



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

---

## **STATISTICAL FEEDBACK REPORT: AUTHORISED DEALER IN FOREIGN EXCHANGE WITH LIMITED AUTHORITY SECTOR**

**Date: October 2022**

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.

**Table of Contents**

- 1. Introduction ..... 3
- 2. Summary of Analysis and Observations ..... 4
  - 2.1. STRs and SARs ..... 4
    - Chart 1. STRs received from reporting sectors per annum ..... 4
    - Chart 2. SARs received from reporting sectors per annum ..... 5
  - 2.2 Level of prioritization of reports from the ADLAs Sector ..... 6
    - Chart 3. Categorization of STRs received from the ADLAs Sector per annum ..... 7
    - Chart 4. Categorization of STRs by Reporting ADLAs ..... 8
    - Table 1. SARs by Reporting ADLA per month ..... 8
  - 2.3 Other reports received from the ADLA's Sector ..... 8
    - Table 2. Total AIF, CTR, EFT, IFT and CBMCRs by the ADLA's Sector ..... 9
    - Table 3. Summary of suspected predicate offenses, recipient agency and amounts ..... 9
- 3. Summary of matters worth noting ..... 10
- 4. Conclusion ..... 11

## 1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Authorized Dealers in Foreign Exchange (ADs) and Authorized Dealers in Foreign Exchange with limited Authority (ADLAs) as Accountable Institutions (AI) 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 Threshold 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. It therefore goes without saying that the quality of reports filed can shape the outcomes of ML/TF/PF cases within the domains of the Receiver of Revenue (RoR), FIC, LEAs and the Office of the Prosecutor General (OPG). As a country, the finalization of ML/TF/PF cases<sup>1</sup> (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 AIs and RIs within the ALDAs Sector to guide implementation of measures necessary to enhance reporting behavior.

---

<sup>1</sup> Which at most times starts with the reports from accountable and reporting institutions, which are processed by the FIC and escalated to Law Enforcement before referrals to prosecution.

## 2. Summary of Analysis and Observations

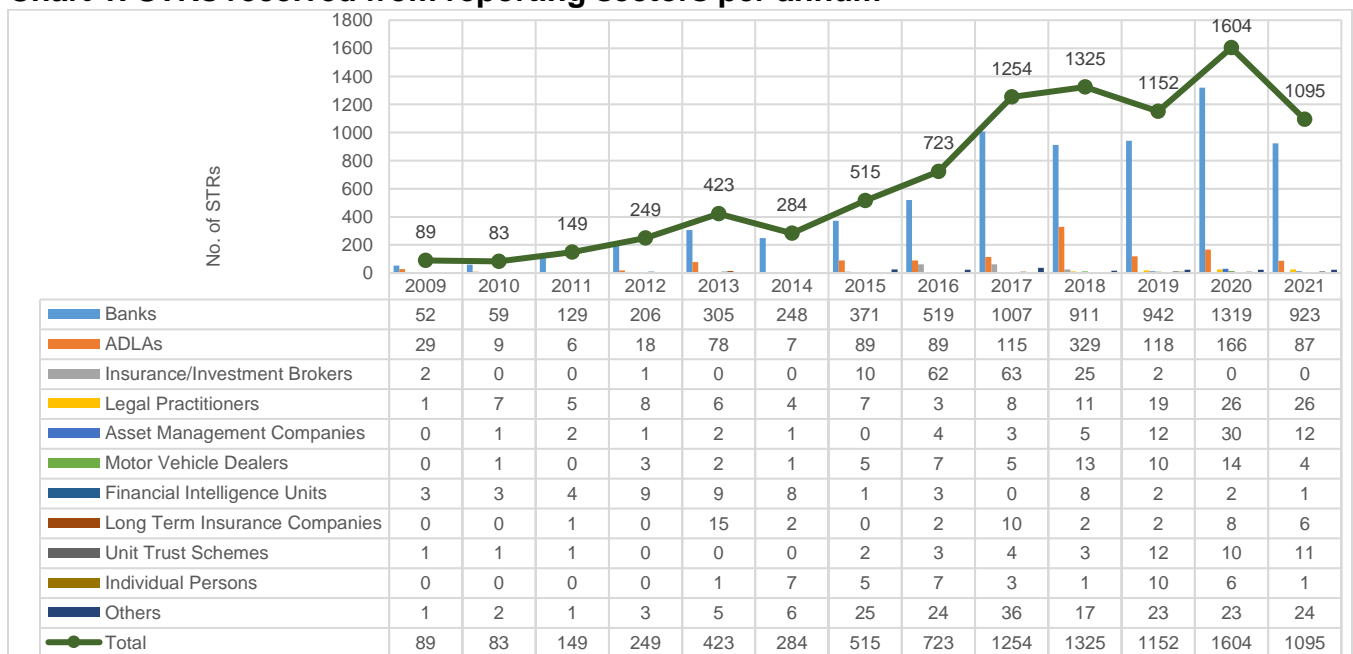
### 2.1. STRs and SARs

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. The obligation is for such an institution to report such transaction to the FIC without delay, upon noticing such suspicion within 15 working days. 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 necessarily a transaction, 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 2021.

**Chart 1. STRs received from reporting sectors per annum<sup>2</sup>**

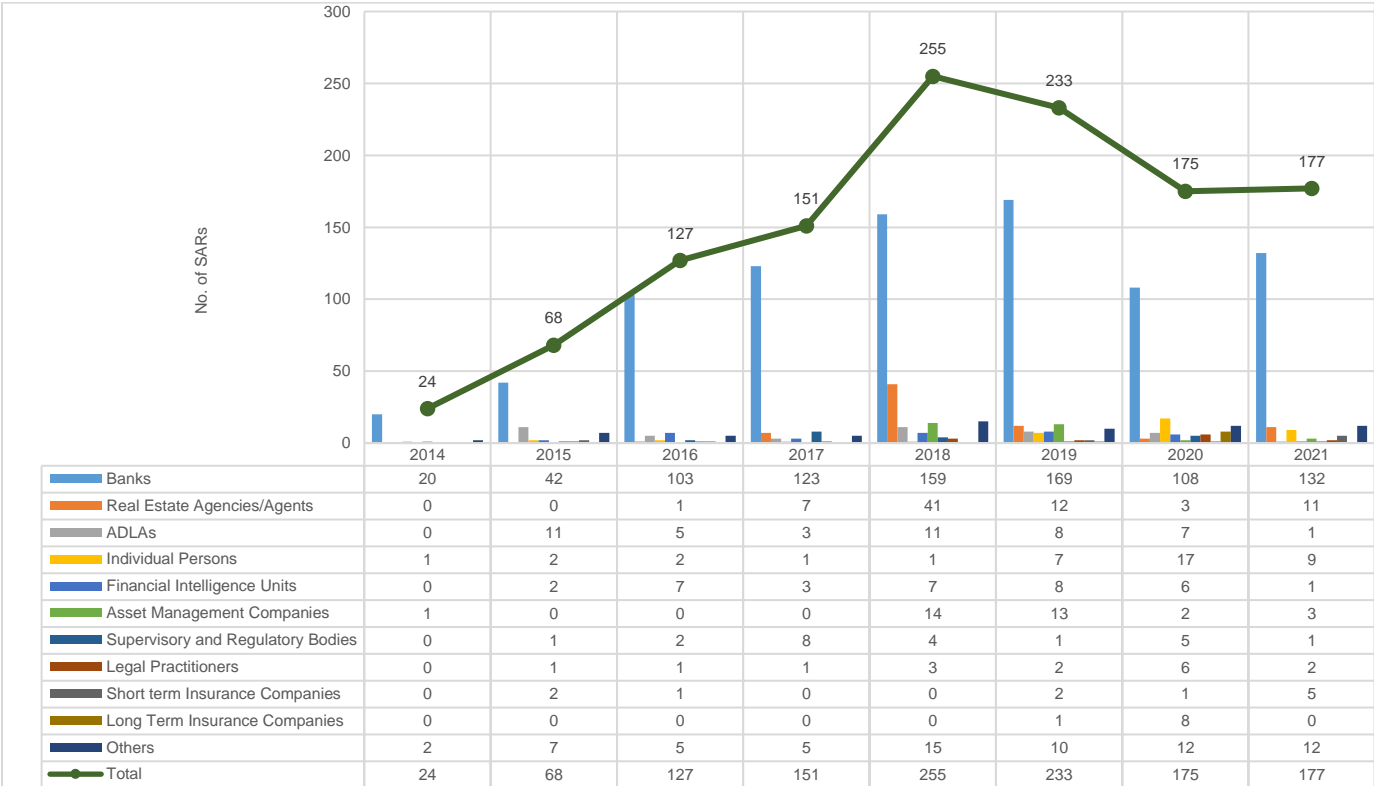


<sup>2</sup> The "Others" category in the chart above comprises of the following sectors: Foreign Financial Intelligence Units; Casinos; Short Term Insurance Firms; Accountants; Supervisory and Regulatory Bodies; Dealers in precious metals and stones ; Unit Trust Scheme Companies; Unit Trust

Overall, a total of 8,945 STRs were received by the FIC since the reporting obligation commenced until 31 December 2021. The banking sector submitted the most reports in such period, filing 78% (or 6,991) of reports followed by ADLAs who submitted 13% (or 1,140). The high number of reports from the banking sector could be attributed to various factors, including the fact that banks appear to have the most matured AML/CFT/CPF control systems (enhanced ability to detect and report). It can also be argued that banking services are inherently exposed to a higher risk of abuse as almost all other sectors make use of the banking systems.

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 annually.

**Chart 2. SARs received from reporting sectors per annum<sup>3</sup>**



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.

<sup>3</sup> The “Others” category in the table above comprises of the following sectors: Accountants and Auditors; Accountants; Casinos; Courier and Customs Clearing; Public Prosecutors; Dealers in precious metals and stones; Trust and Loan Company and Life Insurance Broker or Agent

Overall, a total of 1,210 SARs were received by the FIC since the reporting obligation commenced until 31 December 2021. The banking sector submitted the most reports in such period, filing 71% (or 856) of reports, followed by Real Estate Agencies who submitted 6% (or 75 SARs). The ADLAs sector filed a total of 4%(or 46 SARs) Potential reasons for the banking sector's higher reporting volumes cited for STRs above are the same for STRs.

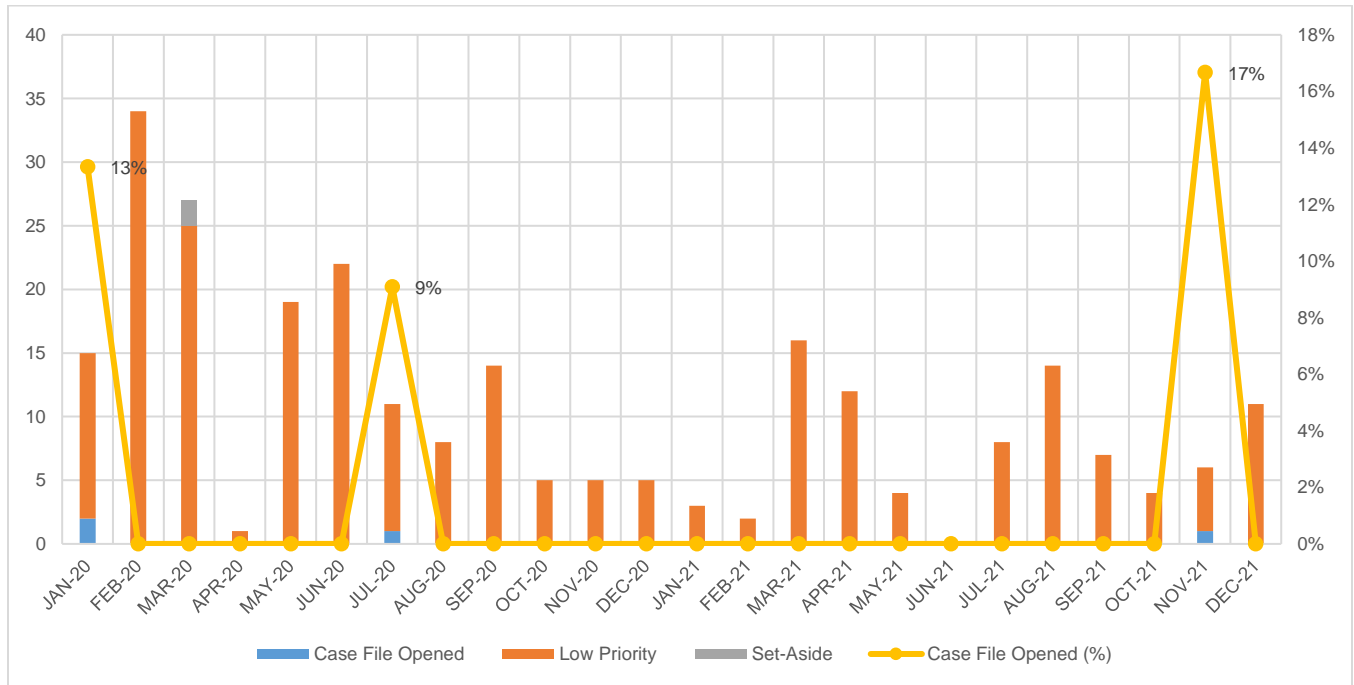
In terms of reporting periods, the highest number of SARs were received in the year 2018, a record high of 255 SARs.

## **2.2 Level of prioritization of reports from the ADLAs Sector**

The FIC applies a risk-based approach in determining the prioritization level to assign to reports received from all sectors. Reports are assessed and assigned priority levels. Reports which are accorded a 'low priority' status are not attended to immediately. 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 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:

- a. strategic priorities of LEAs, which are informed by the risk areas identified in the National Risk Assessment (NRA) and other similar activities by LEAs;
- b. known ML, TF and PF indicators;
- c. sanctions and watch lists [e.g. credible client high risk lists];
- d. prior reports on same subject/entity;
- e. geographic risk areas involved;
- f. duplicate/erroneous filing (which may normally lead to the STR/SAR being set-aside);
- g. risk of funds being placed out of the reach of law enforcement;
- h. human resource constraints within FIC's Financial Investigations and Analyses Division; and
- i. the monetary values involved in the suspicious transaction.

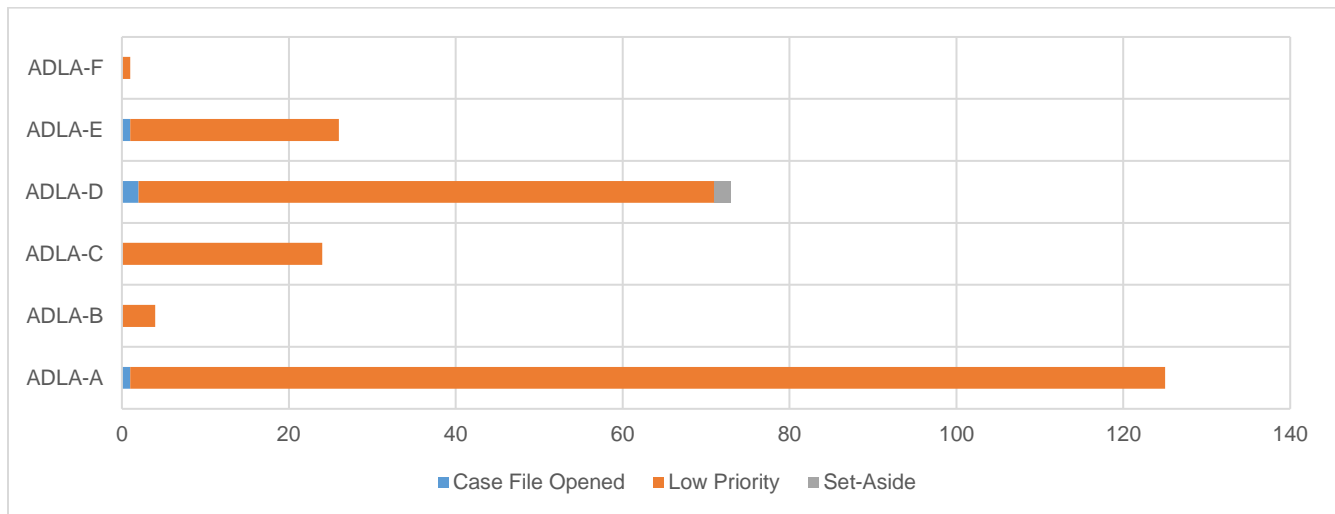
**Chart 3. Categorization of STRs received from the ADLAs Sector per annum**



Overall, only 2% 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.

**Chart 4. Categorization of STRs by Reporting ADLAs**



During the period under review, ADLA-A filed the majority of STRs (a total of 125 STRs or 49%). This was followed by ADLA-D and ADLA-E with 73 and 26 STRs respectively. It is important to note that ADLA-D also filed the most STRs that were accorded ‘high priority’ status, a total of 2 STRs or 3% of all the STRs that were accorded high priority status and escalated for further analysis.

**Table 1. SARs by Reporting ADLAs per month**

	FEB-20	MAR-20	APR-20	MAY-20	AUG-20	FEB-21
<b>ADLA-A</b>	0	0	0	0	0	1
<b>ADLA-B</b>	1	3	1	1	1	0
<b>Total</b>	1	3	1	1	1	1

The Sector has submitted a relatively low number of SARs, totaling 7 reports only.

It is worth noting that none of these reports were accorded “high priority” status hence there was no SARs escalated for further analysis during the period under review.

### 2.3 Other reports received from the ADLAs 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 2. Total AIF, CTR, EFT, IFT and CBMCRs by the ADLAs Sector**

	AIFs	CTRs	EFTs	IFTs	CBMCRs
<b>Number of Reports</b>	26	342	25	76,457	0
<b>Number of Transactions</b>	26	342	25	740,462	0
<b>Amount Involved</b>	288,717	65,535,152	5,291,368	1,463,658,995	0

**Table 3. Summary of suspected predicate offenses, recipient agency and amounts**

	Total Disclosures	Potential Predicate Offense	Amount Involved (N\$)
<b>Namibian Police: General Fraud Sub-Division</b>	2	Fraud	586,216.00
		Theft	N/A
<b>Namibian Police: Criminal Investigation Directorate</b>	2	Fraud	N/A
		Theft	N/A
<b>Bank of Namibia: Exchange Control</b>	1	Contravention of Exchange Control Rulings	811,884.00
<b>Total</b>	<b>5</b>		<b>1,398,100.00</b>

In the period under review, a total of 5 spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from the ADLAs. The Namibian Police received the highest number of disclosures. Fraud and Theft featured as the leading potential predicate offense.

### 3. Summary of matters worth noting

The FIC has noted with concern that the reporting behavior for the period under review (in terms of volumes) of STRs and SARs filed by the Sector is far below expectations.

The FIC recognizes that there is no standard globally used to determine the volume of STRs that an institution should be reporting. The nature of behavior which may lead to eventual flagging and further reporting of a particular transaction would most likely be different from transaction-to-transaction. In the same vein, the nature of controls in one Accountable Institution may be different to controls in others. ML/TF/PF activities in different institutions or transactions are thus not easily comparable. Despite this, most Financial Intelligence Units (FIUs), the FIC included, rely on comparing sectoral reporting behavior/trends to make assessments on areas which may need improvement. As mentioned herein, the object of all AML/CFT/CPF control frameworks in any institution is to ensure effective combatting and prevention mechanisms. The most important object of implementing AML/CFT/CPF controls such as KYC, CDD, transaction monitoring is to detect or flag transactions, review and when need be, report same without delay. While other considerations are worth noting, the reporting behavior is the most important indicator of the level of effectiveness of AML/CFT/CPF controls implemented by any institution.

Below is an overall summary of major irregularities observed in the quality of reports:

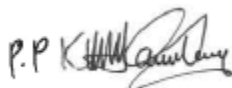
- ✚ *lack of ML/TF and/or PF indicators in the reports:* It is helpful that upon reporting, such information is availed.
  
- ✚ *poorly articulated “Reasons for Suspicion” in STRs:* usually, when adequate customer due diligence (CDD) has been undertaken, it is easier to explain grounds for suspicion when making 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.

- ✚ *duplicate and erroneous filing of reports*: More care needs to be taken, especially by AML Compliance Officers to reduce such incidences. Such takes from the valuable time that FIC analysis resources could deploy to other activities;
- ✚ *filing of incomplete STRs*: more could be done to ensure completeness of information shared in STRs. It helps with value addition from such reports. and

Als and RIs within the ALDAs Sector are urged to consider the said shortcomings and devise means to enhance internal controls accordingly.

#### **4. Conclusion**

The FIC appreciates ADLAs' sector for the continuous efforts geared towards ML/TF/PF combatting. Such helps to safeguard the financial system's integrity. Whilst encouraging the volumes of reports, it is important to enhance an appreciation for reporting quality or value adding STRs/SARs which can lead to effective investigations, prosecutions, asset forfeitures and asset/tax recoveries.



**G. EIMAN**

**ACTING DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**