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11 February 2020

Mr. K.S Matomola
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Namibia Financial Institutions Supervisory Authority
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Attention: Ms. Hilka Alberto

Dear Mr. Matomola

FEEDBACK ON STATUTORY REPORTS FILED BY ASSET MANAGEMENT COMPANIES WITH THE FINANCIAL INTELLIGENCE CENTRE (FIC)

The Financial Intelligence Centre (FIC) appreciates efforts of Accountable Institutions (AIs) within the Asset Management Companies 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 (RIs) 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 Asset Management Companies for the period 06 July 2010 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]'. The signature is written in a cursive style.

LEONIE DUNN
DIRECTOR: FINANCIAL INTELLIGENCE CENTRE



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STATISTICAL FEEDBACK REPORT

ASSET MANAGEMENT COMPANIES SECTOR

Date: 11 February 2020

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1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Asset Management Companies 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 are analysed 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 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 reports filed with the FIC. It is therefore 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.

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

The results of this analysis, as documented herein should be used by AIs within the Asset Management sector to guide implementation of measures necessary to enhance reporting behavior.

2. Summary of analysis and observations

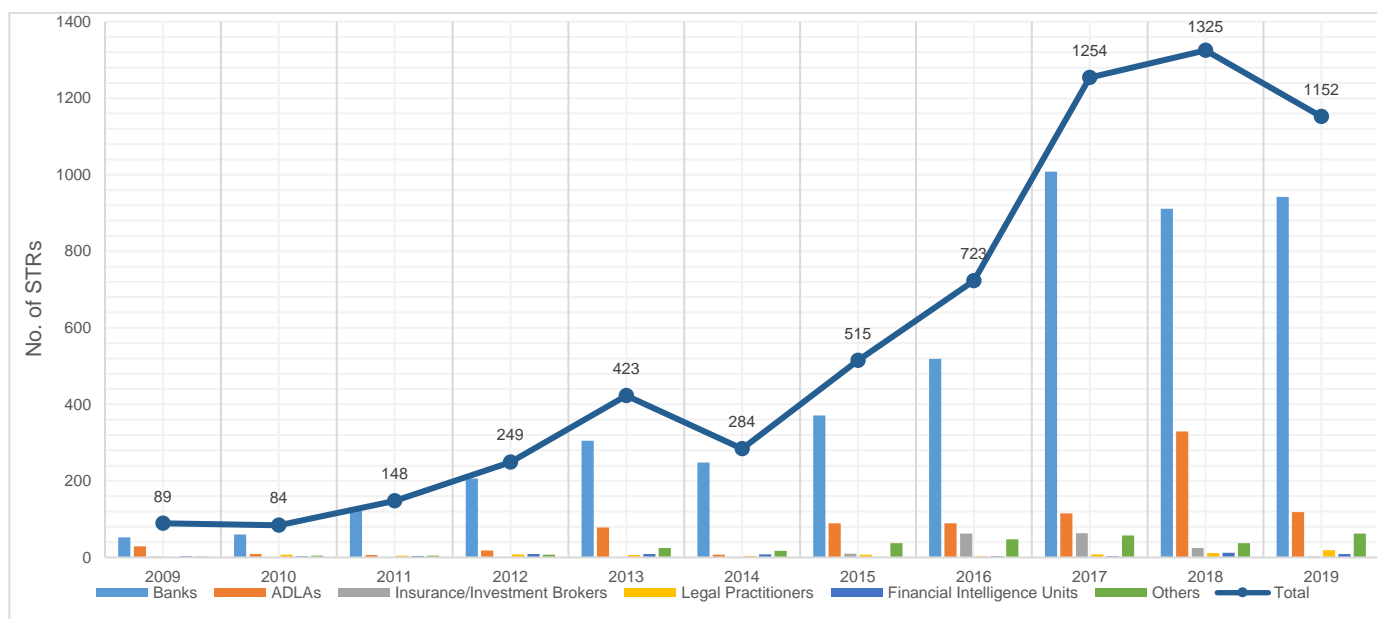
2.1. STRs and SARs

A person 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



The banking sector submitted the most reports during the period under review, filing 4,749 STRs (or 76%) followed by the ADLAs filling 887 (or 14%) of the total reports. The Asset Management Companies' sector filed a collective total of 31 STRs during the period under review.

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

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/Agents	-	-	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 reports followed by real estate agencies. The Asset Management Companies filled a total of 28 reports.

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

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

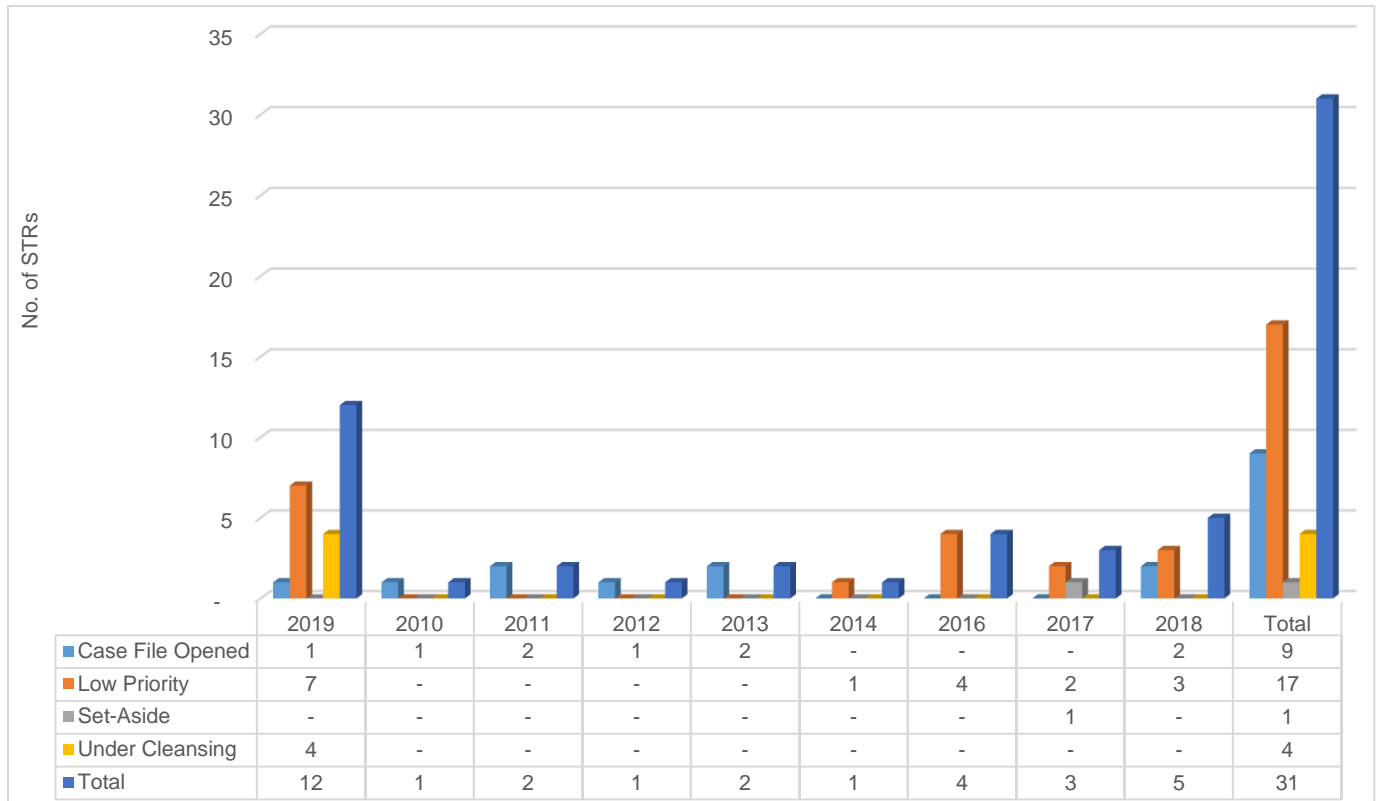
2.2 Level of prioritization of reports from the Asset Management sector

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. 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.

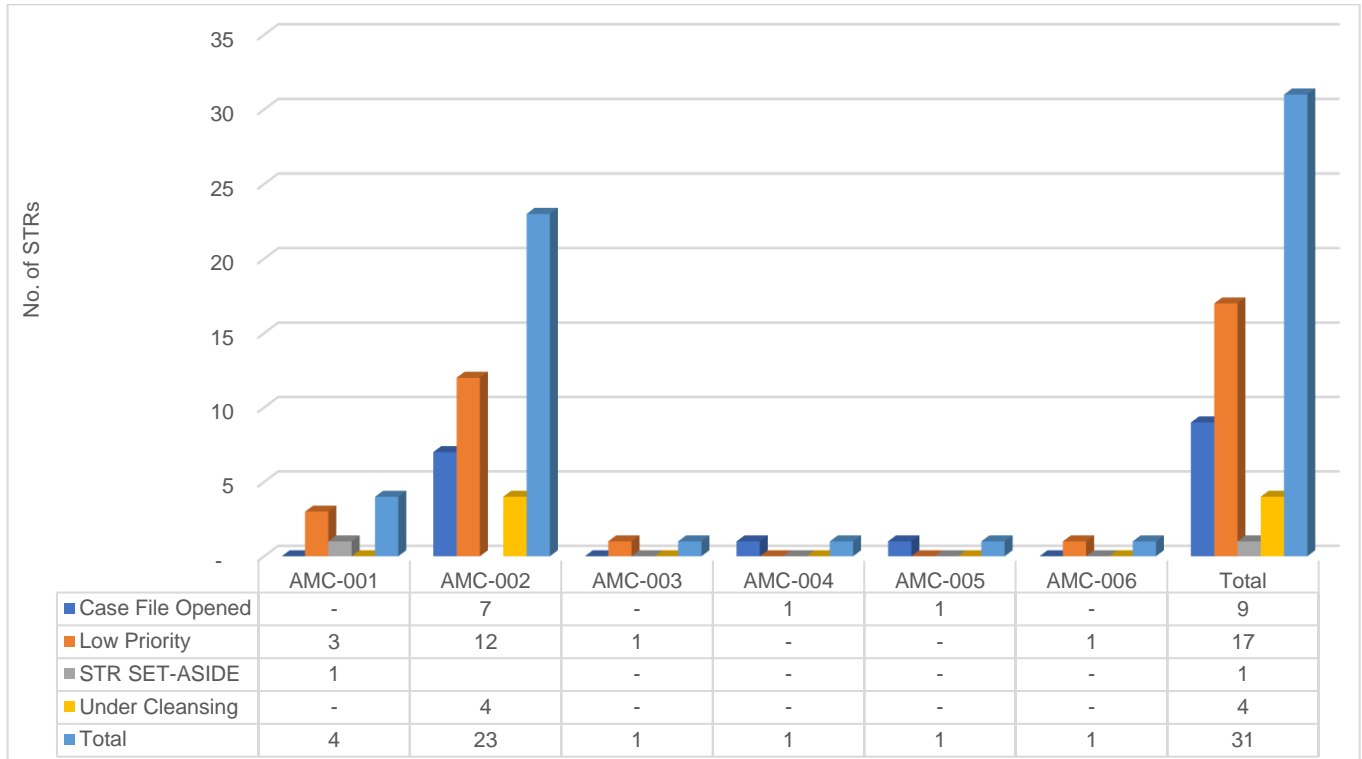
Chart 2. Categorization of STRs received from Asset Management Companies per annum



Overall, 29% of the STRs received from Asset Management Companies were accorded a 'high priority' status and escalated for further analysis. These STRs resulted in actionable intelligence which was forwarded to relevant Law Enforcement Agencies and Investigating Authorities for further investigation.

On the other hand, a total of 17 STRs (or 54.8%) filed were accorded a 'low priority status' and only 1 STR was 'Set-aside'. The majority of the STRs were primarily accorded low priority status because of the insignificant amounts of money involved and lack of ML/TF and/or PF indicators amongst others.

Chart 3. Classification of STRs by Asset Management Companies' reporting behavior



During the period under review, AMC-002 filed the majority of STRs (a total of 23 STRs or 74.2%). This was followed by AMC-001 which filed 4 STRs. It is important to note that AMC-002 also filed the most STRs that were accorded 'high priority' status, (a total of 7 STRs or 77.8%).

Table 2. SARs received per annum: Case files opened vs those categorized as Low priority

	2014	2018	2019	Total
Case File opened	-	2	3	5
Under Cleansing	-	-	4	4
Low Priority	1	12	5	18
Set-Aside	-	-	1	1
Total	1	14	13	28

Table 3. Classification of SARs by Asset Management Companies

	Case File opened	Low Priority	Set-Aside	Under cleansing	Total
AMC-001	-	8	-	-	8
AMC-002	5	9	1	3	18
AMC-007	-	1	-	-	1
AMC-006	-	-	-	1	1
Total	5	18	1	4	28

The sector submitted a relatively small number of SARs, totaling 28 reports only. The majority of these reports were filed during the year 2018.

Only 5 of the SARs filed from the sector were escalated for further analysis. The SARs escalated resulted in actionable intelligence which was forwarded to relevant Law Enforcement Agencies for further investigation. It is further worth noting that during the period under review, entity AMC-002 filed the majority of SARs which resulted in actionable intelligence.

2.3 Other reports to be filed from the Asset Management 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; and

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

Table 4. Total AIF, CTR, EFT and IFT filed by the Asset Management Companies sector

	AIFs	CTRs	EFTs	IFTs
No. of Reports	0	18	0	0
No. of Transactions	0	18	0	0
Amount Involved	0	49,033,900	0	0

The table above indicates that the sector filed a total of 18 CTRs since the reporting obligation commenced. However, there was no AIF, EFT and IFT filed during the period under review. Given the sector’s volume of clients and nature of transactions, the FIC is convinced that the sector could do more. Reasons for such low reporting are unknown at this stage.

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	6	Corruption	2,000,000.00
		Corruption	15,000,000.00
		Corruption	N/A
		Corruption	N/A
		Fraud	4,000,000.00
		Fraud	9,500.00
NamPol: Criminal Investigation Division	3	Money Laundering	15,000,000.00
		Money Laundering	N/A
		Money Laundering	N/A
Office of the Prosecutor General	1	Fraud	18,980,000.00
Ministry of Finance: Receiver of Revenue	6	Tax Evasion	40,418,385.00
		Tax Evasion	10,000,000.00
		Tax evasion	389,000.00
		Tax Evasion	15,000,000.00
		Tax Evasion	N/A
		Tax Evasion	N/A
	16		120,796,885.00

In the period under review, a total of 16 spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from Asset Management Companies. The Ministry of Finance-Receiver of Revenue and Anti-Corruption Commission of Namibia received the highest number of disclosures directly linked to the Asset Management Sector. Further, 'Tax Evasion' featured as the leading potential predicate offense with 6 such potential offenses involving a total amount of NAD 65,807,385.

4. Summary of matters worth noting

FIC observations are that reporting volumes and overall quality of STRs, SARs and CTRs in the entire sector fall short of expectations. Major irregularities observed in the quality of reports from the sector include:

- ✚ poorly articulated 'Reasons for Suspicion' in STRs;
- ✚ duplicate and erroneous filing of reports;

- ✚ filing of incomplete STRs;
- ✚ lack of ML/TF and/or PF indicators in the reports.

Asset Management Companies are urged to consider the said shortcomings and device means to enhance internal controls accordingly.

5. Conclusion

The FIC appreciates the Asset Management sectors' continuous efforts geared towards the ML/TF/PF combatting and reporting endeavors that resulted in successful investigations and forfeitures. Such helps to safeguard Namibia's financial integrity. The sector is encouraged to continue enhancing customer due diligence measures as such have an impact on overall ML/TF/PF combatting activities.