FINANCIAL INTELLIGENCE ACT, 2012
(ACT NO.13 OF 2012) AS AMENDED

STATISTICAL FEEDBACK REPORT
BANKING SECTOR

Date: February 2024

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1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Banking Institutions as Accountable Institutions (AIs) under Schedule 1. Consequently, the FIA requires these institutions to implement control measures aimed at combatting Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) activities. These controls include measures to enable timely detection of transactions/activities that may be suspicious and timely reporting such to the Financial Intelligence Centre (FIC). These reports are primarily Suspicious Transaction Reports (STRs), Suspicious Activity Reports (SARs) and Additional Information Files (AIFs). FIC analysis of such reports results in the production of value-adding intelligence which is shared with Law Enforcement Agencies (LEAs) and other relevant authorities in the ML/TF/PF combatting chain.

The FIA also requires institutions to submit mandatory reports which may not necessarily be suspicious in nature. Such reports include Cash Transaction Reports (CTRs), International Funds Transfers (IFTs) and Electronic Funds Transfers (EFTs). These reports form part of the FIC's database. This database is used by the FIC and various other relevant authorities to enhance ML/TF/PF combating efforts. The quality of reports filed can shape the outcomes of ML/TF/PF cases within the domains of the Namibia Revenue Agency (NAMRA), FIC, LEAs and the Office of the Prosecutor General (OPG). As a country, the finalization of ML/TF/PF cases (be it through asset forfeitures and/or criminal sanctions) is an essential element in demonstrating the level of Namibia's AML/CFT/CPF overall effectiveness. As such, all efforts should be made to enhance the quality of STRs/SARs reported to the FIC. It is therefore in furtherance of such national effectiveness objectives that the FIC avails this feedback to enable a reflection on areas that may need improvement.

The results of this analysis, as documented herein, should be used by the Banking Sector to guide the implementation of measures necessary to enhance reporting behavior.

2. Summary of analysis and observations

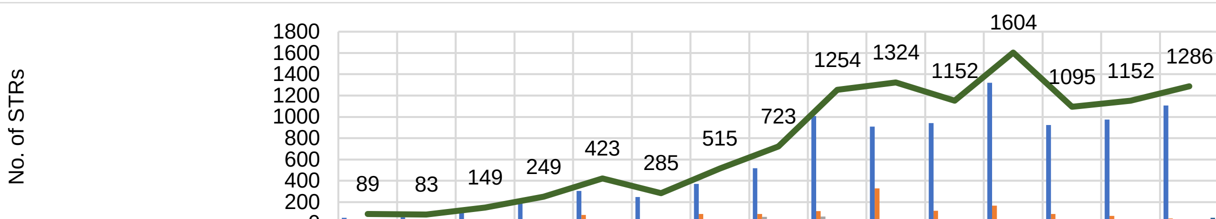
2.1 STRs and SARs

A suspicion transaction arises when an institution has knowledge of any suspicious transactions concluded by it or suspects that it has received or is about to receive the proceeds of unlawful activities or has been used or is about to be used in any other way for ML, TF or PF purposes. Importantly, an institution should report such a transaction to the FIC without delay, upon noticing such suspicion. Depending on the factors at hand, the institution may file a Suspicious Transaction Report.

A Suspicious Activity Report is different from a Suspicious Transaction Report described above in that a suspicious activity is not a transaction per se, but activities that may escalate to a future transaction or activities that give rise to reportable/suspicious matters.

The chart below presents a record of STRs received by the FIC from various reporting sectors since the FIA came into operation to 31 December 2023.

Chart 1: STRs received from reporting sectors per annum[1]



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Banks	52	59	129	206	305	248	371	519	1007	910	942	1319	923	976	1106
ADLAs	29	9	6	18	78	7	89	89	115	329	118	166	87	71	47
Insurance/Investment Brokers	2	0	0	1	0	0	10	62	63	25	2	0	0	1	0
Legal Practitioners	1	7	5	8	6	4	7	3	8	11	19	26	26	12	21
Asset Management Companies	0	1	2	1	2	1	0	4	3	5	12	30	12	15	30
Motor Vehicle Dealers	0	1	0	3	2	1	5	7	5	13	10	14	4	12	11
Unit Trust Schemes	1	1	1	0	0	0	2	3	4	3	12	10	11	17	16
Financial Intelligence Units	3	3	4	9	9	8	1	3	1	8	2	2	1	6	0
Long Term Insurance Companies	0	0	1	0	15	2	0	2	10	2	2	8	6	2	2
Individual Persons	0	0	0	0	1	8	5	7	3	1	10	6	1	8	2
Others	1	2	1	3	5	6	25	24	35	17	23	23	24	32	51
Total	89	83	149	249	423	285	515	723	1254	1324	1152	1604	1095	1152	1286

[1] The "Others" category in the chart above comprises of the following sectors: Foreign Financial Intelligence Units; Casinos; Short Term Insurance Firms; Accountants; Supervisory and Regulatory Bodies; Dealers in precious metals and stones ; Unit Trust Scheme Companies; Unit Trust Scheme Companies; Financial Intelligence Units; Public Prosecutors; Regional Governments; Asset Management Companies; Law Enforcement Agencies; Money and Value Transfers Service Providers; Auctioneers; Life Insurance Broker or Agents; Real Estate Agencies/Agent; Long Term Insurance Firms; Lending Institutions; Trust and Loan Companies; Pension Fund Administrators; Local Authorities; Individual Reporting Entities and Non-Profit Organizations.

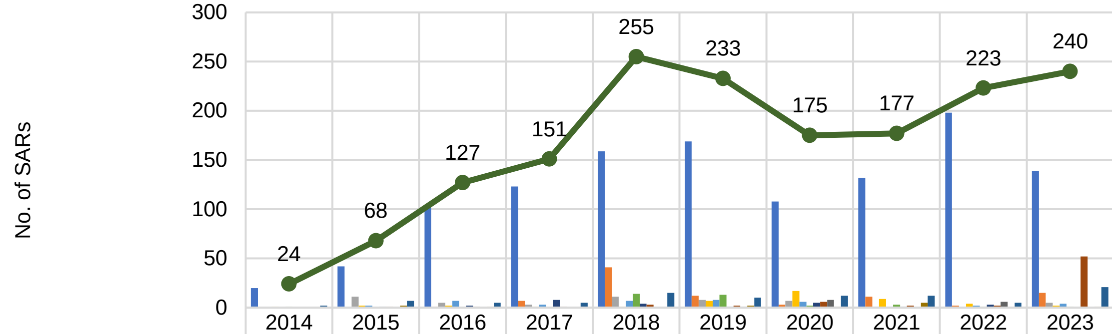
The banking sector submitted the most reports in the period under review, filing 80% (or 9,073 reports) followed by the ADLAs filing 11% (or 1,258 reports). This supports the NRA observations over the years which rate banks and ADLAs as being the highest risk sectors in the national AML/CFT/CPF regime. In terms of reporting periods, the highest number of STRs were received in the year 2020, a record high of 1,604 STRs. Given the general reduction in economic activities, mainly due to COVID-19-related impacts, it is not clear why the year 2020 would have recorded the highest volume of STRs.

Even though various potential predicate offences have been reported to the FIC, tax-related offences featured as the leading predicate offence from all sectors. While ADLAs submitted the second highest number of reports to the FIC, 99% of their reports were accorded “low priority” status due to various reasons such as lack of ML/TF and/or PF indicators in the reports, insignificant amounts involved and poorly articulated reasons for suspicion in reports filed, amongst others.

The 2023 National Risk Assessment (NRA), an update to the 2020 NRA indicates that Close Corporations (CCs) are most vulnerable to ML and TF abuse. The use of CCs to advance financial crimes is common in Namibia. According to the reports analyzed, the same trend continues, concerning the overwhelming findings that suggest CCs as the most preferred vehicles employed in the advancement of ML and TF. As per the information provided by the Business and Intellectual Property Authority (BIPA), 85% of the involved (reported to the FIC) CCs are locally owned. Importantly, 76% directors/beneficiaries of involved entities are Namibian nationals. Chinese nationals are the second highest beneficiaries at 7% followed by Indian nationals at 5% and then Zimbabweans at 3%.

The FIC has noted with concern some challenges when it comes to the analysis of the reports filed by sectors. In some reports filed, there was no information provided for the involved subjects such as names, nationalities, professions and others. Neither potential ML/TF predicate offenses were indicated on some occasions. Such information could assist analysts in coming up with identifiable trends and typologies that would be helpful to the sectors.

Chart 2: SARs received from reporting sectors per annum



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Banks	20	42	103	123	159	169	108	132	198	139
Real Estate Agencies/Agents	0	0	1	7	41	12	3	11	2	15
ADLAs	0	11	5	3	11	8	7	1	0	5
Individual Persons	1	2	2	1	1	7	17	9	4	2
Financial Intelligence Units	0	2	7	3	7	8	6	1	2	4
Asset Management Companies	1	0	0	0	14	13	2	3	1	1
Supervisory and Regulatory Bodies	0	1	2	8	4	1	5	1	3	0
Legal Practitioners	0	1	1	1	3	2	6	2	2	52
Long Term Insurance Companies	0	0	0	0	0	1	8	0	6	0
Short Term Insurance Companies	0	2	1	0	0	2	1	5	0	1
Others	2	7	5	5	15	10	12	12	5	21
Total	24	68	127	151	255	233	175	177	223	240

Chart 2 above shows that the number of SARs filed by the reporting entities since the reporting obligation commenced totaled 1,673 reports at the end of the 2023 calendar year. It further shows that the banking sector collectively submitted a total of 1,193 SARs (71%), followed by Real Estate Agencies and Legal Practitioners in third position.

According to the Typology report done by the FIC on the vulnerability/rate of abuse of different types of legal persons and arrangements in the advancement of money laundering, the highest volume of SARs (reported to the FIC) involves Individual Persons at 65%, followed by Proprietary Limited Companies at 23% and then Trusts at 8%.

While the nature of AML/CFT/CPF is that there is no yardstick for indicating the volume of suspicious reports that should be detected and reported, the FIC is generally concerned about the low reporting behavior of some entities/sectors. It could thus be helpful for AML Compliance Officers to indicate any challenges experienced as far as identifying and filing various reports is concerned. If need be, interventions from the FIC's side can be considered to enhance reporting behavior. The challenges highlighted in chart 1 above also applied to SARs filed.

2.2 Level of prioritization of reports from the Banking Sector

When reports are received, they go through a cleansing process which results in their prioritization. The FIC applies a risk-based approach in determining the prioritization level assigned to reports from all stakeholders. The cleansing due diligence entails an assessment of reports which results in assigning priority levels. Reports which are accorded a “low priority status” are not attended to immediately. Due to resource constraints and the risk-based approach (especially consideration of potential impact), only reports which are accorded a “high priority status” are investigated and analyzed (case files opened). Amongst other factors, a report could be classified as low priority when the observed suspicion does not fall within law enforcement’s priority areas of investigation. At times, the financial values involved could be negligible (or insignificant) in comparison to values in other reports. On the other hand, a report which meets certain requirements could eventually result in a case file being opened and escalated for further analysis within the FIC[2].

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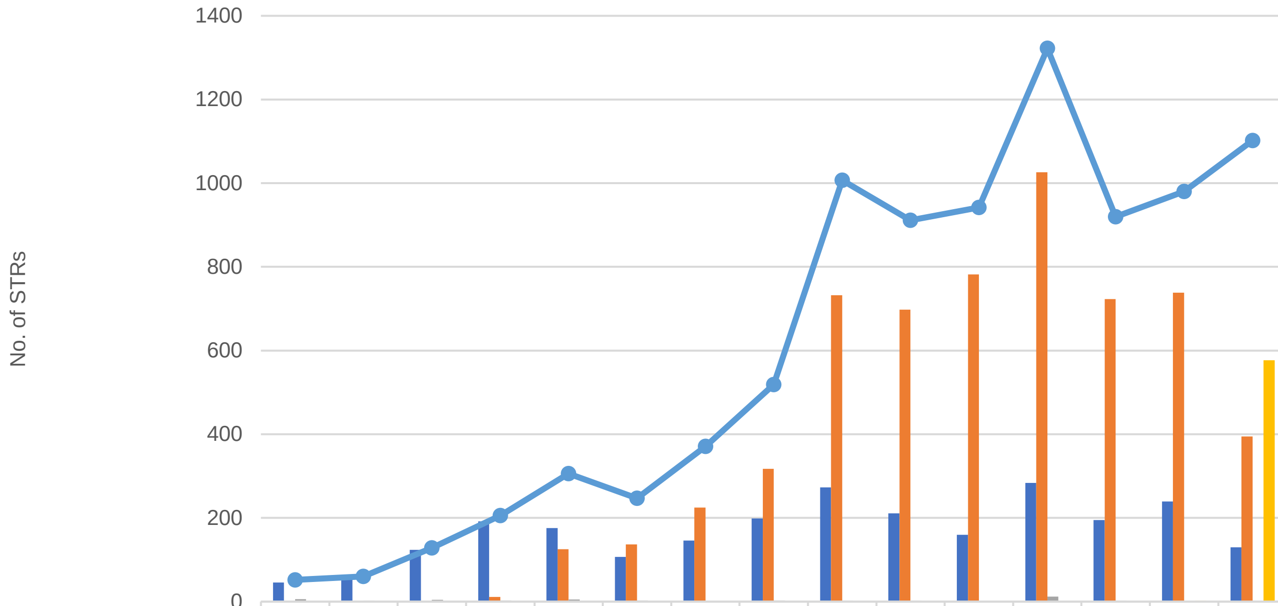
[2] In summary, factors which collectively inform prioritization levels include, but are not limited to:

a. known ML, TF and/or PF indicators;
b. sanctions and watch lists [e.g. lists of high risk persons];;
c. prior reports on same subject/entity;
d. geographic risk areas involved;
e. duplicate/erroneous filing (which could result in the STR/SAR being set-aside);
f. risk of funds being placed out of reach of law enforcement;
g. human resource constraints within FIC’s Financial Investigations and Analyses Division; and
h. consideration of the monetary, asset and other values or impacts associated with such report.

Chart 3: Categorization of STRs received from the Banking Sector per annum

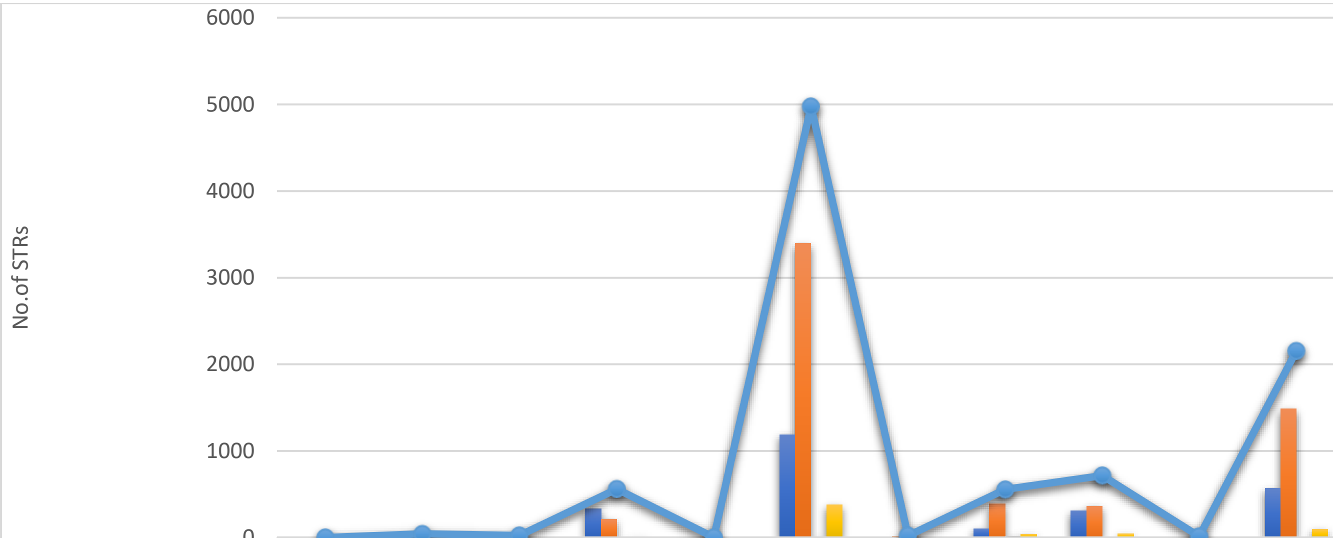


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Case File Opened	46	58	124	192	176	107	146	199	273	211	160	284	195	239	130
Low Priority	0	0	0	11	125	137	225	317	732	698	782	1026	723	738	395
Set-Aside	6	2	4	3	5	3	0	3	2	2	0	12	2	1	0
Under Cleansing	0	0	0	0	0	0	0	0	0	0	0	0	0	2	577
Grand Total	52	60	128	206	306	247	371	519	1007	911	942	1322	920	980	1102

Worth noting is that 28% (or 2,540) reports from the banks were accorded a 'high priority' status and escalated for further analysis. Such STRs were forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation.

A total of 5,909 STRs (or 65%) reported were accorded a "low priority" status. Most of the STRs were accorded a "low priority" status primarily because of the insignificant amounts of money involved, human resource constraints within FIC's Financial Investigations and Analyses Division and lack of ML/TF and/or PF indicators in the reports filed, amongst other factors.

Chart 4: Categorization of STRs reported by the Banking Sector per Entity



	Bank-1	Bank-2	Bank-3	Bank-4	Bank-5	Bank-6	Bank-7	Bank-8	Bank-9	Bank-10	Bank-11
Case File Opened	1	5	20	336	1	1190	0	105	310	3	569
Low Priority	1	29	4	211	3	3395	15	394	361	7	1489
Set-Aside	0	1	1	6	0	11	0	18	2	3	3
Under Cleansing	0	8	0	8	0	381	6	39	43	0	95
Grand Total	2	43	25	561	4	4977	21	556	716	13	2156

In the period under review, Bank-6 filed the majority of STRs (a total of 4,977 STRs) from the sector. This was followed by Bank-11 with 2,156 STRs and then Bank-9 filing a total of 716 STRs. Worth noting is that Bank-3 has the highest ratio of STRs escalated to Cases (Case Files Opened) for further analysis when compared to the total STRs they have filed, a total of 20 out of 25 STRs (or 80%). Although such entity has filed few reports, most of the reports filed have significant information required that lead such reports to be escalated to case for further investigation. It's however significant to indicate that some banks have filed relatively low STRs during the period under review and such low filing is below expectations.

Table 1: Categorization of SARs from all Sectors per annum

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Grand Total
Case File opened	5	22	56	61	81	103	69	58	38	21	**514**
Low Priority	19	45	70	89	172	127	105	119	185	147	**1078**
Set-Aside	0	1	2	0	2	3	1	0	0	0	**9**
Under Cleansing	0	0	0	0	0	0	0	0	0	72	**72**
Grand Total	24	68	128	150	255	233	175	177	223	1	**1673**

In the period under review, only 30% of SARs filed from all sectors were accorded a 'high priority' status and escalated for further analysis. Further, 64% of the reports were accorded a "low priority" status.

Table 2: Categorization of SARs from the Banking Sector per Entity

	Bank-1	Bank-2	Bank-3	Bank-4	Bank-5	Bank-6	Bank-7	Bank-8	Grand Total
Case File opened	4	1	94	12	99	1	78	73	**362**
Low Priority	121	1	126	35	232	0	102	180	**797**
Set-Aside	0	0	0	0	0	0	1	0	**1**
Under Cleansing	19	0	4	0	3	0	4	3	**33**
Grand Total	144	2	224	47	334	1	185	256	**1193**

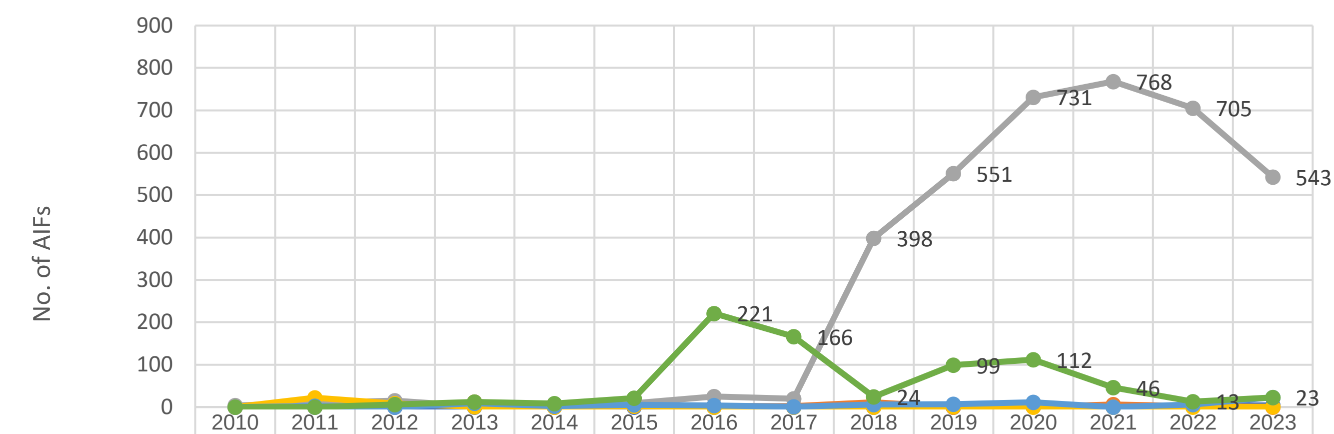
The Sector has submitted a relatively large number of SARs, totaling 1,193 reports. Bank-5 filled the majority of SARs (28% of the sector).

2.3 Other reports received from the Banking Sector

I. Additional Information File (AIF)

AIFs refers to the filing of new or additional information related to a STR or SAR previously filed with the FIC. From 2010 to 2023, the FIC received a total of 4,695 AIFs from the Banking Sector, of which 1766 (or 81%) emanated from Bank-6, as illustrated on chart 5 below.

Chart 5: AIFs from the Banking Sector per annum



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bank-2	0	0	0	0	0	0	0	0	0	0	1	0	4	4
Bank-3	0	1	1	12	2	2	2	2	11	0	1	6	2	0
Bank-6	4	10	15	2	1	9	25	20	398	551	731	768	705	543
Bank-8	0	22	8	1	0	2	0	0	0	1	0	0	0	1
Bank-9	0	2	0	9	2	5	4	1	6	7	11	0	6	23
Bank-11	0	0	6	12	8	21	221	166	24	99	112	46	13	23

Table 3. Total CBMCR, CTR, EFT and IFT filed by the Banking Sector

	CBMCRs	CTRs	EFTs	IFTs
No. of Reports	3	292,855	500,000	233,902
No. of Transactions	3	788,330	1,237,786	11,695,093
Amount Involved	1,366,224	325,947,363,281	3,372,833,415,177	1,260,479,328,926

The table above shows the number of other reports that Banks filed in the period under review.

3. Potential indicators from cases under FIC

There are various predicate offenses of Money Laundering. For supervised institutions to be in a position to identify such activities, the essential foundation is having an effective Anti-Money Laundering policy and procedures, as per section 39 of the Financial Intelligence Act 2012. Based on reports from the sectors, the following have been identified as some of the most common potential indicators such as tax, fraud, theft, and corruption amongst others. When each indicator is viewed in isolation, it may not readily point to potentially suspicious activity or transaction, however when viewed with other indicators and relevant factors, it may highlight the presence of reportable suspicions. Importantly, Banks are advised to familiarize themselves with **Guidance Notes and Directives** which explain high risk scenarios of ML/TF plus guidance on risk mitigation within various sectors. Equally, Banks are urged to familiarize themselves with indicators highlighted in such guidance notes[3].

4. Summary of matters worth noting

Below is an overall summary of major irregularities observed in the quality of reports filed by reporting institutions:

a. **Lack of ML/TF and/or PF indicators in the reports:** It is helpful that upon reporting, such information is availed. If the internal risk assessment, Customer Due Diligence (CDD) and ongoing monitoring measures are effective, such should expose indicators that may inform the suspicion. AML Compliance Officers are encouraged to reach out to the FIC when uncertain of suspicions or their indicators;
b. **Poorly articulated "Reasons for Suspicion" in STRs/SARs:** Usually, when adequate CDD has been undertaken, it is easier to explain grounds for suspicion when making an analysis of flagged transactions. Regardless, attempts should be made to adequately explain why we find transactions or activities suspicious as such helps with FIC analysis of reports;
c. **Duplicate and erroneous filing of reports:** More care needs to be taken, especially by AML Compliance Officers to reduce erroneous and duplicate reporting. The initial cleansing processes take from the valuable time that FIC analysis resources could deploy to other activities; and
d. **Filing of incomplete STRs/SARs:** More could be done to ensure the completeness of information shared in STRs/SARs. It helps with value addition from such reports. If the internal risk assessment, CDD and ongoing monitoring measures are effective, such should expose indicators that inform the suspicion. AML Compliance Officers are encouraged to reach out to the FIC when uncertain.

The above shortcomings were also observed in other sectors. Banks are urged to consider the said shortcomings and device means to enhance CDD, monitoring and detection controls accordingly. The findings herein support the overall observations in the periodic FIA compliance assessment reports which point to a greater need to enhance activities that improve overall reporting behavior.

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[3] https://www.fic.na/index.php?page=publications

5. Conclusion

The FIC appreciates the banks' continuous efforts geared towards ML/TF/PF prevention and combatting. Such helps to safeguard the national and international financial system's integrity. Whilst encouraging that more be done to enhance reporting volumes, the FIC equally encourages that more be done to enhance overall reporting quality. Such can only happen if other controls such as CDD and transactional monitoring are operating as expected. This can lead to effective investigations, prosecutions, asset forfeitures and asset/tax recoveries for the combatting framework.

P.P

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