council Resolutions and the FATF recommendations. Additionally, the FIC has a zero tolerance towards non-compliance with the statutory mandate it has been entrusted with. As such, the FIC in the 2018/19 financial year, recommits its dedication to:

- continuously work with Council and Government to ensure its organizational structure complements the mandate it has been entrusted with; and
- work towards enhancing measures that provide a framework for the FIC to function as a model FIU.

Given extensive revisions and updates to applicable UNSCRs, the FATF standards & best practices, global escalation in TF risks, a need was identified during the year under review, to benchmark the FIC's AML/CFT/CPF Operational Model and Early Warning System against that of leading FIUs globally<sup>9</sup>. Due to certain constraints experienced, the FIC's Operational Model will only be benchmarked against identified FIUs globally during the third quarter of the 2018/19 financial year.

<sup>9</sup> Namibia's FIU model was fully aligned with that of the Australian Transaction Reports and Analysis Centre (Australia's FIU) commonly referred to as AUSTRAC, during the 2012/13 financial year, based on a Technical Assistance and Capacity Building arrangement availed via the ESAAMLG. Namibia was amongst seven Sub-Saharan African countries who benefited from such assistance. The assistance so received caused Namibia's National AML/CFT/CPF Policy, Legislation and Implementation regime and FIU, to be regarded as amongst the best in Sub-Saharan Africa. To ensure this status is maintained, the FIC's Operational Model and AML/CFT/CPF Early Warning System must be recalibrated to reflect the latest enhancements, risks and trends globally.

- have the authority and capacity to carry out FIC functions freely, including the autonomous decision to analyse, request and/or forward or disseminate specific information;
- being able to make arrangements or engage independently with local, other domestic competent authorities or foreign counterparts on the exchange of information; and
- being able to obtain and deploy the resources needed to carry out its functions, on an individual or routine basis, free from any undue political, government or industry influence or interference, which might compromise its operational independence.

### 3.1.1 Engagements with the Financial Investigations and Analyses Division

By working closely with the FIC's Financial Investigation and Analyses Division, the Office of the Director for the year under review ensured operations are primarily geared towards:

- ensuring the implementation of measures to enhance effective information exchange with other FIUs and LEAs on priority crimes identified as per the NRA and the National Crime Threat Assessment: The Director's office in particular sought to continuously strengthen and improve information exchange with relevant stakeholders which includes efforts to increase effectiveness, promote cooperation, ensure the FIC maintains regional and international memberships and conclude Memorandum of Understandings with strategically important FIUs and organizations;
- facilitating adherence to international standards, developing and sharing expertise with other FIUs and related bodies: The FIC aspires, through its continuous alignment of operational policies and guidance, to ensure maximum impact for its efforts. Such operational guidance relates to adherence to international standards & best practices (FATF), alignment with national ML/TF/PF risks and strategic priorities of Partner Agencies, in addition to the exchange of information; and
- where necessary, ensure in collaboration with Partner Agencies, the establishment of investigative task forces, to speedily investigate high risk ML/TF/PF cases or ML/TF/PF cases of national importance.

FIC, during the year under review continued to ensure financial intelligence products are integrated in the broader Government Crime Prevention and Combatting Policies, Strategies and operational frameworks. To ensure our intelligence products remains relevant, FIC' is required

to ensure that such products at all times remain agile and capable to address the constantly evolving trends of crime and strategies to hide illicit proceeds. In continuously updating Namibia's National ML/TF/PF Risk Exposure, FIC ensured that intelligence is targeted to addressing high ML/TF/PF risk exposure areas.

Overall, the FIC's contributions to prevention and combatting of financial crimes in Namibia are evident if one has regard of the ever increasing demand for its financial intelligence products during the investigation and prosecution of crimes as well as civil asset forfeiture of proceeds of crime, as is evident from the statistical information contained in this report.

During the year under review, the FIC's financial intelligence products helped identify a wide range of profit generating crimes, which would otherwise have remained undetected to Partner Agencies. In this regard the FIC uncovered matters involving sophisticated Money Laundering, Tax Evasion, Corruption, Investment Scams, Theft, Fraud, Dealing in Narcotic Drugs and Psychotropic Substances; Crimes committed against Wildlife, Illicit Capital Outflows, but to mention a few. The combined efforts of the FIC, Partner Agencies and the Office of the Prosecutor-General ensured fast tracking of investigations, asset preservation/forfeiture, tax assessments and recoveries. Such investigations and resultant judicial proceedings in terms of the Prevention of Organised Crime Act, 2004 (Act No. 29 of 2004) as amended, has culminated in various actual successes, and recoveries of criminal proceeds as articulated in later parts of this report.

### **3.1.2 Engagements with the Compliance Regulatory, Monitoring and Supervision Division**

Efforts of the Director's office were geared towards ensuring that the Compliance Monitoring and Supervision Division fulfils its mandate of deepening and widening the FIC's Regulatory footprint across the FIA Regulated Populace. Additionally, the Director's Office ensured that efforts by the Division focus on enhancing the FIA Regulated Populace's overall FIA compliance behaviour, to enhance effective ML/TF/PF risk mitigation and prevention of abuse of the national financial system for ML/TF/PF purposes. In availing strategic guidance to the Compliance division, the Director's objective at all times remains that of ensuring that regulatory, monitoring and supervision activities primarily:

- address ML/TF/PF risk and threat exposure to Namibia's financial system;
- impact the reporting behaviour of the FIA Regulated Populace with focus on ML/TF/PF risk mitigation and

enhancing the quality and timeliness of reports reaching the FIC; and

- ensure FIA non-compliance referrals and engagements to the FIC's Legal, Policy and Enforcement Division are effective and commensurate to national ML/TF/PF exposure.

The result of improved compliance is greater accountability, transparency and stability in the financial system. Highlighted throughout this report are actions undertaken by the FIC to strengthen compliance initiatives through awareness raising and training conducted to the benefit of the FIA Regulated Populace.

The work of the Compliance Division caused a significant increase not only in the regulated Populace registered with the FIC, but also in terms of the reporting types received by the FIC during the year under review. This caused a steep escalation in analyses work required to be conducted to issue value addition financial intelligence products.

### **3.1.3 Engagements with the Legal, Policy and Enforcement division**

**The Director's Office engagements with this Division are tailored towards ensuring that the FIC:**

- ensures the alignment of the national AML/CFT/CFP Policy and Legal framework with International obligations, standards and best practices;
- availing guidance, advise, directives and interpretations to address FIA compliance understanding and enhancements;
- plays its role in enhancing public awareness by, amongst others, conducting training and awareness sessions with relevant stakeholders; and
- take decisive, measured and proportionate enforcement action to address non-compliance with provisions of AML/CFT/ CFP legislation.

This report avails a detailed highlight of the outputs availed by this Division during the year under review. Similar to other Divisions within the FIC, this Division remains challenged with resource constraints in lieu of the vast statutory outputs it must deliver upon.

### **3.1.4 Operational challenges**

FIC exceeded most of her performance targets set for the 2017/18 financial year, despite constraints of a small staff compliment, a reduced budget and limitations experienced in recruiting additional staff.



The office of the Director remains concerned about the miss-match between the statutory, regional and international outputs required versus the approved organisational structure and automation solutions available in FIC, enabling effective execution of the statutory mandate and resultant mitigation of risk exposure. In a wide range of obstacles faced by the FIC, this by far remains the biggest challenge. This challenge in particular, affects effectiveness of operations, overall delivery on expectations and carries with it significant risk exposure to the FIC. However, the FIC remains resilient in her quest to advocate for a fit-for-purpose solution and to contribute to the skills base in the domestic AML/CFT/CPF market. If allowed, FIC's focus will be to avail young Namibian professionals with the opportunity to develop as experts in the AML/CFT/CPF arena as the FIC's operations opened endless opportunities to become experts in its core mandate.

### 3.1.5 2017/18 and Beyond

**The FIC remains dedicated in her contribution to keeping the Namibian Financial System safe, stable and vow to protect her integrity at all cost. We will do so by:**

- continuously understanding, assessing and mitigating national ML/TF/PF risk exposure;
- feverishly identify, follow and remove proceeds of crime and funds destined for ML, TF and PF activities from the financial system; and
- disrupt criminal threats and networks without fear.

As a Team, we look forward meeting all challenges offered by the 2018/19 financial year and continue in our pursuit to make Namibia a safe and reputable country for all.

## 3.2 The Compliance Monitoring and Supervision Division (Compliance division)

**The FIA primarily provides for the following AML/CFT/CPF obligations which AIs and RIs should comply with:**

- Identification and verification of all clients (section 21 & 22);
- Keeping of identification and other related records (section 26 & 27);
- Conducting ML/TF/PF activities risk assessment (section 23);
- Appoint or designate a AML Compliance Officer [section 39 (6)];
- Develop an independent audit function [section 39 (8)];
- Train all staff on AML/CFT/CPF measures and obligations [section 39 (5) (b)];

- Implement mechanisms to assist in the detection and reporting of suspicious transactions and/or activities [section 24 (b)].

The Division further has a responsibility to ensure that AIs, RIs and relevant bodies are complying with, amongst others, the obligations highlighted above. In addition, the Division also has a responsibility to ensure that relevant AIs and RIs report the following to the FIC accordingly:

- Cash transactions in excess of prescribed amounts;
- Suspicious transactions and activities;
- Electronic transfers of money to, from and within Namibia as prescribed by the FIC; and
- International fund transfers of any amount.

### 3.2.1 Performance Record of the Compliance Division

The Compliance Division has adopted a risk based supervision approach. With this approach more time and resources are applied where ML/TF/PF risk is identified to be high or intolerable.

The activities of the Compliance Division during the period under review focused on increasing the supervisory coverage on the identified high/medium risk institutions. This meant assessing institutions in different areas where ML/TF/PF risk was identified to be high and subjecting more sectors, not previously supervised, to relevant AML/CFT/CPF supervisory activities. Furthermore, the Division continued engaging the medium to low risk institutions through other supervisory activities to gauge their FIA compliance behavior.

Targeted on-site inspections focusing on cross border remittances were conducted on selected financial institutions. The objective was to gain reasonable assurance that these institutions have adequate control measures for cross-border remittances.

The Division engaged quarterly with NAMFISA and the Bankers' Association of Namibia (BAN) to enhance the compliance behavior in their sectors respectively.

During the review period, the Compliance Division conducted 71 on-site assessments and 81 off-site assessments compared to 53 on-site and 65 off-site assessments during 2017, across the regulated populace.

Coverage was observed to have increased in the following sectors: Money Value Transfer Service Providers, Motor Vehicle Dealers, Accountants and Auditors, by 25%, 19% and 17% respectively.

**Table 1** Below shows supervisory coverage in terms of compliance assessments of AIs and RIs as at 31 March 2018

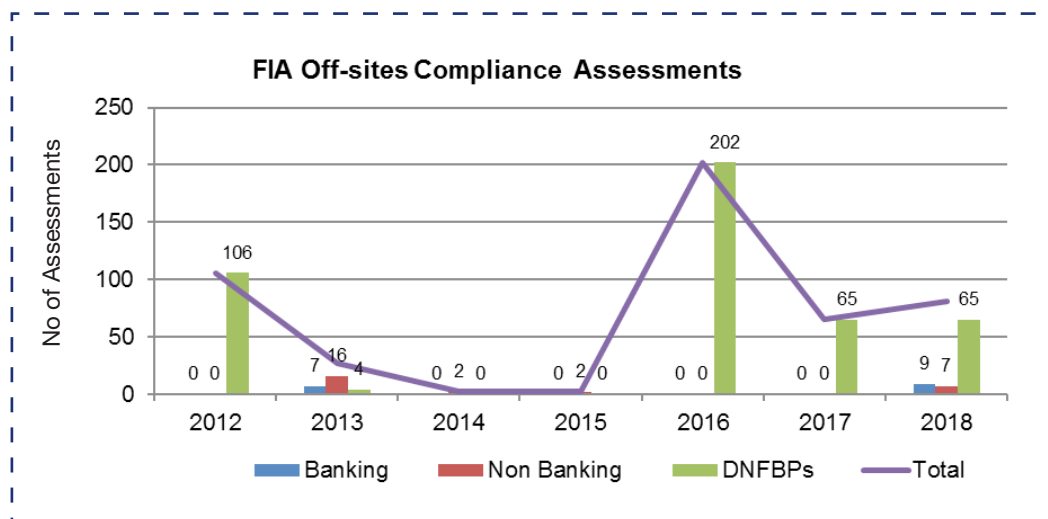
| <b>Sector</b>                         | <b>Total registered</b> | <b>Risk Rating</b> | <b>Total assessed</b> | <b>Percentage coverage</b> | <b>Previous</b> | <b>Difference</b> |
|---------------------------------------|-------------------------|--------------------|-----------------------|----------------------------|-----------------|-------------------|
| Accountants and Auditors              | 30                      | L                  | 8                     | 27%                        | 10%             | 17%               |
| ADLAs                                 | 10                      | H                  | 10                    | 100%                       | 100%            | 0%                |
| Asset Management & Unit Trust         | 48                      | H                  | 15                    | 31%                        | 31%             | 0%                |
| Auctioneers                           | 19                      | L                  | 14                    | 74%                        | 68%             | 5%                |
| Banks                                 | 12                      | H                  | 12                    | 100%                       | 100%            | 0%                |
| Casinos                               | 11                      | M                  | 5                     | 45%                        | 45%             | 0%                |
| Dealers in precious metals and stones | 3                       | L                  | 3                     | 100%                       | 100%            | 0%                |
| Insurance/Investment Brokers          | 24                      | M                  | 0                     | 0%                         | 0%              | 0%                |
| Legal Practitioners                   | 173                     | H                  | 159                   | 95%                        | 92%             | 3%                |
| Lending Institutions                  | 5                       | M                  | 4                     | 80%                        | 80%             | 0%                |
| Long Term Insurance                   | 23                      | M                  | 5                     | 22%                        | 22%             | 0%                |
| Micro Lenders                         | 269                     | L                  | 1                     | 0%                         | 0%              | 0%                |
| Money and Value Transfers (MVT's)     | 4                       | L                  | 3                     | 75%                        | 50%             | 25%               |
| Motor vehicle dealers                 | 70                      | M                  | 38                    | 57%                        | 35%             | 22%               |
| Others                                | 18                      | M                  | 0                     | 0%                         | 0%              | 0%                |
| Pension Fund Administrators           | 2                       | L                  | 0                     | 0%                         | 0%              | 0%                |
| Private Equity                        | 2                       | M                  | 0                     | 0%                         | 0%              | 0%                |
| Real estate agencies                  | 531                     | M                  | 58                    | 12%                        | 8%              | 4%                |
| Short term Insurance                  | 13                      | L                  | 0                     | 0%                         | 0%              | 0%                |
| Stock brokers                         | 4                       | M                  | 4                     | 100%                       | 100%            | 0%                |
| Trust and Company Service Providers   | 5                       | L                  | 3                     | 60%                        | 60%             | 0%                |

### 3.2.1.1 Off-site assessments

The FIC conducted 81 off-site assessments during 2018 compared to 65 in the previous year. The off-sites were conducted on DNFBPs, Banks and Non-banking financial institutions.

In 2018, the Division continued focusing on increasing the supervisory footprint by employing other methods of supervision to increase coverage in the low and medium risk institutions. The chart below (chart 1) presents an overview of assessment coverage over the years.

**Chart 1** presents FIA Off-site compliance assessment coverage for the period 2012 to 2018

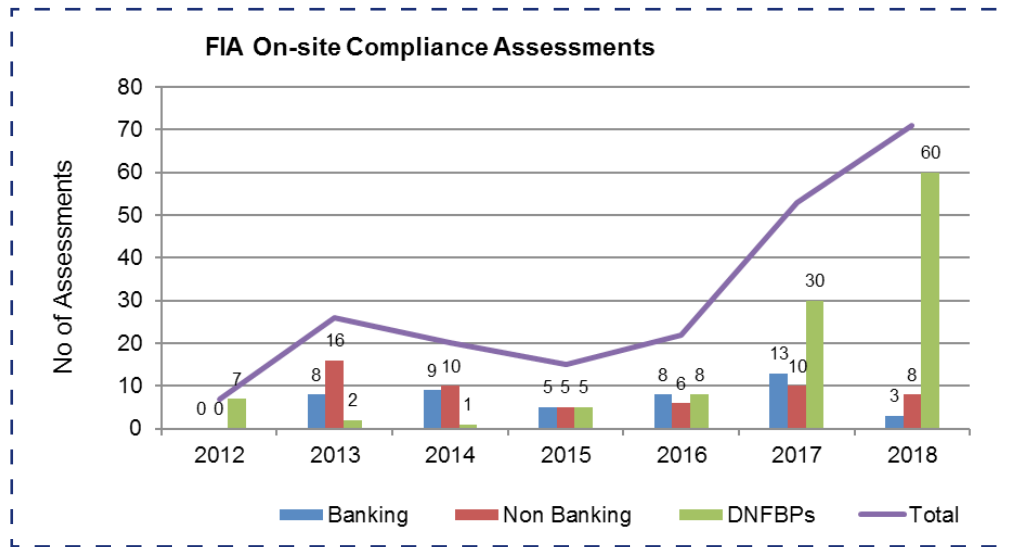


### 3.2.1.2 Onsite assessments

Compared to other forms of assessment activities such as off-sites, on-site activities present an opportunity for the Compliance Division to test the effectiveness of implemented controls in institutions. This therefore presents the Division with an opportunity to attain the highest level of assurance in terms of effective functioning of AML/CFT/CPF controls in assessed institutions.

During the period under review, the Division conducted 71 on-site assessments compared to 53 in 2017. This increase can be attributed to an increase in the supervisory activities within the Division and a revised supervisory approach.

Chart 2 presents volumes of on-site compliance assessment activities for the period 2012 to 2018



### 3.2.1.3 Registrations

The total number of registered institutions stood at 1609 at the end of March 2018.

The total registrations of AIs and RIs for the year increased by 25% compared to those registered in 2017.

analysis are performed to identify proceeds of crime, including Money Laundering and Financing of Terrorism and Proliferation Activities.

Thereafter if there is evidence of proceeds of crime, intelligence is disseminated to relevant Local and Foreign Law Enforcement Agencies including, the Office of the Prosecutor-General, State Security, and the Receiver of Revenue for further investigation.

## 3.3 Performance Record of the Financial Investigations and Analysis Division (FIAD)

### Background

The Financial Investigations and Analysis Division (FIAD) is tasked to receive STRs, SARs, CTRs, EFTs, IFTs, CBMCRs and AIFs from the FIA regulated populace from which

The division further contributes to maintaining enhanced international co-operation by, amongst others, availing spontaneously and upon request, financial intelligence that may aid counterpart organizations in the investigation, prosecution and asset forfeiture of ML/TF/PF activities.

### 3.3.1 Spontaneous Disclosures (SDs) trend analysis per year

Since 05 May 2009 to 31 March 2018, 1303 Intelligence Reports were shared with local Law Enforcement agencies and Foreign Intelligence Units for further investigation and for

purposes of freezing, preservation and seizure of suspected ill-gotten assets.

**Table 2. Spontaneous Disclosures (SDs) trend analysis per year**

| Year                             | 2009      | 2010      | 2011       | 2012       | 2013      | 2014       | 2015       | 2016       | 2017       | 2018       | Total        |
|----------------------------------|-----------|-----------|------------|------------|-----------|------------|------------|------------|------------|------------|--------------|
| Anti-Corruption Commission       | 4         | 7         | 6          | 27         | 6         | 8          | 7          | 7          | 5          | 10         | 87           |
| Ministry of Finance              | 12        | 28        | 40         | 41         | 24        | 82         | 38         | 43         | 51         | 119        | 478          |
| Namibian Police Force            | 19        | 36        | 55         | 68         | 23        | 48         | 38         | 47         | 16         | 49         | 399          |
| Office of the Prosecutor General | -         | 1         | 31         | 6          | 4         | 9          | 15         | 32         | 31         | 13         | 142          |
| Foreign FIUs                     | 1         | 3         | 16         | 18         | 15        | 6          | -          | -          | 5          | 6          | 70           |
| Others                           | 2         | 8         | 4          | 8          | 9         | 18         | 22         | 9          | 31         | 16         | 127          |
| <b>Total</b>                     | <b>38</b> | <b>83</b> | <b>152</b> | <b>168</b> | <b>81</b> | <b>171</b> | <b>120</b> | <b>138</b> | <b>139</b> | <b>213</b> | <b>1 303</b> |

### 3.3.2 Responses to Request for Information (RtRFIs) trend analysis per year

Additionally, FIAD shared a total of 348 intelligence reports in terms of Request for Information to local Law Enforcement

agencies and Foreign Financial Intelligence Units for the same purpose in such foreign jurisdictions.

**Table 3. Responses to Request for Information (RtRFIs) trend analysis per year**

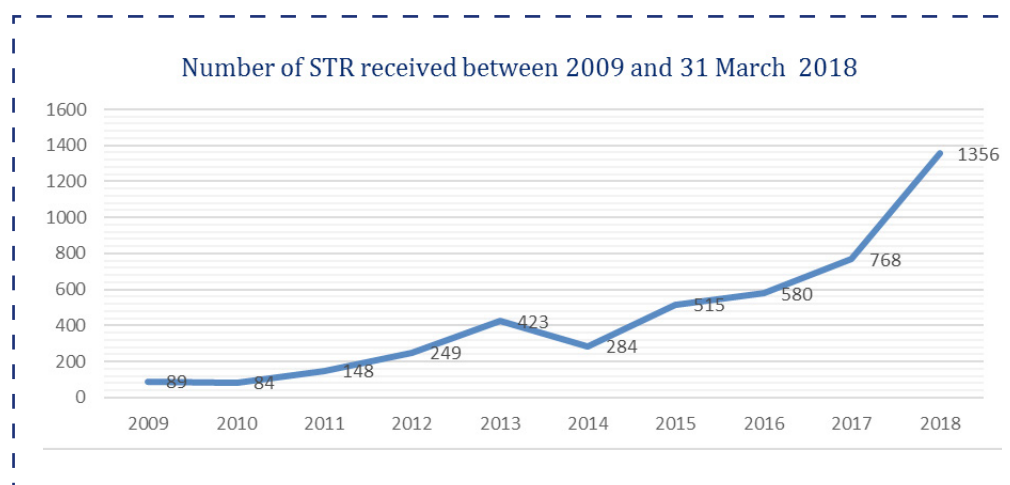
| Year               | 2009     | 2010      | 2011     | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | Total      |
|--------------------|----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Domestic (IRD)     | 2        | 12        | 9        | 43        | 16        | 57        | 48        | 10        | 50        | 62        | 309        |
| Foreign FIU (IRIs) | -        | -         | -        | 9         | -         | -         | 9         | 5         | 7         | 10        | 39         |
| <b>Total</b>       | <b>2</b> | <b>12</b> | <b>9</b> | <b>52</b> | <b>16</b> | <b>57</b> | <b>57</b> | <b>15</b> | <b>57</b> | <b>72</b> | <b>348</b> |

### 3.3.3 Suspicious Transaction Reports (STRs)

Accountable Institutions (AIs), Reporting Institutions (RIs) as well as members of the public have an obligation to submit STRs to FIC when suspicious transactions and/or activities

in relation to ML/TF and PF are discovered. These STRs are a key source of information for intelligence generated by the division.

**Graph 3. STR reporting**



The number of STRs reported in 2018 amounted to 1356, a 77% increase, compared to 768 STRs recorded in 2017. Attributing factors to the upward shift include

FIC's consistent AML/CFTP trainings, supervision and monitoring, as well as the possibility of administrative sanctions for failure to report STR's.

**Table 4. Breakdown of total Number of STRs according to source received since 2009 to 31 March 2018**

| <b>Source of STR</b>                 | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>Total</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Accounting firms                     | -           | -           | -           | 2           | -           | -           | -           | -           | -           | -           | 2            |
| ADLAS                                | 29          | -           | 6           | 18          | 78          | 7           | 89          | 23          | 99          | 175         | 524          |
| Asset management                     | 1           | 11          | 3           | 1           | 2           | 2           | 2           | 1           | 4           | 2           | 29           |
| Auctioneers                          | -           | -           | -           | -           | -           | -           | 1           | 0           | 3           | 7           | 11           |
| Banking                              | 52          | 58          | 121         | 201         | 300         | 248         | 370         | 114         | 557         | 1051        | 3072         |
| Casino/gambling house                | -           | -           | 1           | -           | 1           | 1           | -           | -           | 5           | 7           | 15           |
| Dealers in Precious Metal and Stones | -           | -           | -           | -           | -           | -           | -           | -           | 3           | -           | 3            |
| Government ministries                | -           | 2           | 1           | -           | 1           | 2           | 4           | -           | -           | 1           | 11           |
| Insurance/Investment Brokers         | 2           | -           | 1           | 2           | 17          | 2           | 28          | 10          | 60          | 60          | 182          |
| Internally generated                 | -           | -           | 1           | 6           | 6           | 3           | 4           | 2           | 1           | 5           | 28           |
| Local Authorities                    | -           | -           | -           | -           | -           | -           | -           | -           | -           | 1           | 1            |
| Law Enforcement                      | -           | 2           | -           | -           | 2           | 2           | -           | -           | 1           | 1           | 8            |
| Legal practitioners                  | 1           | 7           | 5           | 8           | 6           | 4           | 7           | 1           | 3           | 9           | 51           |
| Lending                              | -           | -           | -           | -           | -           | -           | -           | 1           | 2           | 3           | 6            |
| Life Insurance Broker/Agent          | -           | -           | -           | -           | -           | -           | -           | 2           | 1           | 0           | 3            |
| Long Term Insurance                  | -           | -           | -           | -           | -           | -           | -           | -           | 2           | 10          | 12           |
| Money and Value transfers(MVTs)      | -           | -           | -           | -           | -           | -           | -           | 1           | 6           | 3           | 10           |
| Motor vehicle dealers                | -           | 1           | -           | 3           | 2           | 1           | 5           | 0           | 7           | 7           | 26           |
| Non Profit Organizations             | 1           | -           | -           | -           | -           | -           | -           | -           | -           | 0           | 1            |
| Pension Fund Administrator           | -           | -           | -           | -           | -           | -           | -           | -           | 1           | 0           | 1            |
| Public members                       | 3           | 2           | 9           | 7           | 4           | 12          | 4           | 2           | 5           | 4           | 52           |
| Real Estate Agencies                 | -           | -           | -           | -           | -           | -           | -           | -           | -           | 8           | 8            |
| Short-Term Insurance                 | -           | -           | -           | -           | -           | -           | -           | -           | 1           | 1           | 2            |
| Supervisory authorities              | -           | 1           | -           | 1           | 4           | -           | 1           | 1           | -           | 1           | 9            |
| Unit Trust Schemes                   | -           | -           | -           | -           | -           | -           | -           | -           | 7           | -           | 7            |
|                                      | <b>89</b>   | <b>84</b>   | <b>148</b>  | <b>249</b>  | <b>423</b>  | <b>284</b>  | <b>515</b>  | <b>580</b>  | <b>768</b>  | <b>1356</b> | <b>4496</b>  |

### 3.3.4 Suspicious Activity Reports (SARs)

A second key source of information for our intelligence products is SARs received from AIs and RIs. The SAR online reporting was activated online during 2014.

Table 5. SARs trend analysis per source per year

| <b>Source of STR</b>                 | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>Total</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Accounting firms                     | -           | -           | -           | -           | 1           | 1            |
| ADLAS                                | -           | -           | 5           | -           | 4           | 9            |
| Asset management                     | 2           | -           | -           | -           | 1           | 3            |
| Banking                              | 19          | 41          | 9           | 129         | 139         | 337          |
| Dealers in Precious Metal and Stones | -           | -           | -           | 1           | -           | 1            |
| Casino/gambling house                | -           | -           | -           | -           | 1           | 1            |
| Insurance/Investment Brokers         | -           | -           | -           | -           | 5           | 5            |
| Internally generated                 | -           | 2           | 2           | 8           | 4           | 16           |
| Legal practitioners                  | -           | -           | -           | -           | 3           | 3            |
| Lending                              | -           | 1           | 2           | 1           | -           | 4            |
| Life Insurance Broker/Agent          | -           | -           | -           | 1           | -           | 1            |
| Money and Value transfers(MVTs)      | -           | 11          | 2           | 1           | 1           | 15           |
| Motor vehicle dealers                | 1           | -           | -           | -           | -           | 1            |
| Real Estate Agencies/Agent           | -           | -           | -           | 1           | 9           | 10           |
| Stock Broker                         | -           | -           | -           | -           | 1           | 1            |
| Short-Term Insurance                 | 1           | 5           | 2           | 1           | -           | 9            |
| Public members                       | -           | 2           | 2           | 2           | 1           | 7            |
| Supervisory authorities              | 1           | 2           | 1           | 5           | 6           | 15           |
| Unit Trust Schemes                   | -           | -           | -           | 1           | -           | 1            |
| Trust and Loan Company               | -           | -           | -           | -           | 2           | 2            |
|                                      | 24          | 64          | 25          | 151         | 178         | 442          |

The table shows 442 SARs received since 2014. In 2018 the number of SARs recorded increased to 178 from 151 SARs reported in 2017. As it was in 2017, reporting by

the banking sector continue to increase and represents the majority of these reports, with the Real Estate industry (REI) taking second place.

### 3.3.5 Threshold-based Reports: CTRs, EFTs, IFTs and CBMCRs

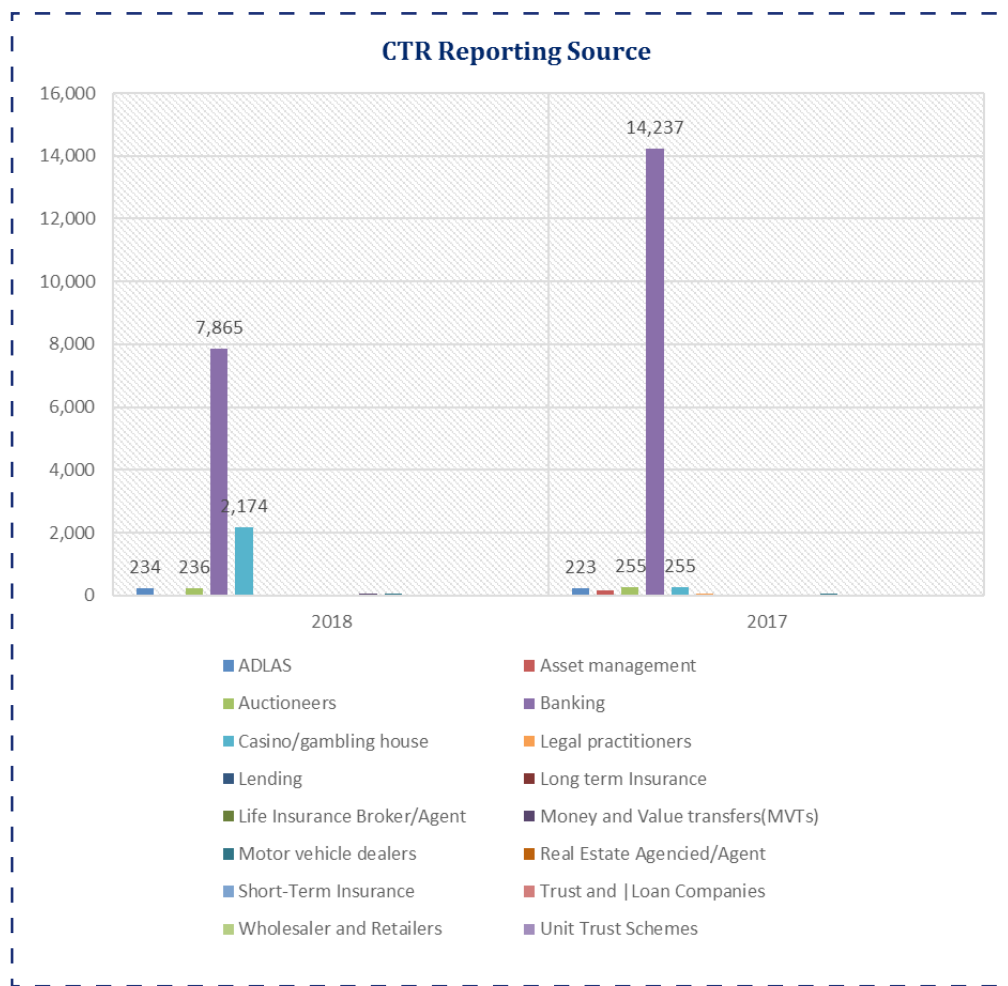
Since February 2015, the FIC has implemented a system under which AIs and RIs are obligated to report transactions

above prescribed limits to the FIC. These reports enabled FIC to identify additional sources of data for production of intelligence.

**Table 6: Total CTRs received**

| Source of CTRs                  | 2016                |                 | 2017                |                | 2018                |                |
|---------------------------------|---------------------|-----------------|---------------------|----------------|---------------------|----------------|
|                                 | No. of Transactions | Amount(NS)      | No. of Transactions | Amount(NS)     | No. of Transactions | Amount(NS)     |
| ADLAS                           | 271                 | 41,907,342      | 401                 | 72,702,193     | 270                 | 43,845,400     |
| Asset management                | 3                   | 520,000         | -                   | -              | 1                   | 150,000        |
| Auctioneers                     | 32                  | 6,323,055       | 162                 | 33,553,985     | 262                 | 56,433,645     |
| Banking                         | 90,945              | 133,876,534,903 | 78,525              | 36,086,623,459 | 75,554              | 18,404,136,458 |
| Casino/gambling house           | 54                  | 3,974,640       | 261                 | 16,120,752     | 2,960               | 162,200,907    |
| Legal practitioners             | 84                  | 69,464,870      | 72                  | 30,490,784     | 54                  | 71,984,964     |
| Lending                         | 17                  | 3,036,731       | 4                   | 476,792        | 5                   | 710,000        |
| Life Insurance Broker/Agent     | 3                   | 11,201,432      | 6                   | 847,023        | 1                   | 440,000        |
| Long term Insurance             | -                   | -               | -                   | -              | 3                   | 561,169        |
| Money and Value transfers(MVTs) | 65                  | 17,282,903      | 47                  | 7,325,444      | 61                  | 10,245,270     |
| Motor vehicle dealers           | 84                  | 17,282,903      | 77                  | 15,401,627     | 103                 | 22,512,173     |
| Real Estate Agencies/Agent      | -                   | -               | 3                   | 211,507        | 3                   | 1,022,150      |
| Short-Term Insurance            | 2                   | 333,000         | -                   | -              | 1                   | 100,000        |
| Stock broker                    | 1                   | 107,000         | -                   | -              | -                   | -              |
| Trust and Loan Companies        | 3                   | 809,095         | -                   | -              | 1                   | 100,000        |
| Unit Trust Schemes              | 6                   | 4,793,000       | 16                  | 2,608,321.00   | 3                   | 901,000        |
| Wholesaler and Retailers        | -                   | 4,793,000       | -                   | -              | 1                   | 150,536        |
|                                 | 91,570              | 134,058,363,874 | 79,558              | 36,266,361,887 | 79,283              | 18,775,493,672 |

Graph 4: Total CTRs received



The graph shows an overall decrease in the number of CTRs recorded in 2018 when compared with those recorded in 2017. However, the banking sector continue to dominate on

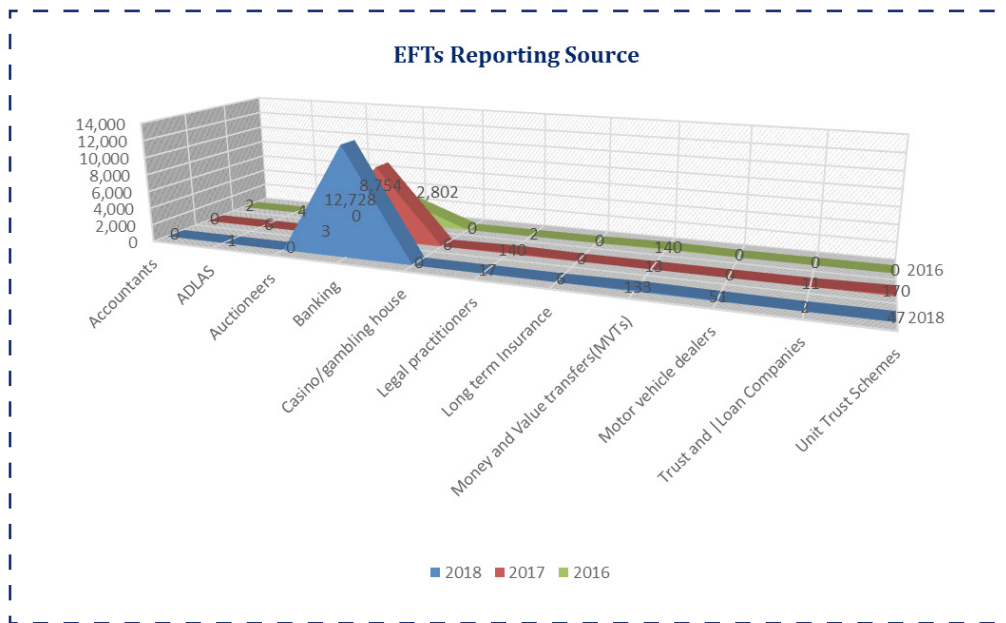
CTR reporting, accounting for 74% in 2017, a reduction of 11%.

Table 7: Total EFTs received

| Source of EFTs                  | 2016                |               | 2017                |                 | 2018                |                   |
|---------------------------------|---------------------|---------------|---------------------|-----------------|---------------------|-------------------|
|                                 | No. of Transactions | Amount(N\$)   | No. of Transactions | Amount(N\$)     | No. of Transactions | Amount(N\$)       |
| Accountants                     | 2                   | 3,325,764     | -                   | -               | -                   | -                 |
| ADLAS                           | 4                   | 1,267,953     | 42                  | 312,529         | 1                   | 767               |
| Auctioneers                     | -                   | -             | 3                   | 685,964         | -                   | -                 |
| Banking                         | 34,564              | 9,371,365,630 | 380,918             | 413,141,321,881 | 2,736,677           | 2,745,883,151,770 |
| Casino/gambling house           | -                   | -             | -                   | -               | -                   | -                 |
| Legal practitioners             | 2                   | 357,966       | 6                   | 22,218,661      | 17                  | 106,239,981       |
| Long term Insurance             | -                   | -             | -                   | -               | 6                   | 2,088,607         |
| Money and Value transfers(MVTs) | 293                 | 73,960,880    | 264                 | 66,309,541      | 354                 | 86,338,181        |
| Motor vehicle dealers           | -                   | -             | 13                  | 9,302,541       | 52                  | 12,060,939        |
| Trust and Loan Companies        | -                   | -             | 77                  | 45,377,865      | 13                  | 4,456,849         |
| Unit Trust Schemes              | -                   | -             | 1,280               | 714,070,974     | 453                 | 315,598,237       |
|                                 | 34,865              | 9,450,278,193 | 382,603             | 413,999,599,956 | 2,737,573           | 2,746,409,935,331 |



Graph 5. Total EFT Reports received

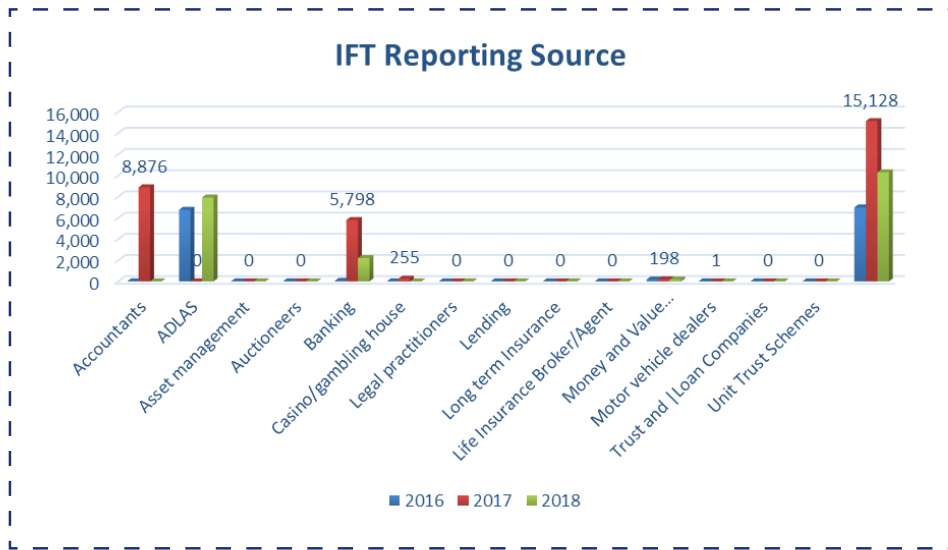


The graph shows 12 728 EFTs that signifies an overall increase of 45% in 2018 with the banking sector representing 98% of these reports.

Table 8: Total IFT Reports received

| Source of IFTs                  | 2016                |                    | 2017                |                       | 2018                |                        |
|---------------------------------|---------------------|--------------------|---------------------|-----------------------|---------------------|------------------------|
|                                 | No. of Transactions | Amount(NS\$)       | No. of Transactions | Amount(NS\$)          | No. of Transactions | Amount(NS\$)           |
| Accountants                     | -                   | -                  | -                   | -                     | -                   | -                      |
| ADLAS                           | 50,814              | 321,428,547        | 81,136              | 451,866,512           | 59,687              | 290,692,307            |
| Auctioneers                     | -                   | -                  | -                   | -                     | -                   | -                      |
| Banking                         | 40,888              | 359,321,692        | 950,723             | 48,423,423,578        | 1,425,310           | 184,045,672,104        |
| Casino/gambling house           | -                   | -                  | -                   | -                     | -                   | -                      |
| Legal practitioners             | -                   | -                  | -                   | -                     | 2                   | 667,649                |
| Long term Insurance             | -                   | -                  | -                   | -                     | -                   | -                      |
| Money and Value transfers(MVTs) | 2,403               | 10,450,176         | 2,474               | -                     | 2,177               | 11,244,618             |
| Motor vehicle dealers           | -                   | -                  | 1                   | 12,116,519            | 1                   | 50,523                 |
| Trust and Loan Companies        | -                   | -                  | -                   | -                     | -                   | -                      |
| Unit Trust Schemes              | -                   | -                  | -                   | 10,021                | -                   | -                      |
|                                 | <b>94,105</b>       | <b>691,200,415</b> | <b>1,034,334</b>    | <b>48,887,416,630</b> | <b>1,487,177</b>    | <b>184,348,327,201</b> |

Graph 6: Total IFTs received



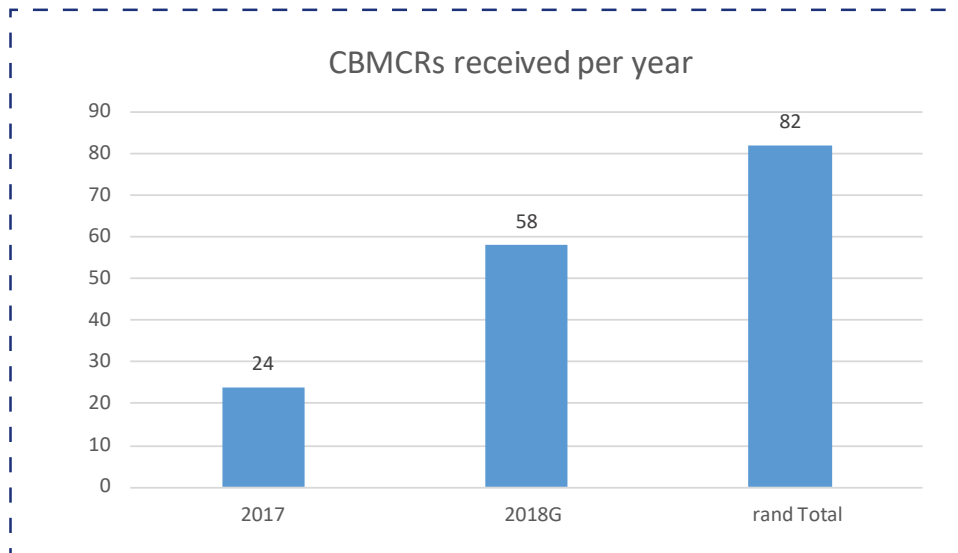
The graph shows total number of IFTs received for the years 2016 to 2018. The accounting sector reported the highest number of IFTs during 2017 followed by the Banking sector.

In 2018, there has been a significant reduction in the number of IFTs reported by the Accountants, however the Banking sector dominated in the IFT reporting.

Table 9: Total Cross Border Movement of Cash Reports (CBMCRs) received

| 2017 | 2018 | Grand Total |
|------|------|-------------|
| 24   | 57   | 81          |

Graph 7: Total Cross Border Movement of Cash Reports (CBMCRs) received



The graph shows total number of CBMCRs received for the years 2017 to 2018. There has been an increase in CBMCRs

reported from 24 reports in 2017 to 57 in 2018.

### 3.3.6 Additional Information Files (AIFs)

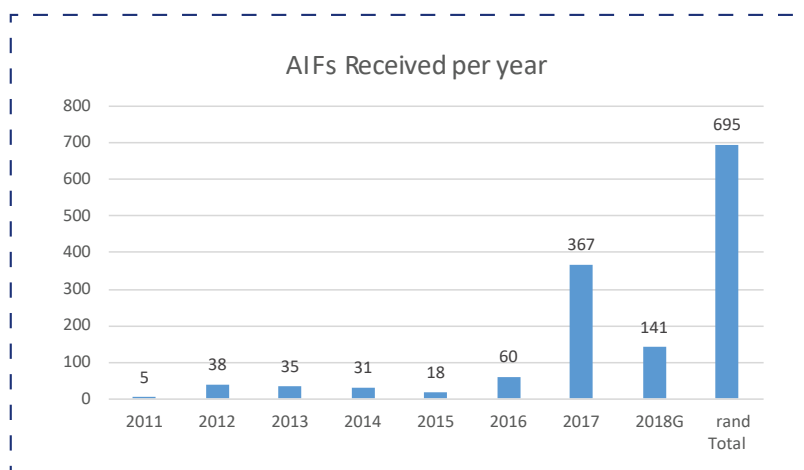
The FIC also receives AIFs from AIs and RIs. These reports enabled FIC to identify additional sources of data to further

enhance the production intelligence.

**Table 10: Additional Information Reports (AIFs) received**

| 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Grand Total |
|------|------|------|------|------|------|------|------|-------------|
| 5    | 38   | 35   | 31   | 18   | 60   | 367  | 141  | 695         |

**Graph 8: Additional Information Reports (AIFs) received**



The graph shows total number of AIFs received during 2011 to 2018. There has been a reduction of 62 percent in the

reported AIFs in 2018 compared to 2017.

### 3.3.5 Requests for financial intelligence

Over the years, there has been an increase in demand for FIC intelligence products by local LEAs and Foreign FIUs. Financial crime is borderless, hence sustainable combatting efforts requires close cooperation and exchange

of information with various local and international partners. During the period 2009 to 31 March 2018, a total of 373 requests for information have been received from foreign FIUs (IRIs) and domestic LEAs (IRDs).

**Table 11: Disclosure: Request for Information**

| Year               | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total |
|--------------------|------|------|------|------|------|------|------|------|------|------|-------|
| Domestic (IRD)     | 1    | 5    | 36   | 37   | 35   | 35   | 37   | 33   | 48   | 58   | 309   |
| Foreign FIU (IRIs) | -    | -    | 1    | 2    | -    | 3    | 12   | 13   | 7    | 10   | 39    |
|                    | 1    | 5    | 37   | 39   | 35   | 38   | 49   | 46   | 55   | 68   | 348   |

The above table shows that request for financial intelligence has increased steadily over the years.

### 3.3.6 Value of suspected proceeds of crime blocked

Section 42 of the Financial Intelligence Act empowers the FIC to restrict bank accounts (suspected of holding proceeds of crime) by directing Accountable Institutions (AIs) or Reporting Entities

(REs) not to proceed with carrying out transactions in respect of funds under suspicion for a period of 12 working days.

**Table 12: Number and Value of interventions filed**

|   | <b>2018</b>   |
|---|---------------|
| FIC Interventions orders issued during the period | 17            |
| Value of Interventions                            | 25,203,789.67 |

**Table 13: Value of proceeds of crime recovered due to FIC contributions during the review period**

|                                 | <b>No.</b> | <b>Value(N\$)</b> |
|---------------------------------|------------|-------------------|
| Money Returned to victim(s)     | -          | 210,000.00        |
| Total value of assets forfeited | -          | 30,000.00         |
| Funds Forfeited                 | 10         | 9,551,883.10      |
| Other Applications              | 2          | 200,000.00        |
| Preservation Applications       | 6          | 13,987,728.85     |
| Total                           | 18         | 23,979,611.95     |

The total recovered proceeds of crime due to FIC assistance amount to N\$ 23 979 611.95 million during the period 01 April 2017 to 31 March 2018. The current balance of the Criminal Assets Recovery Fund stands at N\$ 40 million.

### 3.4 Performance Record of the Legal, Policy and Enforcement Division

The below statistics reflect the FIC's attainment of objectives and outputs in respect of the above mandate for the year 2017/2018:

- The Division facilitated ratification of the below conventions to ensure the country's compliance with the relevant FATF recommendations and the UN Security Council Resolutions:
  - International Convention for the Suppression of Terrorist Bombings of 1997;
  - International Convention for suppression of acts of nuclear Terrorism of 2005;
  - International Convention against Taking of Hostages of 1983; and
  - The Convention on Prevention and Punishment of Crimes against Internationally Protected Persons including Diplomatic Agents of 1973.
- The Division engaged the Ministry of Justice, particularly the Directorate of Legal Drafting to ensure that amendments of the Extradition Act, 1996 (Act No. 11 of 1996) and International Cooperation in Criminal Matters Act, 2000 (Act No. 9 of 2000) reach finality. This is to ensure that the identified lacuna in the national legal framework is addressed forthwith to enable the country to comply with its international obligations.
- The Division further engaged the Ministry of Justice to follow up on the execution of the request from the Minister responsible for Finance to do the constitutional scrutiny and legal analysis of the scope of the definitional elements of Non-Profit Organizations (NPOs) and Customs Clearing Agents (CCAs) in order for the Minister responsible for Finance to add these sectors to Schedule 1 of the FIA as Accountable Institutions.
- This followed the revision of the FATF Recommendations, more particularly recommendation 8, which requires monitoring of the NPO sector to mitigate the risk of Terrorist Financing.
- The division drafted and published the below instruments to enhance compliance with the FIA;
  - Directive No. 3 of 2017 on identification of beneficial owners in respect of Discretionary Trusts. The purpose of this Directive is twofold:
    - It informs the Trust Administrators/ Trust Agents and the general public as to when identification of beneficiaries of Discretionary Trusts is expected, and
    - It informs the Master of the High Court of Namibia as to what information in terms of the FIA is considered adequate at the registration stage of a Discretionary Trust.
 Prior to the issuance of this Directive, there has been public outcry on the practical impossibility in respect of identification and furnishing of particulars of beneficiaries of a Discretionary Trust
  - Directive No. 2 of 2017 on timely availing of records to the FIC. This is to ensure that information requested by the FIC is provided timely to enable the FIC to take action timely.

- The Division also drafted a Directive on Depositor identification, which is yet to be published pending finalization of the sectoral risk assessment to determine whether the identification threshold should be increased or decreased.
- The Division issued two circulars on High Risk and Non-Cooperative Jurisdictions following the FATF publications of June and November 2017. The purpose is to alert both private and public institutions as well as the general public on high risk jurisdiction and exercise caution when dealing with individuals and entities originated from these jurisdictions.
- The division issued and published a Circular (Circular 19 of 2017) on the purpose of Additional Information File (AIF), which is another type of report. The purpose of this Circular is to clarify as to when Accountable and Reporting Institutions can file AIFs.
- Prior to the issuance and publication of this Circular, there has been a trend of Accountable Institutions using AIFs as a quality bridging tool for STRs not meeting the standard reporting requirements.
- During the period reviewed, the Division issued 39 Circulars on the updates of the UNSC sanctions lists to ensure freezing of assets in terms of Freezing Orders issued by the Minister responsible for Safety and Security. These Circulars are circulated to both public and private institutions.
  - In addition to the above performance statistics, the following Guidance Notes were issued –
- Guidance Note No. 1 of 2017 on De-risking. This guidance was issued to all sectors and industries to understand the threat of de-risking and the FIC's expectations in this regard.
- Guidance Note No. 2 of 2017 on mitigation of cross – border remittance risks related to import. The purpose is to guide the regulated populace on how to adequately mitigate the risk of trade-based Money Laundering.
- Guidance Note No. 4 of 2017 on the 15-day reporting period of STRs and SARs. This guidance note specifies when the 15-day reporting period begins. Some institutions employed automated systems to aid detection of STRs. These systems have the capacity to flag unusual transactions and send alerts. This gave rise to a confusion as to when the suspicion arises, whether it arises when the transaction is flagged or after ascertainment of the suspicion. This Guidance Note provides the answer to this effect.

In terms of the mandate conferred upon the FIC by virtue of section 56 of the FIA, the FIC imposed administrative sanctions against Accountable and Reporting Institutions with compliance deficiencies. This is to encourage compliance and deter the like institutions in various sectors and industries from contravening similar provisions of the FIA and PACOTPA. In light of the aforesaid, the FIC imposed administrative sanctions tabulated hereunder –

**Table 14: Administrative sanctions imposed**

| <b>Category of Institutions sanctioned</b>                             | <b>Number of Institutions</b> | <b>Administrative sanction imposed</b>  |
|--|-------------------------------|---|
| Car hires (car hires that sell their vehicles after a certain mileage) | 1                             | A Directive in terms of section 56 (3)(c) of the FIA.   |
| Auctioneers  | 3                             | 1. A Directive in terms of section 56 (3) (c) of the FIA to one Auctioneer; and<br>2. Two (2) Cautions issued in terms of sec 56(3)(a) of the FIA to two Auctioneers. |
| Motor Vehicle Dealers  | 8                             | Caution issued in terms of section 56(3)(a) of the FIA to 8 motor vehicle dealers   |
| Estate Agents  | 5                             | Caution issued in terms of section 56(3)(a) of the FIA  |
| Law Firms  | 1                             | Caution issued in terms of sec 56(3)(a) of the FIA  |

**Table 15: Pending actions –**

| <b>Category of Institutions sanctioned</b>        | <b>Number of Institutions</b> | <b>Administrative sanction imposed</b> |
|---|-------------------------------|--|
| Banks   | 3                             | Pending                                |
| Authorized Dealers with Limited Authority (ADLAs) | 2                             | Pending                                |
| Motor Vehicle Dealers                             | 1                             | Pending                                |
| Estate Agents                                     | 2                             | Pending                                |
| Lenders   | 1                             | Pending                                |
| Law Firms   | 5                             | Pending                                |
| Asset Managers                                    | 1                             | Pending                                |

During the review period, the Division conducted training as part of awareness creation to ensure that the regulated institutions understand their obligations in terms of the FIA. The table below presents statistics of trainings conducted during the period –

**Table 16: Training offered during the period**

| <b>8-May-17</b> | <b>Lenders</b>                                    | <b>AML/CFTP</b> |
|-----------------|---|-----------------|
| 12-Jun-17       | Auctineers  | AML/CFTP        |
| 12-Jun-17       | Insurance   | AML/CFTP        |
| 15-Jun-17       | Real Estate Agents                                | AML/CFTP        |
| 22-Jun-17       | Investment  | AML/CFTP        |
| 27-Jun-17       | Lending & Banking                                 | AML/CFTP        |
| 30-Jun-17       | Asset Management (Penson Fund and Private Equity) | AML/CFTP        |
| 29-Jun-17       | Asset Management(Unit Trust)                      | AML/CFTP        |
| 14 July 2017    | Legal Practitioners                               | AML/CFT         |
| 15 July 2017    | Lending   | AML/CFT         |
| 26-Jul-17       | Real Estate                                       | AML/CFT         |
| 27-Jul-17       | Supervisory                                       | ENFORCEMENT     |
| 1-Aug-17        | Banking   | AML/CFT         |
| 8-Aug-17        | Banking   | AML/CFT         |
| 17-Aug-17       | Real Estate Agents                                | AML/CFT         |
| 18-Aug-17       | Real Estate Agents                                | AML/CFTP        |
| 29-Aug-17       | Real Estate Agents                                | AML/CFTP        |
| 30-Aug-17       | Real Estate Agents                                | AML/CFTP        |
| 13-Sep-17       | Motor Vehicle Dealers                             | AML/CFTP        |
| 20-Sep-17       | Real Estate Agents                                | AML/CFTP        |
| 26-Sep-17       | Real Estate Agents                                | AML/CFTP        |
| 10-Nov-17       | Real Estate Agents                                | AML/CFTP        |
| 24-Nov-17       | Real Estate Agents                                | AML/CFTP        |

During the review period, the Division received requests for legal interpretation and legal advise from various sectors

and industries. The table represents legal interpretation and advice availed to the sectors and industries, and the scope thereof –

**Table 17: FIA Interpretation and Legal Advice**

| <b>Sector/Industry/Public Institutions</b> | <b>Scope</b>   | <b>Authority</b>   |
|--|--|--|
| Legal Practitioners                        | FIC determination on customer identification threshold   | Section 21 of FIA, and FIA determination of 2009         |
| Internal                                   | The scope of EFTs  | Section 34 of FIA, and complementary regulation          |
| Public Institution                         | Advise to the Ministry of Justice on the Layman draft amendment of International Cooperation in Criminal Matters.  | International conventions as ratified by Namibia         |
| Bank                                       | FIA obligations on pool accounts and identification thereof  | FIA, 2009 Exemptions, Basel ii requirements              |
| Accountants & Auditors                     | FIA obligation on management agents  | Schedule 1 of FIA  |
| Customs and Excise                         | Cross border declaration of cash and bearer negotiable instruments   | Section 36 & 37 of the FIA                               |
| Real Estate                                | Identification of legal persons listed on the Stock Exchange   | FIA Exemption Order of 2009                              |
| Asset Managers                             | De-risking with clients whose KYC information could not be obtained;   | FIA regulation 5   |
| Insurance                                  | De-risking.  | FIC De-risking guidance note, FATF de-risking guidelines |
| Trust Administrators                       | Application of FIA obligations to Testamentary Trusts and Estates  | FIA  |
| Supervisory Body                           | Fit and Propriety requirements   | FIA  |
| Internal                                   | Whether accountable institutions can rely on the exemption order of 2009 when the conditions under paragraph 2.3 are fulfilled.                                      | FIC Exemption Order 2009                                 |
| Investment House                           | Reporting of structured cash transactions.   | FIA regulation 23(7)                                     |
| Auditors & accountants                     | Who qualifies as an Accountable Institution in terms of cross border funds remittance  | FIA  |
| Long - term insurance/ investment          | Who is obliged to conduct screening against the UNSC sanctions lists and whether the usage of other tools available in the market is allowed.                        | PACOTPAA & FIA   |
| Real Estate                                | How to treat suspicious activities detected when dealing with non-face-to-face clients who are hesitant to reveal the sources of funds to be invested in properties. |  |

The Division drafted and facilitated the signing of a Memorandum of Understanding between the FIC and the Business and Intellectual Property Authority (BIPA). The Division further drafted and facilitated the signing of a Memorandum of Understanding between the FIC and the Financial Intelligence Unit of the People's Democratic Republic of China. The purpose of these MoUs is to ensure smooth cooperation, more particularly on information exchange. In addition to the aforesaid, the Division also negotiated and drafted the following MoUs, which are yet to be signed:

- **Domestic MoUs –**
  - MTC
- **International MoUs –**
  - United Arab Emirates
  - Hong Kong
  - Qatar

### 3.4.1 On-going projects

- AML/CFT/CFP Risk Assessment project which is cutting across the 2014/2015, 2015/2016 2016/2017, and 2017/2018 performance cycles;
- Facilitating and overseeing completion of the Cabinet approved Self-Assessment Action Plan in order to

prepare Namibia for the upcoming AML/CFT/CFP Mutual Evaluation in 2019/2020;

- Preparing a mock evaluation to take place during the 2018/2019 financial year in lieu of Namibia's Mutual Evaluation scheduled to take place in the 2019/2020.

### 3.4.2 Challenges with Implementation of the AML/CFTP Legal Framework

The Division is operating on a narrow structure which entails few resources to deliver on the mandate.

The mandate of this Division remains vast and ever expanding due to ever changing global standards necessitated by inevitable emergence of new trends in the sphere of ML/TF/PF.

The growing need of regulatory coverage exacerbate the demand for legal interpretation and capacity building, on which the Division is expected to deliver.

Other challenges include, the growing number of FIA non-compliance referrals for enforcement purposes.

## 4. Namibia's 2019/2020 FATF-ESAAMLG Mutual Evaluation

### 4.1 Introduction

Money Laundering, Terrorism Financing and the Proliferation of Weapons of Mass Destruction (ML/TF/PF) continuously pose risks to international financial integrity, peace, stability and democracy. Not only does ML/TF/PF continuously pose threats to the core of global security and the integrity of the global financial system, but it requires global citizens such as Namibia, to ensure necessary action to address identified ML/TF/PF risks and threats are embedded in national policies, laws and implementation frameworks.

Thus, Namibia as a global citizen, is required to, with the rest of the world, ensure it has an operational and effective Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) framework to assist the world in addressing risks, threats and challenges brought about by ML/TF/PF.

In an effort to prevent and combat identified threats and vulnerabilities posed by ML/TF/PF, Namibia has established an AML/CFT/CPF preventative and combatting regime (based on applicable UN Conventions and mandatory UN Security Council Resolutions issued under Chapter VII of the UN Charter and embedded in the Financial Action Task Force International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation the Financial Action Task Force's (FATF) international AML/CFT/CPF standards). The FATF Standards provides for the collection of valuable information from both Government and Private Sector which enables the State to address identified ML/TF/PF risks, threats and vulnerabilities. In turn, these efforts assist Namibia to effectively contribute to global efforts in protecting the stability and integrity of both the national and global financial system as well as safeguarding national, regional and international peace, stability and democracy.

The FATF conducts assessments through peer reviews of member countries on an ongoing basis to determine the

extent of implementation of its 40 Recommendations. The assessment provides an in-depth description and analysis of each country's system for preventing criminal abuse of the national and global financial system.

### 4.2 Namibia's National AML/CFT/CPF Policy, Legislative & Implementation Framework

**The Government of the Republic of Namibia, in line with National Policies and Strategies on combatting:**

- Organized Crime and Money Laundering;
- Terrorism and the Financing thereof; as well as
- Proliferation of Weapons of Mass Destruction,

**ratified and domesticated the following UN and AU Conventions as well as mandatory UN Security Council Resolutions issued under Chapter VII of the UN Charter:**

- 1988 UN Convention against Illicit Traffic in Narcotic Drugs & Psychotropic Substances;
- 1999 UN International Convention on Suppression the Financing of Terrorism;
- 2000 UN Convention against Transnational Organized Crime;
- 2003 UN Convention against Corruption;
- 1973 UN Convention on the Prevention & Punishment of Crimes Against Internationally Protected Persons, including Diplomatic Agents;
- 1979 UN International Convention Against Taking of Hostages;
- 1997 UN International Convention for the Suppression of Terrorist Bombings;
- 2005 UN International Convention for the Suppression of Acts of Nuclear Terrorism;
- 1999 OAU Convention on the Prevention and Combatting of Terrorism;
- The Security Council Resolutions pursuant to 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida, and associated individuals, groups, undertakings and relevant entities;
- The Security Council Resolutions established pursuant to Security Council Resolution 1988 (2011) and all predecessor and/or subsequent resolutions;



- The Security Council Resolutions established pursuant to Security Council resolution 1718 (2006) and all predecessor and/or subsequent resolutions.

Given the global threat to international peace, stability and democracy presented by Transnational Organized Crime, Terrorism and Proliferation, Namibia along with other jurisdictions in the international community, has been called upon to demonstrate zero tolerance to such crimes by fully and effectively complying with the obligations derived from the above UN Conventions and Security Council Resolutions and do all that is necessary to prevent abuse of the domestic and international financial systems for purpose of such activities.

Government's AML/CFT/CPF Preventative and Combatting Policies, Laws and Implementation Framework is therefore aligned to obligations mandated by these Conventions and Security Council resolutions as embodied in the FATF Recommendations.

The FATF recommendations in turn provide the technical and effectiveness framework within which jurisdictions, including Namibia, should combat ML/TF and PF activities.

The FIC under the Policy making Arm of the Anti-Money Laundering and Combatting the Financing of Terrorism and Proliferation Council, is Government's main agency designated with the responsibility to coordinate Namibia's national, regional and international efforts to prevent and combat ML, TF and PF in collaboration with other law Enforcement Agencies.

#### **4.3 Past & Future FATF/ESAAMLG Mutual Evaluation Assessments of Namibia**

Namibia in 2005 underwent a FATF/ESAAMLG Mutual Evaluation, assessing the country's overall compliance with applicable UN Conventions and UN Security Council Resolutions aimed at addressing ML/TF, as embedded in the then FATF Forty Recommendations on ML and Nine Special Recommendations on TF.

The overall assessment found Namibia's National ML/TF regime wanting in critical areas, which required urgent action. In turn Namibia promulgated various AML/CFT Policies and Laws and rolled out an implementation framework necessary to effectively implement the newly promulgated laws. Most notable developments in this regard, is the enactment of the now repealed 2007 Financial Intelligence Act (replaced by

the Financial Intelligence Act 2012 (Act No. 3 of 2012) as amended), which caused the establishment of the Financial Intelligence Centre, as well as the Prevention of Organized Crime Act, 2004 (Act No. 29 of 2004), as amended. Combined, these two laws, are the main laws criminalizing ML in Namibia and enables the forfeiture of proceeds of crime, using civil process.

Despite notable progress attained by Namibia during the years 2007 to 2011 to address risks and threats posed by ML, the international community voiced concern on the slow progress made by Namibia to adopt necessary national Policies and Legislative Frameworks needed to criminalize Terrorist Activities and the Financing thereof. The concerns on slow progress caused Namibia to be subjected to a Targeted Review by the FATF's International Cooperation Review Group as from 2012 to early 2015, with international publicized statements calling on Government to heed to the call for CFT reforms.

In addressing the identified CFT concerns, Government in 2012 adopted the Prevention and Combatting of Terrorist and the Financing of Terrorist Activities Act (PACOTA). After the enactment of same, the UN intensified its efforts to prevent the international financial system being used for Proliferation purposes. Intensified efforts caused the FATF Recommendations to be reviewed with a new Recommendation 7 added to specifically address the prevention and combatting of Proliferation. This development caused Namibia to align the 2012 PACOTA with the revised FATF Recommendations, resulting in the enactment of the Prevention and Combatting of Terrorist and Proliferation Activities Act, 2014 (Act No.4 of 2014), making Namibia a leader in the international arena on prevention and combatting of Proliferation. The necessary reforms undertaken, in turn caused Namibia to be removed from the FATF's Targeted Review process in early 2015.

#### **4.4 Perpetual Challenges inhibiting an Effective National AML/CFT/CPF System:**

Whilst Namibia in 2015 and 2016 respectively, has been found to have an overall good system to address threats and vulnerabilities posed by ML/TF/PF, gaps have been identified through a National Self-Assessment conducted in 2017/18, which negatively impede the effectiveness of the national AML/CFT/CPF system.

Identified vulnerabilities required of Government to enhance necessary combatting efforts, needed in pursuing the investigation and prosecuting of money laundering offenders

and confiscating assets to mitigate identified risks. At the time of publication of this report, Namibia's recorded statistics on ML investigations and prosecutions are falling far below that which is needed to satisfy understanding that the country has an effectively implemented national AML/CFT/CPF system, which functions effectively in addressing identified ML/TF PF risk exposure. Recorded low statistics, pose significant threats to the outcome of Namibia's scheduled 2019/2020 FATF-ESAAMLG Mutual Evaluation.

In the event that Namibia is found wanting as far as effective implementation of her national AML/CFT/CPF regime is concerned, the country may face significant risks. One such risk is that the country yet again may be escalated for a FATF Targeted Review, with consequential public statements that the national financial system, poses significant ML/TF/PF risks to the international financial system. A public statement to this effect, in turn may have negative impact on Government's efforts to attract necessary and required foreign direct investment to the country and may further negatively affect investor confidence in Namibia.

#### 4.5 PREPARING FOR NAMIBIA'S 2019/20 FATF/ESAAMLG MUTUAL EVALUATION

In ensuring that all required and necessary action is rolled out to prevent Namibia receiving a negative Mutual Evaluation Assessment, required national preparatory efforts have commenced preparing both Government and Private Sector for the evaluation.

##### **Preparatory Actions in particular focusses on the following:**

- Establishment of a national focal committee representative of all national AML/CFT/CPF Stakeholders that will drive the Mutual Evaluation on behalf of the country;
- The national committee being capacitated on and familiarized with the methodology used to conduct the assessment;
- The national committee raising the necessary awareness and understanding with all national AML/CFT/CPF stakeholders on information required to complete the technical assessment; and
- The national committee facilitating the on-site face-to-face meetings between identified stakeholders and the assessment team to avail understanding on the Namibia's identification, assessment and mitigation of national ML/TF/PF risks and effective implementation of Namibia's AML/CFT/CPF policies and laws to mitigate identified risks.



# Annual Financial Statements as at 31 March 2018

FINANCIAL INTELLIGENCE CENTRE  
(Registration number 2011/123)

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR 31 MARCH 2018

### General Information

|  |   |
|--|---|
| <b>Country of incorporation and domicile</b>       | Namibia   |
| <b>Nature of business and principal activities</b> | Administering the Financial Intelligence Act (FIA) in preventing and combating Money Laundering (ML)/ Terrorist Financing (TF)/ Proliferation Financing (PF).   |
| <b>Council</b>                                     | I. Shiimi<br>P. Noa<br>O.M. Imalwa<br>B.K. Likando<br>K Matomola<br>E. Shafudah<br>S.H Ndeitunga<br>J.E Kandjeke<br>E. Angula<br>I. V. K Ndjoze<br>B. Hans<br>Commissioner (Rtd) T. Kamati<br>G. Sinimbo<br>J. Mungunda |
| <b>Business address</b>                            | 71 Robert Mugabe Avenue<br>Windhoek<br>Namibia  |
| <b>Postal address</b>                              | P O Box 2882<br>Windhoek<br>Namibia   |
| <b>Auditors</b>                                    | Deloitte & Touche<br>Registered Accountants and Auditors<br>Chartered Accountants (Namibia)<br><br>Grand Namibia<br>Registered Accountants and Auditors   |



# Contents

The reports and statements set out below comprise the annual financial statements presented to the Council:

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## Council's Responsibilities and Approval

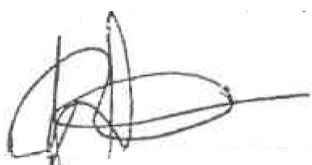
The Council is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of the Centre as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the basis as set out in note 1. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Council acknowledges that they are ultimately responsible for the system of internal financial control established by the Centre and places considerable importance on maintaining a strong control environment. To enable the Council to meet these responsibilities, the Council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Centre and all employees are required to maintain the highest ethical standards in ensuring the Centre's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Centre is on identifying, assessing, managing and monitoring all known forms of risk across the Centre. While operating risk cannot be fully eliminated, the Centre endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Council is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Council has reviewed the Centre's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, the Council is satisfied that the Centre has access to adequate resources to continue in operational existence for the foreseeable future.



I. Shiimi



P. Noa

Windhoek, 30 January 2019

# Independent Auditor's Report to the Council of the Financial Intelligence Centre

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of the Financial Intelligence Centre as set out on pages 46 to 56, which comprise the Council's report and the statement of financial position as at 31 March 2018 and the statement of comprehensive income and the statement of changes in equity for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Intelligence Centre as at 31 March 2018, and its financial performance for the year then ended in accordance with the basis of accounting set out note 1 to the financial statements.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Namibia. We have fulfilled our other ethical responsibilities in accordance with these requirements and in accordance with other independence requirements applicable to performing audits of financial statements in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Basis of accounting and restriction on distribution and use

The financial statements have been prepared in accordance with the basis of accounting described in the accounting policies for the purposes of providing financial information to the Council. The financial statements and the auditor's report may not be suitable for any other purpose.

### Emphasis of matter: Going concern

Without qualifying our opinion, we draw attention to the Council Report and Note 11 to the financial statements which indicates that the Centre incurred a deficit of N\$230 665 as at 31 March 2018 (2017: loss of N\$15 670 589). The accumulated deficit as at 31 March 2018 amounted to N\$10 405 970 (2017: deficit of N\$10 175 305). These conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the Centre's ability to continue as a going concern without the continued support of the Ministry of Finance.

### Other Matter: Supplementary Information

Without qualifying our opinion, we draw attention to the fact that the supplementary information set out in Note 6 on page 55 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

## Independent Auditor's Report (continued)

### Other Information

The Council is responsible for the other information. The other information comprises of Introduction and General Information, Getting to Know the FIC, Operations of the FIC, Theme topic and the Council' responsibilities and approval. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting set out on note 1 and for such internal control as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Centre or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Centre's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.



### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Centre to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Centre or business activities within the Centre to express an opinion on the financial statement. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



#### **Deloitte & Touche**

Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
PO Box 47, Windhoek

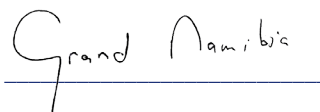
**Per:** Helen de Bruin (Partner)

#### **Partners:**

E Tjipuka (Managing Partner), RH McDonald,  
H de Bruin, J Cronjé, A Akayombokwa, A T Matenda  
J Ngikevali, G Brand\*, M Harrison\*  
\*Director

Associate of Deloitte Africa, a member of  
Deloitte Touche Tohmatsu Limited

Windhoek, 8 February 2019



#### **Grand Namibia**

Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
PO Box 24304, Windhoek

**Per:** Richard Theron (Partner)

#### **Resident Partners:**

R Theron (Managing Partner), RN Beukes

# Council's Report

The Council has pleasure in submitting this report on the annual financial statements of Financial Intelligence Centre for the year ended 31 March 2018.

## 1. Main business and operations

The prime work of the Centre in terms of Financial Intelligence Act No.13 of 2012 are to combat money laundering and the financing of terrorism and proliferation activities in collaboration with other law enforcement agencies.

Net (deficit) of the centre for the year 2018 is (N\$ 230 665) and (2017: N\$ 15 670 589)

The operating results and state of affairs of the Centre are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

## 2. Council

The members of Council in office at the date of this report are as follows:

Council

I. Shiimi

P. Noa

O.M. Imalwa

B.K. Likando

K Matomola

E. Shafudah

S.H Ndeitunga

J.E Kandjeke

E. Angula

I. V. K Ndjoze

B. Hans

Commissioner (Rtd) T. Kamati

G. Sinimbo

J. Mungunda

## 3. Events after the reporting period

The Council is not aware of any material event which occurred after the reporting date and up to the date of this report.

## 4. The Centre's Governance

The Centre is run by a Director who is appointed by the Minister of the Ministry of Finance.

## 5. Administrative arrangement

In terms of Section 7(2) of the Financial Intelligence Act, 2012, the Bank of Namibia must provide administrative services to the Centre.

## **6. Going concern**

The accumulated deficit as at 31 March 2018 amounted to N\$ 10 405 970 (2017: N\$ 10 175 305).

The financial statements have been prepared on a going concern basis after considering the following measures. Parliament approved an overall operational budget for FIC of N\$ 18 923 000 for 2018/2019 financial year. Parliament also availed an additional N\$ 10 000 000 during the mid-year budget review to complement the operational budget. Furthermore, a request has been approved by the Asset Recovery Committee, established under the Prevention of Organized Crime Act 2004 to allocate an additional N\$ 8 947 523 which awaits endorsement from the cabinet.

## Statement of Financial Position as at 31 March 2018

|                                     | Notes | 2018<br>N\$    | Restated<br>2017<br>N\$ | Restated<br>2016<br>N\$ |
|-------------------------------------|-------|----------------|-------------------------|-------------------------|
| <b>Assets</b>                       |       |                |                         |                         |
| <b>Non-Current Assets</b>           |       |                |                         |                         |
| Property, plant and equipment       | 2     | 427 263        | 373 802                 | 489 069                 |
| <b>Current Assets</b>               |       |                |                         |                         |
| Receivable from Bank of Namibia     |       | -              | -                       | 5 006 215               |
| <b>Total Assets</b>                 |       | <b>427 263</b> | <b>373 802</b>          | <b>5 495 284</b>        |
| <b>Equity and Liabilities</b>       |       |                |                         |                         |
| <b>Equity</b>                       |       |                |                         |                         |
| Accumulated (deficit)               |       | (10 405 970)   | (10 175 305)            | 5 495 284               |
| <b>Liabilities</b>                  |       |                |                         |                         |
| <b>Current liabilities</b>          |       |                |                         |                         |
| Employee Provisions                 | 7     | 1 605 957      | 1 596 307               | -                       |
| Audit Fees Provisions               | 8     | 92 000         | -                       | -                       |
| Other Trade Payables                |       | 209 874        | 42 470                  | -                       |
| Payable to Bank of Namibia          | 9     | 8 925 402      | 8 910 330               | -                       |
| <b>Total Equity and Liabilities</b> |       | <b>427 263</b> | <b>373 802</b>          | <b>-</b>                |

## Statement of Comprehensive Income for the Year Ended 31 March 2018

|   |          | 2018             | Restated<br>2017    |
|---|----------|------------------|---------------------|
|   | Notes    | NS               | NS                  |
| Grant received                                    | 4        | 25 000 000       | 13 900 000          |
| Operating expenses                                | 6        | (25 230 665)     | (29 570 589)        |
| <b>Operating (deficit)</b>                        | <b>5</b> | <b>(230 556)</b> | <b>(15 670 589)</b> |
| <b>(Deficit) for the year</b>                     |          | <b>(230 665)</b> | <b>(15 670 589)</b> |
| Other comprehensive income                        |          | -                | -                   |
| <b>Total comprehensive (deficit) for the year</b> |          | <b>(230 665)</b> | <b>(15 670 589)</b> |

## Statement of Changes in Equity for the Year Ended 31 March 2018

|   |            | Accumulated<br>profit/(loss)<br>account | Total               |
|---|------------|---|---------------------|
|   | Notes      | N\$                                     | N\$                 |
| <b>Opening balance as previously reported - 31 March 2016</b> |            | <b>5 505 490</b>                        | <b>5 505 490</b>    |
| Prior period error  | 3.1        | (10 206)                                | (10 206)            |
| Restated (Deficit) for the year                               |            | (15 670 589)                            | (15 670 589)        |
| Deficit for the year as previously stated                     |            | (11 719 778)                            | (11 719 778)        |
| Prior period error  | 3.1        | (3 950 811)                             | (3 950 811)         |
| <b>Balance at 31 March 2017 restated</b>                      | <b>3.5</b> | <b>(10 175 305)</b>                     | <b>(10 175 305)</b> |
| (Deficit) for the year  |            | (230 665)                               | (230 665)           |
| <b>Balance at 31 March 2018</b>                               |            | <b>(10 405 970)</b>                     | <b>(10 405 970)</b> |

# Accounting Policies

## 1. Basis of presentation

The annual financial statements have been prepared in accordance with the accounting policies set out below. The annual financial statements have been prepared on the historical cost basis.

### 1.1 Basis of preparation

The financial statements of the Centre have been prepared in accordance with the Centre's basis of accounting. They have been prepared under the historical cost convention.

The preparation of financial statements is in conformity with the Centre's policies that require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Centre's accounting policies. No significant estimates and judgements were used during the year under review.

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/ (losses) – net' in the statement of comprehensive income.

### 1.3 Grant received

This principally relates to income received from the Ministry of Finance. The Centre, with the approval of the Minister of Finance, may accept financial donations or contribution from any other source. Such incomes are accounted for on a cash receipt basis.

### 1.4 Expenses

Expenses are recorded on the accrual basis.





## Accounting Policies (Continued)

### 1.5 Other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are classified as loans and receivables.

### 1.6 Other payables

Other Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### 1.7 Employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered - leave and bonuses), are recognised in the period in which the service is rendered and are not discounted. The expected cost of bonus payments and leave is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

# Notes to the Annual Financial Statements

## 2. PROPERTY, PLANT AND EQUIPMENT

|                                 | Furniture & Fixtures | Equipment & Fittings | Computer Hardware | Computer software | Minor Assets | Total            |
|---------------------------------|----------------------|----------------------|-------------------|-------------------|--------------|------------------|
| <b>2018</b>                     | N\$                  | N\$                  | N\$               | N\$               | N\$          | N\$              |
| <b>Cost</b>                     |                      |                      |                   |                   |              |                  |
| At 1 April 2017                 | 314 049              | 189 521              | 478 465           | 1 384 706         | 354          | 2 367 095        |
| Additions                       | 86 688               | -                    | 258 757           | -                 | -            | 345 445          |
| Transfers to/(from) BoN         | -                    | (25 002)             | 8 201             | -                 | -            | (16 801)         |
| <b>At 31 March 2018</b>         | <b>400 737</b>       | <b>164 519</b>       | <b>745 423</b>    | <b>1 384 706</b>  | <b>354</b>   | <b>2 695 739</b> |
| <b>Accumulated depreciation</b> |                      |                      |                   |                   |              |                  |
| At 1 April 2017                 | 101 105              | 118 327              | 388 801           | 1 384 706         | 354          | 1,993,293        |
| Depreciation                    | 69 966               | 31 609               | 190 409           | -                 | -            | 291 984          |
| Transfers to/(from) BoN         | -                    | (25 002)             | 8 201             | -                 | -            | (16 801)         |
| <b>At 31 March 2018</b>         | <b>171 071</b>       | <b>124 934</b>       | <b>587 411</b>    | <b>1 384 706</b>  | <b>354</b>   | <b>2 268 476</b> |
| <b>Carrying value</b>           |                      |                      |                   |                   |              |                  |
| <b>At 1 April 2017</b>          | <b>212 944</b>       | <b>71 194</b>        | <b>89 664</b>     | <b>-</b>          | <b>-</b>     | <b>373 802</b>   |
| <b>At 31 March 2018</b>         | <b>229 666</b>       | <b>39 585</b>        | <b>158 012</b>    | <b>-</b>          | <b>-</b>     | <b>427 263</b>   |
| <b>2017</b>                     |                      |                      |                   |                   |              |                  |
| <b>Cost</b>                     |                      |                      |                   |                   |              |                  |
| At 1 April 2016                 | 299 654              | 209 567              | 431 592           | 1 384 706         | 4 458        | 2 329 977        |
| Additions/Transfers             | 14 395               | 1 304                | 77 281            | -                 | -            | 92 980           |
| Prior period error              | -                    | (21 350)             | (30 408)          | -                 | (4 104)      | (55 862)         |
| <b>At 31 March 2017</b>         | <b>314 049</b>       | <b>189 521</b>       | <b>478 465</b>    | <b>1 384 706</b>  | <b>354</b>   | <b>2 367 095</b> |
| <b>Accumulated depreciation</b> |                      |                      |                   |                   |              |                  |
| At 1 April 2016                 | 29 320               | 191 173              | 211 379           | 1 384 706         | 4 458        | 1 821 036        |
| Depreciation                    | 57 835               | 31 348               | 119 064           | -                 | -            | 208 247          |
| Prior period error              | 13 950               | (104 194)            | 58 358            | -                 | (4,104)      | (35 990)         |
| <b>At 31 March 2017</b>         | <b>101 105</b>       | <b>118 327</b>       | <b>388 801</b>    | <b>1 384 706</b>  | <b>354</b>   | <b>1 993 293</b> |
| <b>At 1 April 2016</b>          | <b>270 334</b>       | <b>18 394</b>        | <b>220 213</b>    | <b>-</b>          | <b>-</b>     | <b>508 941</b>   |
| <b>At 31 March 2017</b>         | <b>212 944</b>       | <b>71 194</b>        | <b>89 664</b>     | <b>-</b>          | <b>-</b>     | <b>373 802</b>   |

# Notes to the Annual Financial Statements

|  | 2018 | 2017 |
|--|------|------|
|  | N\$  | N\$  |

## 3. Prior Period Errors

### 3.1 Operating Expenses

Operating expenses for the period ended 31 March 2016 and 31 March 2017 relating to the DR Site Project were previously omitted from the financial statements. This resulted in an understatement of both the Operating expenses and the Payable to the Bank of Namibia. The effect of the restatement is summarised as follows:

|  |          |                  |
|--|----------|------------------|
| Increase in operating expenses - 31 March 2016 | -        | 10 206           |
| Increase in operating expenses – 31 March 2017 | -        | 3 950 811        |
| <b>Increase in Accumulated Deficit</b>         | <b>-</b> | <b>3 961 017</b> |

### 3.2 Receivable from Bank of Namibia

A receivable was raised to account for the remaining funds disbursed for purposes of the DR Site special project. Income received for the project was however fully recognised together with operational Grant income during the year ended 31 March 2018, as the income was to be recognised on a cash receipt basis.

|                                 |          |             |
|---------------------------------|----------|-------------|
| Balance as previously stated    | -        | 1 039 437   |
| Reversal of deferred income     | -        | (1 039 437) |
| <b>Restated closing balance</b> | <b>-</b> | <b>-</b>    |

### 3.3 Deferred Income

Deferred Income was raised to account for the remaining funds disbursed for purposes of the DR Site special project. Income received for the project was however fully recognised together with operational Grant income during the year ended 31 March 2018, as the income was to be recognised on a cash receipt basis.

|                                 |          |             |
|---------------------------------|----------|-------------|
| Balance as previously stated    | -        | (1 039 437) |
| Reversal of deferred income     | -        | 1 039 437   |
| <b>Restated closing balance</b> | <b>-</b> | <b>-</b>    |

### 3.4 Payable to Bank of Namibia

Operating expenses for the period ended 31 March 2016 and 31 March 2017 relating to the DR Site Project were omitted from the financial statements. This resulted in an understatement of both the Operating expenses and the Payable to the Bank of Namibia. The effect of the restatement is summarised as follows:

|  |          |                    |
|--|----------|--------------------|
| Balance as previously stated                             | -        | (4 949 313)        |
| Increase to payable - operating expenses – 31 March 2016 | -        | (10 206)           |
| Increase to payable - operating expenses – 31 March 2017 | -        | (3 950 811)        |
| <b>Restated closing balance</b>                          | <b>-</b> | <b>(8 910 330)</b> |

### 3.5 Accumulated Deficit

Operating expenses for the period ended 31 March 2016 and 31 March 2017 relating to the DR Site Project were omitted from the financial statements. This resulted in an understatement of the Operating expenses and the Payable to the Bank of Namibia

|  |          |                     |
|--|----------|---------------------|
| Balance as previously stated             | -        | (6 214 288)         |
| Increase to payable - operating expenses | -        | (3 961 017)         |
| <b>Restated closing balance</b>          | <b>-</b> | <b>(10 175 305)</b> |

# Notes to the Annual Financial Statements

|  | 2018 | 2017 |
|--|------|------|
|  | N\$  | N\$  |

## 4. Grant received

|                |                   |                   |
|----------------|-------------------|-------------------|
| Grant received | <u>25 000 000</u> | <u>13 900 000</u> |
|----------------|-------------------|-------------------|

The total grant received by the FIC from the Ministry of Finance as a grant payment for 2018 was N\$25 000 000 (2017: N\$13 900 000).

## 5. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

|                |            |            |
|----------------|------------|------------|
| Depreciation   | 291 984    | 208 247    |
| Employee costs | 22 051 237 | 17 881 478 |

Employee costs for 2018 includes employee bonuses and leave pay provision movement of N\$ 9 650 (2017: N\$1 596 307).

## 6. Operating Expenses

|                                     |                     |                     |
|-------------------------------------|---------------------|---------------------|
| Advertising & Recruitment           | (30 725)            | (20 174)            |
| Audit Fees                          | (92 000)            | -                   |
| AML/CFT Awareness Campaign          | (12 000)            | (311 361)           |
| Compliance & Inspection Account     | (119 575)           | (5 418)             |
| Computer Maintenance                | (561 186)           | (578 656)           |
| Conferences Attended                | (24 769)            | (142 909)           |
| Conferences Hosted                  | (59 175)            | (308 955)           |
| Depreciation                        | (291 984)           | (208 247)           |
| Employee Costs                      | (22 051 237)        | (17 881 478)        |
| Entertainment Expenses              | (6 081)             | (5 852)             |
| Equipment Rental                    | (135 612)           | (53 814)            |
| Financial Investigations - Domestic | (289 543)           | (8 725 053)         |
| Legal Costs                         | (127 063)           | -                   |
| Membership Fees                     | (69 327)            | (63 166)            |
| Miscellaneous Expenditure           | (22 025)            | (6 434)             |
| Organisational Development          | (12 760)            | (1 600)             |
| Printing & Publications             | (41 093)            | (62 954)            |
| Staff Training                      | (158 011)           | (33 117)            |
| Stationery                          | (24 416)            | (36 738)            |
| Subscription                        | (72 354)            | (73 225)            |
| Telephone & Telex Expenses          | 6 395               | 4 679               |
| Travel, Subsistence & Accommodation | (1 036 125)         | (1 056 023)         |
|                                     | <u>(25 230 665)</u> | <u>(29 570 589)</u> |

# Notes to the Annual Financial Statements

|  | 2018<br>N\$ | 2017<br>N\$ |
|--|-------------|-------------|
|--|-------------|-------------|

## 7. Employee Provisions

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Provision for Bonuses   | 44 467           | 44 433           |
| Provision for Leave Pay | 1 561 490        | 1 551 874        |
|                         | <u>1 605 957</u> | <u>1 596 307</u> |

## 8. Audit Fees Provisions

|                          |               |          |
|--------------------------|---------------|----------|
| Provision for Audit fees | 92 000        | -        |
|                          | <u>92 000</u> | <u>-</u> |

## 9. Payable to Bank of Namibia

|     |                  |                  |
|-----|------------------|------------------|
| 3.4 | <u>8 925 402</u> | <u>8 910 330</u> |
|-----|------------------|------------------|

The payable to Bank of Namibia was determined after taking into account all the grants received and expenditures incurred by FIC as at 31 March 2018.

## 10. Statement of Cash flows

No statement of cash flows was prepared as the Centre does not have a bank account.

## 11. Going Concern

The accumulated deficit as at 31 March 2018 amounted to N\$ 10 405 970 (2017: N\$ 10 175 305).

The annual financial statements are however being prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available as detailed in the council's report, to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

