



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

STATISTICAL FEEDBACK REPORT

UNIT TRUST MANAGEMENT COMPANIES

Date: 02 MARCH 2021

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. Introduction3
- 2. Summary of analysis and observations4
 - 2.1. STRs and SARs.....4
 - Chart 1. STRs received from reporting sectors per annum4
 - Table 1. SARs received from reporting sectors per annum.....5
 - 2.2 Level of prioritization of reports from the Unit Trust Management Companies.....6
 - Chart 2. Categorization of STRs received from the Unit Trust Management Companies per annum7
 - Chart 3. Categorization of STRs reported by Unit Trust Management Companies.....8
 - Table 2. Categorization of SARs from the Unit Trust Management Companies per annum8
 - Table 3. Categorization of SARs from Unit Trust Management Companies9
 - 2.3 Other reports received from the Unit Trust Management Companies9
 - Table 4. Total AIF, CTR, EFT, IFT and CBMCRs by the Unit Trust Management Companies9
 - Table 5: Summary of suspected predicate offenses, recipient agency and amounts 10
- 3. Typical Reasons for Reporting Transactions as Suspicious.....10
 - Table 6. Typical Reasons for Reporting Transactions as Suspicious by Sectors 11
- 4. Sampled Case Study11
 - Case Study 1: Potential illicit diamond dealing/corruption*12
- 5. Summary of matters worth noting13
- 6. Conclusion14

1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Unit Trust Management Companies as Accountable Institutions under Schedule 1. Such institutions are inherently vulnerable to Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) ML/TF/PF risks. Therefore, the FIA requires institutions availing such services to implement control measures aimed at mitigating such risks. These controls include measures to enable timely detection of transactions/activities that may be suspicious and thus reported to the Financial Intelligence Centre (FIC). Such reports are primarily Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs). At times Additional Information Files (AIFs) related to reported suspicions may be shared. These reports are usually analysed by the FIC with the aim of producing value adding intelligence products which can be 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 Threshold 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 and strategic 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 Unit Trust Management Companies to guide implementation of measures necessary to enhance reporting behavior.

2. Summary of analysis and observations

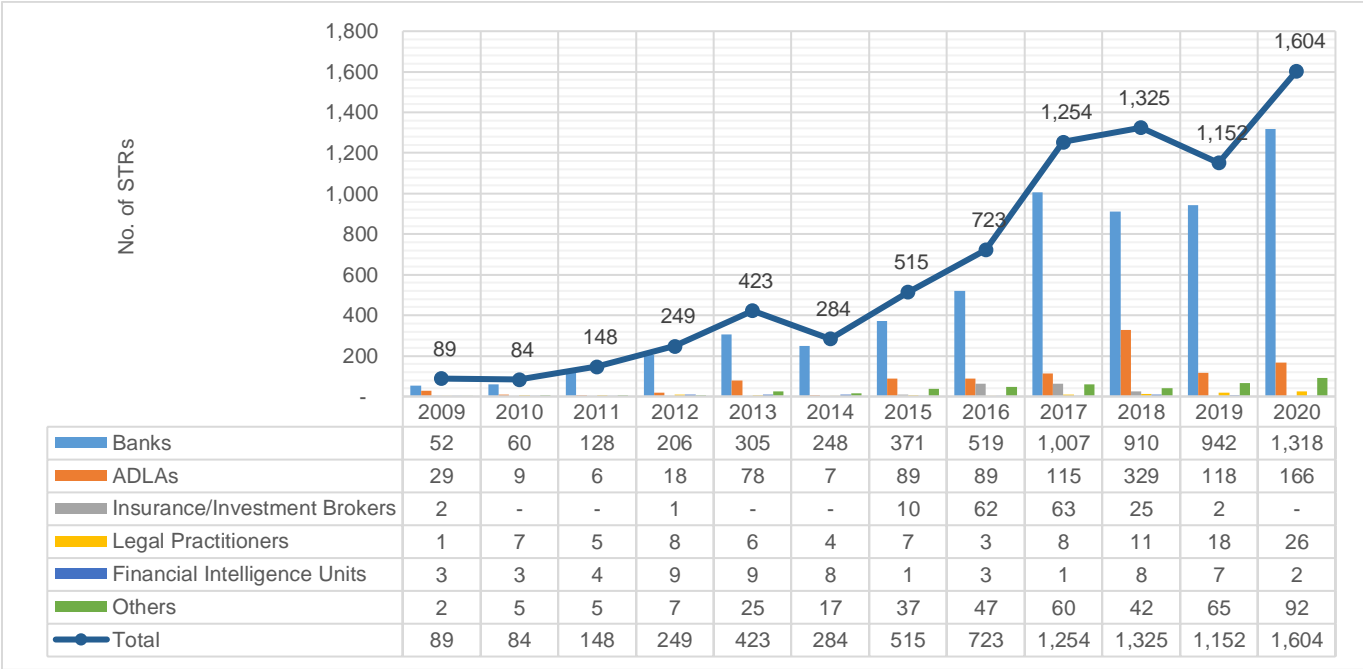
2.1. STRs and SARs

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 up to 31 December 2020.

Chart 1. STRs received from reporting sectors per annum



The banking sector submitted the most reports in the period under review, filing 76% (or 1,318 reports) followed by the ADLAs filing 14% (or 166 reports). The high number of reports filled by the banking sector could be attributed to various factors, including the fact that the banks appear to have the most matured AML/CFT/CPF control systems (ability to detect and report more). It can also be argued that banking services are generally exposed to a higher risk of abuse for corruption as almost all other sectors make use of the banking systems.

Annually, the highest number of STRs were received in the year 2020, a record high of 1,604 STRs. The Unit Trust Management Companies Sector filed a collective total of 37 STRs during the period under review. Overall, a total of 7,850 STRs were received by the FIC since the reporting obligation commenced until 31 December 2020.

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

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

Table 1. SARs received from reporting sectors per annum

	2014	2015	2016	2017	2018	2019	2020	Total
Banks	20	42	103	123	159	169	105	721
Real Estate Agencies	-	-	1	7	41	12	3	64
ADLAs	-	11	5	3	11	8	7	45
Financial Intelligence Units	-	2	7	3	7	13	-	32
Asset Management Companies	1	-	-	-	14	13	2	30

Supervisory and Regulatory Bodies	-	1	2	8	4	1	5	21
Individual Persons	1	2	2	1	1	2	16	25
Legal Practitioners	-	1	1	1	3	2	6	14
Law Enforcement Agencies	-	3	-	-	-	4	1	8
Money and Value Transfer Companies	-	3	3	1	-	-	-	7
Others	2	3	3	4	15	9	30	66
Total	24	68	127	151	255	233	175	1,033

The table above shows that the number of SARs filed by the reporting entities since the reporting obligation commenced totaled 1,033 reports at the end of the 2020 calendar year. It further shows that the banking sector collectively submitted a significant total of 721 SARs (71%), followed by real estate agencies and ADLAs in third. The Unit Trust Management Companies filed a total of 4 SARs as at 31 December 2020.

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

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

2.2 Level of prioritization of reports from the Unit Trust Management Companies

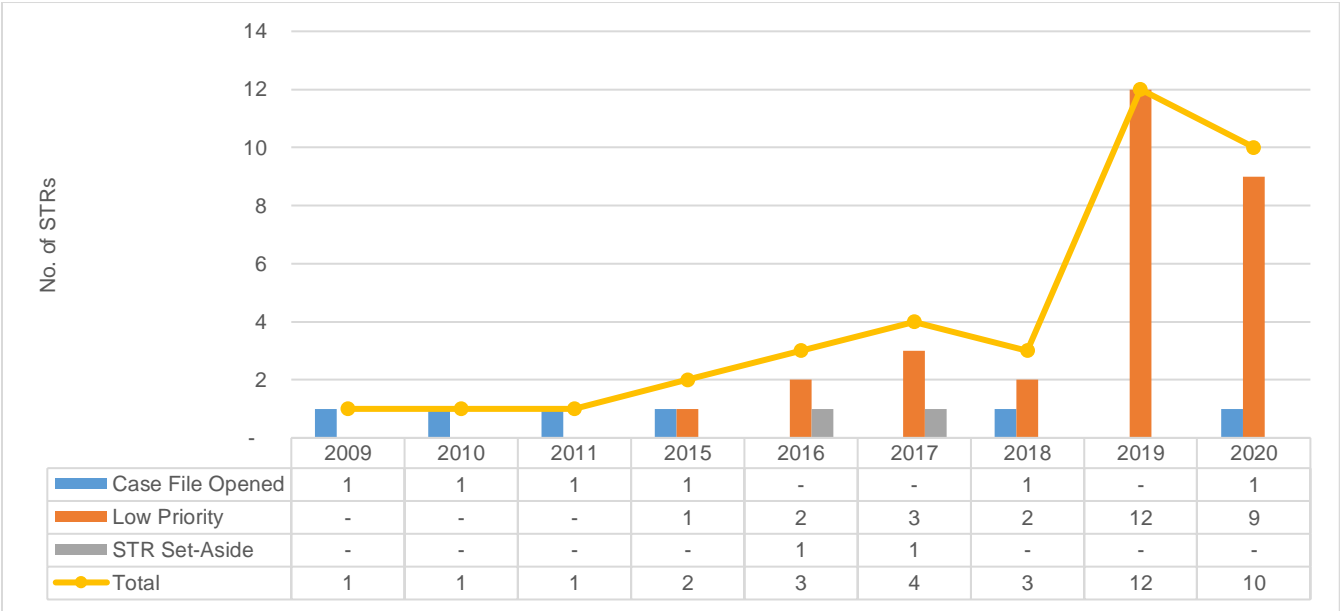
The FIC applies a risk-based approach in determining the prioritization level assigned to reports received from all sectors. Reports are assessed and assigned priority levels. Reports which are accorded a ‘low priority status’ are not attended to immediately. Mainly, due to resource constraints, only reports which are regarded ‘high priority’ status are investigated and analysed

(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 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.

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

- ✚ 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 reach of law enforcement; and
- ✚ Human Resource constraints within FIC’s Financial Investigations and Analyses Division.

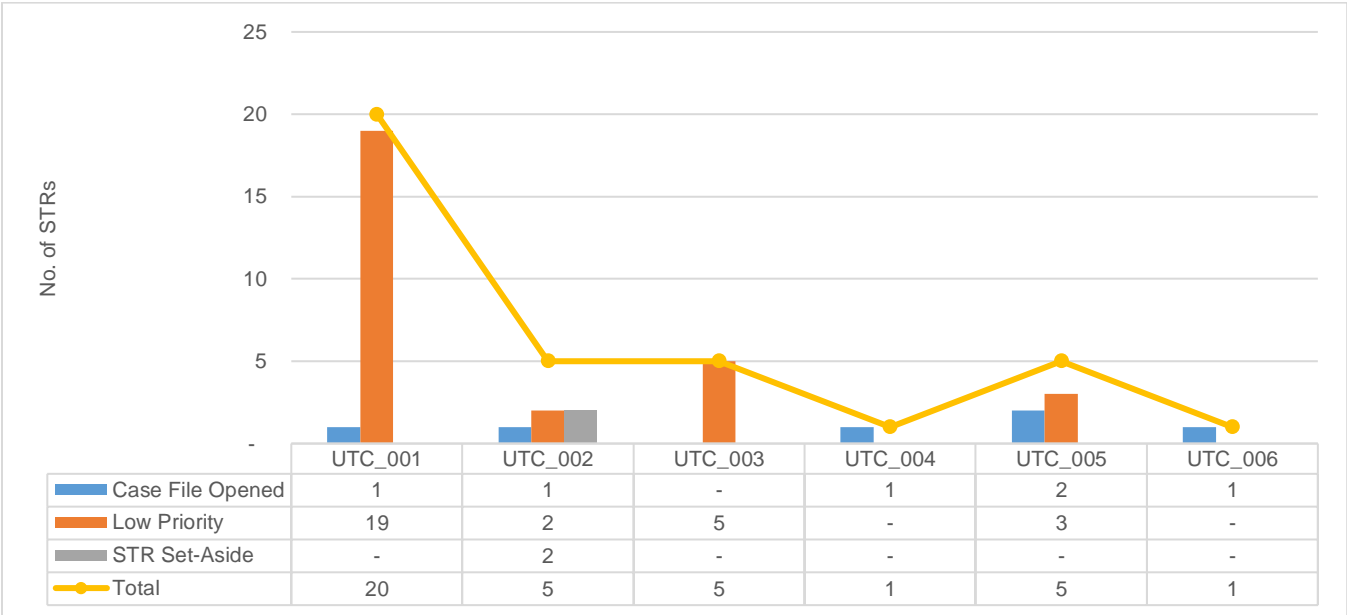
Chart 2. Categorization of STRs received from the Unit Trust Management Companies per annum



Generally, 16.2% (or 6 reports) received from Unit Trust Management Companies were accorded a 'high priority' status and escalated for further analysis. Such 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 were primarily because of the insignificant amounts of money involved and lack of ML/TF and/or PF indicators in the reports filed, amongst other factors.

Chart 3. Categorization of STRs reported by Unit Trust Management Companies



In the period under review, entity UTC_001 filed the majority of STRs (a total of 20 STRs) from the sector. Worth noting, from all such STRs, only 1 report was accorded a 'high priority' status and escalated for further analysis.

Table 2. Categorization of SARs from the Unit Trust Management Companies per annum

Categorization	2014	2016	2018	2020	Total
Case Files opened	-	-	1	-	1
Low Priority	1	1	-	1	3
Total	1	1	1	1	4

Table 3. Categorization of SARs from Unit Trust Management Companies

Entity	Case File opened	Low Priority	Total
UTC_002	1	1	2
UTC_007	-	1	1
UTC_008	-	1	1
Total	1	3	4

The Sector has submitted a relatively low number of SARs, totaling 4 reports only. Subsequently, 1 SAR filed from the sector was escalated for further analysis. Amongst other factors, the further escalation to Law Enforcement is indicative of the quality level of such report.

2.3 Other reports received from the Unit Trust Management Companies

- a. **Additional Information File (AIF):** Refers to the filing of new additional information related to a STR or SAR previously filed with the FIC;
- b. **Cash Threshold Report (CTR):** These are mandatory reports 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;
- c. **Electronic Funds Transfers (EFT):** Refers to the movement of money from one account to another, electronically;
- d. **International Funds Transfers (IFT):** Refers to the inward and outward remittance of funds electronically from one jurisdiction to another; and
- e. **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 Unit Trust Management Companies

	AIFs	CTRs	EFTs	IFTs	CBMCRs
Number of Reports	0	35	217	0	0
Number of Transactions	0	39	1,733	0	0
Amount Involved	0	8,820,321	1,029,669,186	0	0

The table above indicates that the Sector filed a total of 35 and 217, CTRs and EFTs respectively. Given the sector’s volume of clients and 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 (ACC)	3	Corruption	19,005,070.00
		Corruption	93,276,042.00
		Corruption	18,000,000.00
Ministry of Finance-Receiver of Revenue	1	Tax related offence	5,500,000.00
NamPol: Criminal Investigation Division	3	Fraud	480,000.00
		Fraud	300,000.00
		Illicit Diamond Dealing	341,800.00
Total	7		136,902,912.00

In the period under review, a total of 7 spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from the Unit Trust Management Companies. The Anti-Corruption Commission of Namibia (ACC) and Namibia Police (NamPol) received the highest number of disclosures. Fraud and Corruption featured as the leading potential ML predicate offenses recorded within this Sector.

3. Typical Reasons for Reporting Transactions as Suspicious

The web application for submitting STRs contains a pull-down list of 59 indicators from which reporting entities select one or more grounds for suspicion when submitting an STR. Amongst others, indicators such as tax evasion, fraud, corruption, theft, human trafficking etc., are availed. The purpose of the list is to assist such reporting entities to indicate their reason(s) for submitting such STRs and to assist the FIC during analysis of such STRs.

In the process of establishing a suspicious activity or transaction relating to ML/TF/PF, an Accountable/Reporting entity takes into consideration various elements (red flags, other indicators etc.) that are present and that collectively inform the formulation of a suspicious transaction or activity to be reported accordingly.

Below are the typical indicators and a list of the prominent methods employed by perpetrators discovered during the analysis of STRs filed by the Unit Trust Management Companies during the period under review:

Table 6. Typical Reasons for Reporting Transactions as Suspicious by Sectors

Sector	Predicate offence	Prominent methods
Unit Trust Scheme Companies	Unknown/ Potential Corruption/Fraud/Tax related offences	<ul style="list-style-type: none"> • A client placing funds into an investment account and dis-investing the amount within a very short period; • A customer conducting transactions that appear to be inconsistent with their profile and/or transaction history; • Client refusing to provide evidence of business activity and proof of source of income; and • Money transferred to an account held abroad, authorised through illegitimate (fake) emails.
	Potential Corruption	<ul style="list-style-type: none"> • A client appears in media reports which link the client to corruption or other financial crimes; • Entity’s investment account which linked to Politically Exposed Persons (PEP) have been receiving numerous deposits; • A client receives a significant amount from government institution allegedly for selling an inflated property; and • Clients held investment accounts with institution reportedly involved in corruption.

4. Sampled Case Study

The FIC observed that in ML/TF/PF activities, perpetrators continue to explore and find new methods of hiding or concealing the illicit origins of the funds they launder. It is therefore crucial that accountable and reporting institutions constantly conduct risk assessments on their products, services and customers, in order to enable a proactive approach to combatting relevant threats. The below is a sampled case study to help understand certain common or notable trends from reports analyzed.







Case Study 1: Potential illicit diamond dealing/corruption

The FIC analysed a report pertaining to potential illicit diamond dealing and corruption detected in a **Unit Trust Management Company**. It is reported that a certain **Mr. Joao** who is employed by a **Diamond Company** and earned a salary of **NAD 10 000.00** made several significant cash deposits into his unit trust investment account over a short period of time. He indicated that the source funds is from his salary, however, the amounts deposited are not commensurate with the type of work indicated in his profile and the monthly salary earned. Further, **Mr. Joao** made various cash deposits amounting to **NAD 300,000.00** to such account within a period of two consecutive months.

The FIC, after some analysis discovered regular and significant flow of funds into several personal accounts in the name of **Mr. Joao**, mostly own deposits and few deposits by various other individuals. The cash deposits occurred only when **Mr. Joao** is in the town wherein he works, however, major spending occurred when he visited Windhoek. Funds from the personal accounts were normally disbursed through cash withdrawals, internet banking payments and point of sales purchases (PoS). These transactions all appeared to have been executed for private purposes. **Mr. Joao** indicated no other business activity linked to his name. Investigations and analysis could also not find other legitimate sources of funds' origin or other business linked to him.



The modus operandi suggests that large cash deposits are made into his investment account held at **Unit Trust Management Company** and such funds are kept in account for a certain period until its withdrawn or transferred into his personal account held at **Commercial Bank** for depletion. Possible placements of illicit funds could be taking place in **Unit Trust Management Company's** trust account and layering could be occurring when the funds are transferred to **Commercial Bank's** account. The funds now gain the appearance of legitimacy since it came into account from a legitimate business entity.

A report was disseminated to relevant Law Enforcement and investigations were conducted.

Report source type	STR
Key	Money Laundering through illicit diamond dealings and potential corruption
Perpetrators/Involved	Individuals/Namibian
Involved sector	Unit Trust Management Company, banking services
Key risk controls	Amongst others, poor customer due diligence controls; failure to detect questionable bank transactional behavior etc.
Designated services	Personal bank accounts and Investment/trust account
Instruments used	EFTs, PoS and ATM
Offence	illicit diamond dealing/corruption
Red flags	
	<i>transacting behavior which is not in line with activities of such account holder;</i>
	<i>it is suspected that funds deposited into the subject's account could be from such illicit diamond dealing;</i>
	<i>frequent cash withdrawals and PoS transactions subsequent to fund deposits;</i>
	<i>significant inflow of funds within a short period of time;</i>
	<i>significant own cash deposits and various cash deposits from individuals; and</i>
	<i>cash deposits are made in working town, however, major spending happened when the subject visit Windhoek.</i>

5. Summary of matters worth noting

FIC observations speak to low reporting volumes of STRs, SARs and CTRs in the entire sector. This is an area we could improve on. Equally, the quality of such reports requires further intervention to enhance its usefulness to the FIC. Major irregularities observed in the quality of reports include:

-  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 CDD has been undertaken, it is often easier to explain grounds for suspicion. Regardless, attempts should be made to adequately explain why we find transactions or activities suspicious as such helps with analysis of such 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 analysis resources could employ on other activities; and
- ✚ filing of incomplete STRs: more could be done to ensure completeness of information shared in STRs. It helps with the usefulness of such STRs.

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

6. Conclusion

The FIC appreciates the Unit Trust Management Companies continuous efforts geared towards ML/TF/PF 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 the 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.

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

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE