



**Financial Intelligence Centre
Republic of Namibia**

PO Box 2882
Windhoek
Namibia

Phone: + 264 61 283 5100
Fax: + 264 61 283 5259
helpdesk@fic.na

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27 April 2020

Mr. Ebson Uanguta
Deputy Governor

Bank of Namibia
71 Robert Mugabe Ave
PO Box 2882
Windhoek

Dear Mr. Uanguta

FEEDBACK ON STATUTORY REPORTS FILED BY AUTHORISED DEALER IN FOREIGN EXCHANGE WITH LIMITED AUTHORITY (ADLA) WITH THE FINANCIAL INTELLIGENCE CENTRE (FIC)

The Financial Intelligence Centre (FIC) appreciates efforts of Accountable Institutions (AIs) within the ADLA Sector geared towards enhancing the effectiveness of the national Anti-Money Laundering, Combating Terrorism and Proliferation Financing (AML/CTF/CPF) regime. A significant part of such combating efforts is premised on the implementation of effective control measures that can enable the detection of Suspicious Transactions or Activities.

From May 2009 when the FIA came into operation, all Accountable and Reporting Institutions were expected to employ measures that can efficiently detect transactions which met specified thresholds or characteristics and report such to the FIC. This report presents feedback on qualitative and quantitative observations from the reporting behavior of ADLAs for the period 04 February 2009 to 31 December 2019. The report equally highlights some notable challenges identified in the reporting behavior which require improvement.

We trust that you will find the enclosed useful, but should the need arise for any further discussions, please do not hesitate to contact the FIC.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P.P. K. [unclear]".

LEONIE DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE

**CC: Cambio Seguro Foreign Exchange (Pty) Limited
Casa de Cambio Forex (Pty) Limited
Interchange Money Exchange Namibia (Pty) Limited
Magnet Bureau de Change (Pty) Limited
Namibia Bureau de Change (Pty) Limited
Novacambios Namibia (Pty) Limited
Real Transfer Bureau de Change (Pty) Limited**



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

STATISTICAL FEEDBACK REPORT

**AUTHORISED DEALER IN FOREIGN EXCHANGE
WITH LIMITED AUTHORITY SECTOR**

Date: 27 April 2020

The information contained in this report is strictly confidential and may not be disseminated to third parties without the specific consent of the Financial Intelligence Centre. Any unauthorized dissemination constitutes a criminal offence as per section 49 of the Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended, and which may also attract administrative penalties as per section 56 of the Act.

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1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies ADLAs as Accountable Institutions 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 thus reported to the Financial Intelligence Centre (FIC). These reports are primarily Suspicious Transaction Reports (STRs), Suspicious Activity Reports (SARs) and Additional Information Files (AIFs). These reports result in analysis by the FIC with the aim of producing value adding intelligence products shared with Law Enforcement and other relevant authorities in the ML/TF/PF combatting chain.

The FIA also requires Accountable 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 database which are used in operational analysis and strategic activities.

In essence, all these reports are used by the FIC and various other relevant authorities to enhance ML/TF/PF combating efforts. The quality of such reports can shape the outcome of an ML/TF/PF case within the domains of the Receiver of Revenue, FIC, Law Enforcement Agencies and the Office of the Prosecutor General. Overall, the outcomes of ML/TF/PF cases¹ is the essence which demonstrates the effectiveness of a country's entire AML/CFT/CPF combating system. As such, all efforts should be made to enhance the quality of STRs/SARs reported to the FIC. Given this, it is in furtherance of the national AML/CFT/CPF effectiveness objectives that the FIC avails this feedback report to enable a reflection on areas that may need improvement.

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

¹ which at most times starts with the reports from accountable and reporting institutions

2. Summary of analysis and observations

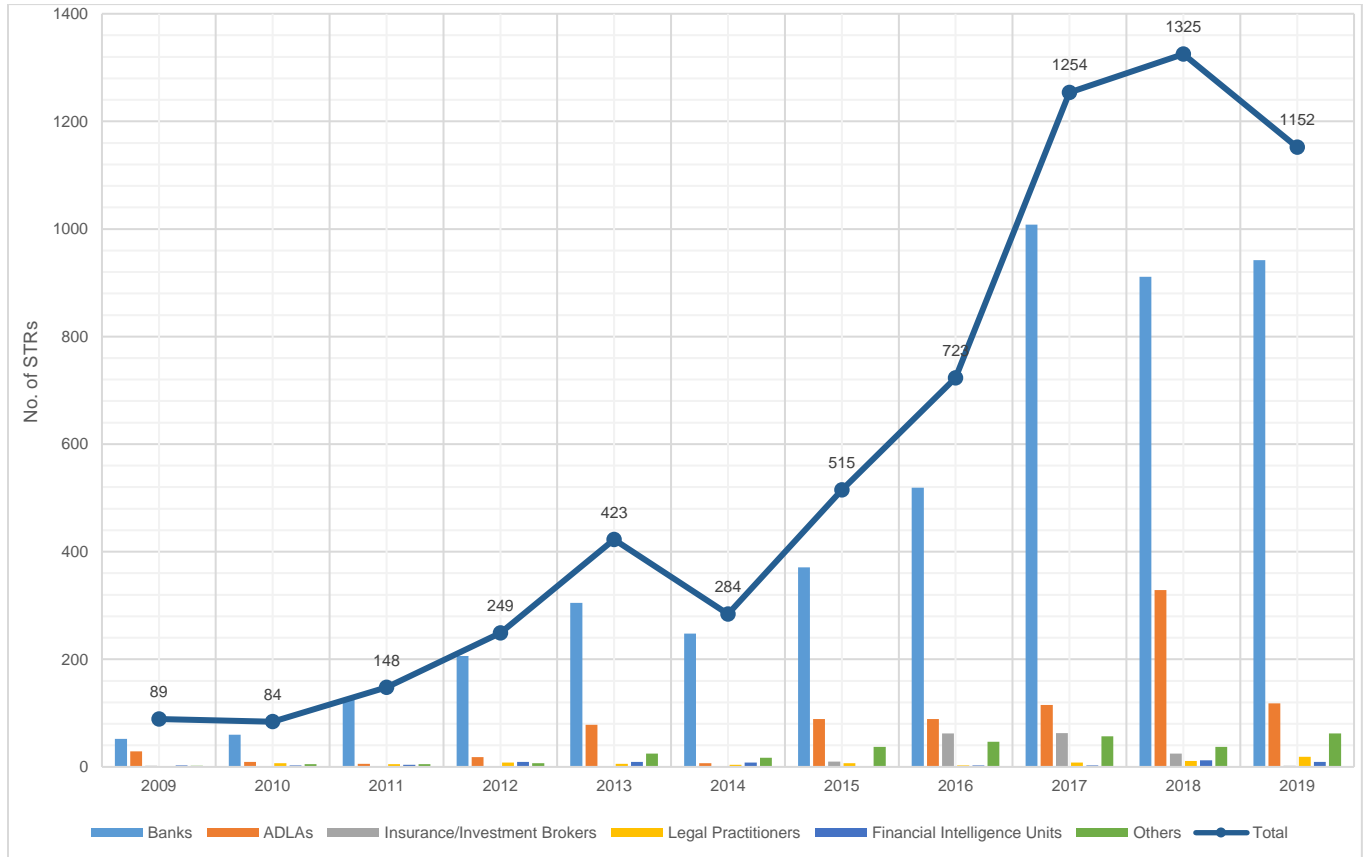
2.1. STRs and SARs

An institution that 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, must report such transaction to the FIC within 15 working days after it has noticed such suspicion or belief.

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 2019.

Chart 1. STRs received from reporting sectors per annum



During the period under review, the FIC received a total of 12,793 STRs. The Banking sector submitted the majority of the reports, filing about 76% of the STRs followed by the ADLAs and then Insurance/Investment Brokers filing about 14% and 3% of the total STRs received, respectively. The highest number of STRs were received in the year 2018, a record high of 1,325 STRs.

The “Others” category in the chart above comprises of the following sectors:

- | | |
|---|---|
| 1. Foreign Financial Intelligence Units | 13. Casinos |
| 2. Supervisory and Regulatory Bodies | 14. Dealers in precious metals and stones |
| 3. Unit Trust Management Companies | 15. FIU |
| 4. Asset Management Companies | 16. Law Enforcement Agencies |
| 5. Auctioneers | 17. Law Enforcement Agency |
| 6. Lending Institutions | 18. Life Insurance Broker or Agent |
| 7. Individual Reporting Entities | 19. Motor Vehicle Dealers |
| 8. Local Authorities | 20. Non-Profit Organizations |
| 9. Long Term Insurances | 21. Pension Fund Administrators |
| 10. Public Prosecutors | 22. Real Estate Agencies/Agent |
| 11. Accountants | 23. Regional Governments |
| 12. Short term Insurances | 24. Money and Value Transfers Service Providers |

Table 1. SARs received from reporting sectors per annum

	2014	2015	2016	2017	2018	2019	Total
Banks	20	42	103	123	159	168	615
Real Estate Agencies	-	-	1	7	41	12	61
ADLAs	-	11	5	3	11	8	38
Financial Intelligence Units	-	2	7	3	7	13	32
Asset Management Companies	1	-	-	-	14	13	28
Supervisory and Regulatory Bodies	-	1	2	8	4	1	16
Individual Persons	1	2	2	1	1	2	9
Legal Practitioners	-	1	1	1	3	2	8
Law Enforcement Agencies	-	3	-	-	-	4	7
Money and Value Transfer Companies	-	3	3	1	-	-	7
Others	2	3	3	4	15	9	36
Total	24	68	127	151	255	232	857

The table above shows that the number of SARs filed by the reporting entities since the reporting obligation commenced totaled 857 reports at the end of the 2019 calendar year. It further shows that the banking sector collectively submitted a significant total of 615 SARs which represents 71% of the total reports followed by real estate agencies and ADLAs with 61 and 38 STRs respectively.

The “Others” category in the table above comprises of the following sectors:

- | | |
|-------------------------------------|--|
| 1. Trust and Loan Service Providers | 10. Public Prosecutors |
| 2. Life Insurance Brokers or Agents | 11. Accountants and Auditors |
| 3. Auctioneers | 12. Casinos |
| 4. Motor Vehicle Dealers | 13. Dealers in precious metals and stones |
| 5. Insurance/Investment Brokers | 14. Foreign Financial Intelligence Units |
| 6. Stock Brokers | 15. Courier and Customs Clearing Agents |
| 7. Short term Insurances | 16. Micro Lenders |
| 8. Unit Trust Schemes | 17. Money and Value Transfer Service Providers |
| 9. Public Prosecutors | |

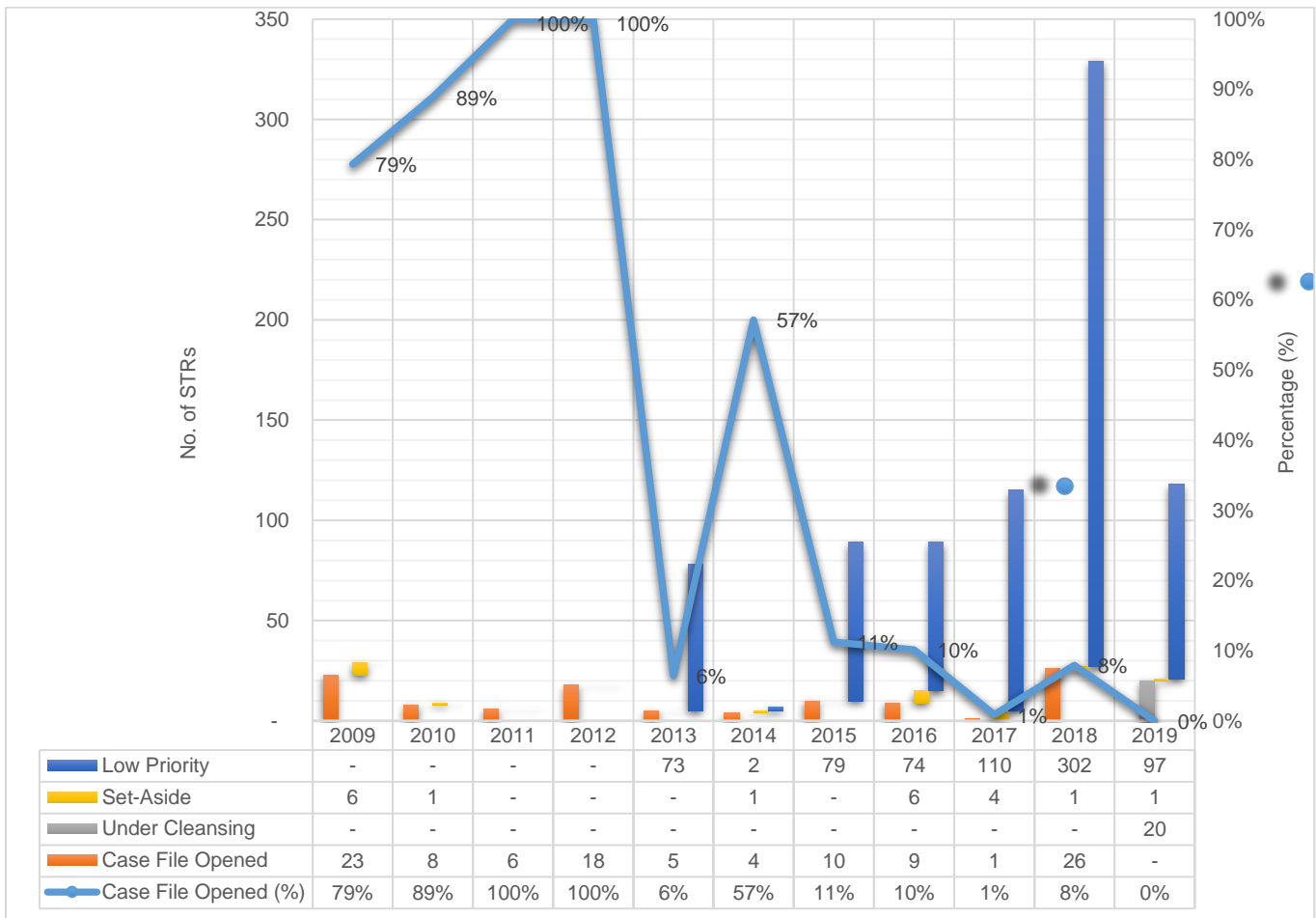
2.2 Level of prioritization of reports from the ADLAs Sector

The FIC applies a risk-based approach in determining the prioritization level to be assigned to reports received from all sectors. Reports are assessed and assigned priority levels. Reports accorded a ‘low priority status’ are not attended to immediately are . Amongst other factors, a report could be classified as low priority when the observed suspicion does not fall within law enforcement priority areas of investigation. At times, the amounts involved could be negligible (or insignificant) in comparison to amounts 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. Usually, reports subjected to further analysis are those that are accorded a ‘high priority status’.

Factors which collectively inform prioritization levels include, but are not limited to:

- + Strategic priorities of Law Enforcement Agencies, which are informed by the risk areas identified in the National Risk Assessment (NRA) and National Crime and Threat Assessments (NCTA);
- + Known ML, TF and/or PF indicators;
- + Watch lists [Politically Exposed Persons (PEP) and various sanctions lists];
- + Prior reports on same subject/entity;
- + Geographic risk areas involved;
- + Duplicate/erroneous filing (which could result in the STR/SAR being set-aside);
- + Risk of funds being placed out of the reach of law enforcement; and
- + Human Resource constraints within FIC's Financial Investigations and Analyses Division.

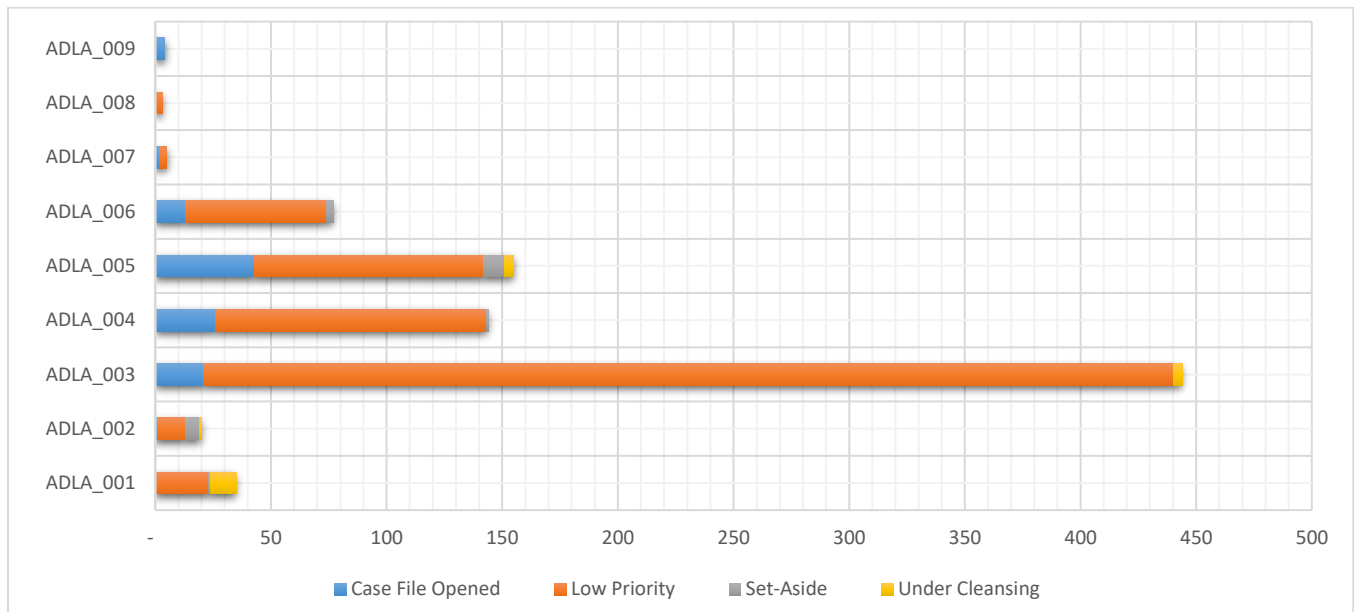
Chart 2. Categorization of STRs received from the ADLAs Sector per annum



Overall, 12% of the STRs received from ADLAs Sector were accorded a ‘high priority status’ and escalated for further analysis during the period under review. These STRs resulted in actionable intelligence which was forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation.

On the other hand, most of the STRs accorded a ‘low priority status’ was primarily because of the insignificant amounts of money involved. It is notable from the above that there was no STR escalated for further analysis during the year 2019 from the Sector.

Chart 3. Categorization of STRs by Reporting ADLAs



During the period under review, ADLA_003 filed the majority of STRs (a total of 444 STRs or 50%). This was followed by ADLA_005 and ADLA_004 with 155 and 144 STRs respectively. It is important to note that ADLA_005 also filed the most STRs that were accorded ‘high priority status’, a total of 43 STRs or 39% of all the STRs that were accorded high priority status and escalated for further analysis.

Table 2. Categorization of SARs received from the ADLAs Sector per annum

	2015	2016	2017	2018	2019	Total
Case File opened	2	0	0	2	0	4
Low Priority	8	5	3	9	6	31
Under Cleansing	1	0	0	0	2	3
Total	11	5	3	11	8	38

Table 3. Categorization of SARs by Reporting ADLA

	Case File opened	Low Priority	Under Cleansing	Total
ADLA_002	1	1	1	3
ADLA_004	2	9	1	12
ADLA_005	1	17	1	19
ADLA_006	0	4	0	4
Total	4	31	3	38

The Sector has submitted a relatively small number of SARs, totaling to 38 reports only.

A total of 4 (or 11%) of SARs filed from the Sector were escalated for further analysis. Whereas 31 SARs were classified as 'low priority' and 3 such reports were still under cleansing at the time of reporting. The SARs escalated resulted in actionable intelligence which were forwarded to relevant Law Enforcement Agencies for further investigation. Amongst other factors, the further escalation to Law Enforcement is indicative of the quality level of such reports.

2.3 Other reports received from the ADLA's Sector

Additional Information File (AIF): Refers to the filing of new additional information related to a STR or SAR previously filed with the FIC;

Cash Transaction Report (CTR): These are mandatory reports to be submitted to the FIC on all cash transactions above the threshold/limit of NAD 99,999.99, within five (5) working days of their occurrence;

Electronic Funds Transfers (EFT): Refers to the movement of money from one account to another electronically;

International Funds Transfers (IFT): Refers to the inward and outward remittance of funds electronically from one jurisdiction to another; and

Cross Border Movement of Cash Report (CBMCR): Refers to any in-bound or out-bound physical transportation of currency or bearer negotiable instruments (BNIs) from one country to another.

Table 4. Total AIF, CTR, EFT, IFT and CBMCRs by the ADLA's Sector

	AIFs	CTRs	EFTs	IFTs	CBMCRs
Number of Reports	22	1,097	13	41,353	0
Number of Transactions	22	1,296	49	293,080	0
Amount Involved	245,291	218,377,098	1,834,409	1,463,658,995	0

Table 5: Summary of suspected predicate offenses, recipient agency and amounts

Recipient	Total Disclosures	Potential Predicate Offense	Amount Involved (N\$)
Anti-Corruption Commission of Namibia	2	Corruption	15,000,000
		Corruption	20,793
Namibian Police: Crime Intelligence Unit	2	Receiving huge amounts from suspicious sources	661,779
		Frequently sending large amounts to foreign jurisdictions	349,046
Namibian Police: Comercial Crime Unit	1	Unknown source of funds	90,000
Namibian Police: Criminal Investigation Division	19	Unknown source of funds	53,000
		Unknown source of funds	90,000
		Conceling proceeds of organised crime	386,864
		Unknown source of funds	203,937
		Unknown source of funds	116,930
		Unknown source of funds	70,862
		Exchanging counterfeit notes	N/A
		Exchanging counterfeit notes	132,244
		Exchanging counterfeit notes	N/A
		Unknown source of funds	539,800
		Disguising Beneficial ownership	150,000
		Exchanging counterfeit notes	N/A
		Exchanging counterfeit notes	N/A
		Exchanging counterfeit notes	N/A
		Unknown source of funds	43,107
		Unknown source of funds	224,829
		Receiving huge amounts from suspicious sources	81,500
		Unknown source of funds	67,000
		Exchanging counterfeit notes	N/A
Office Of The Prosecutor-General: Asset Fofeiture Unit	1	Unknown source of funds	67,000
Bank of Namibia: Exchange Control	4	Illegal foreign currency exchange	460,000
		Unknown source of funds	515,976
		Unknown source of funds	67,000
		Contravention of Exchange Control Rulings	1,600,000
Namibian Police: Drug Law Enforcement Unit	1	Frequently sending large amounts to foreign jurisdictions	781,986
Ministry of Finance: Receiver of Revenue	10	Tax Evasion	20,500
		Tax Evasion	6,064

		Tax Evasion	781,986
		Tax Evasion	20,795
		Tax Evasion	956,800
		Tax Evasion	481,678
		Tax Evasion	116,930
		Tax Evasion	661,779
		Fraud	15,000,000
		Tax Evasion	1,600,000
Ministry Of Home Affairs and Immigration	1	Subject remitting funds on behalf of illegal immigrants	10,000
Namibian Central Intelligence Service	4	Receiving huge amounts from suspicious sources	661,779
		Unknown source of funds	140,411
		Terrorist Financing	143,174
		Terrorist Financing	56,916
Nigeria Financial Intelligence Unit	1	Online scam	21,954
Garda Bureau of Fraud Investigation	1	Conceling proceeds of organised crime	386,864
	47		42,841,281.00

In the period under review, a total of 47 spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from the ADLAs. The Namibian Police - Criminal Investigations Division received the highest number of disclosures, followed by the Ministry of Finance - Receiver of Revenue. “Unknown source of funds”² featured as the leading potential offense with 14 such potential offenses recorded involving a suspected total amount of NAD 2,289,851.00. This is followed by Tax Evasion with 9 such potential offenses and “Exchanging counterfeit notes” with 7 potential offenses.

3. Summary of matters worth noting

3.1 STRs and SARs

FIC observations are that reporting volumes of STRs, SARs and AIFs in the entire sector is generally an area of concern and the quality of such reports requires further intervention. Major irregularities observed in the quality in reports from the sector include:

- ✚ Poorly articulated “Reasons for Suspicion” in STRs;

² the source of the funds could not be determined; not in line with the subject’s profile or the subject is unwilling to disclose the source of funds

- ✚ Duplicate and erroneous filing of reports;
- ✚ Filing of incomplete STRs;
- ✚ No supporting documents attached at the time of filing STRs. This could be indicative of either record keeping or general due diligence challenges; and
- ✚ STR filed/reported instead of SAR or AIF.

3.2 CTRs, IFTs and EFTs

Generally, reporting of CTRs, IFTs and EFTs in the entire sector is an area of concern because the quality of such reports requires further human intervention.

Major discrepancies uncovered in the analyses of quality in these FIA reporting types submitted by the ADLAs, include:

- ✚ CTRs involving an amount below the threshold of NAD 99 999.99;
- ✚ lack of vital transactional information including date of birth and names of transaction conductors are mostly not submitted with such reports;
- ✚ a continuous failure to indicate the appropriate source and destination countries in relation to IFTs, as articulated under section 34 of the FIA. At times, both the source and destination country are indicated as Namibia;
- ✚ most of the IFTs' transaction details are either not provided, irrelevant or insignificant;
- ✚ a single report with a total number exceeding 500 transactions. The obligation in terms of reporting is that the total number of transactions in a single report should not exceed 500; and
- ✚ the driver or reasons for the funds remittance has not been provided for the duration of the transactions.

4. Conclusion

It is essential for reporting institutions within the ADLAs Sector to ensure the reports submitted to FIC are relevant, timely, and meet quality expectations. The data availed in such reports contribute to the maintenance of an important database used in combating Money Laundering, Terrorism, and Proliferation Financing activities. Further, **Directive 01 of 2018** directs Accountable and Reporting Institutions to ensure adhering to the new set of business rules regulating the reporting expectations in terms of sections 32, 33, and 34 of the FIA. All Accountable and Reporting Institutions have been requested to ensure compliance with effect from 01 July 2018.

The FIC appreciates the ADLAs continuous ML/TF/PF prevention, detection, and reporting endeavors that resulted in successful investigations, forfeitures and thus safeguarding of Namibia's financial integrity. Reporting entities are however encouraged to ensure concerns raised that speak to irregularities in reports are addressed timely and effectively.