



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

STATISTICAL FEEDBACK REPORT: MOTOR VEHICLE DEALERS SECTOR

Date: April 2021

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1. Introduction

The Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA) classifies Motor Vehicle Dealers as Reporting Institutions (RIs) under Schedule 3. 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). FIC analysis stems from such reports and value adding intelligence products derived from same are shared with Law Enforcement and other relevant authorities in the ML/TF/PF combatting chain.

The FIA also requires Reporting 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 various types of 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. As a country, the finalizations of ML/TF/PF cases¹ (be it through asset forfeitures or/and criminals sanctions) is the essence which demonstrates 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 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.

The results of this analysis, as documented herein should be used by RIs within the Motor Vehicle Dealers 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, which are processed by the FIC and escalated to Law Enforcement before referrals to prosecution.

2. Summary of analysis and observations

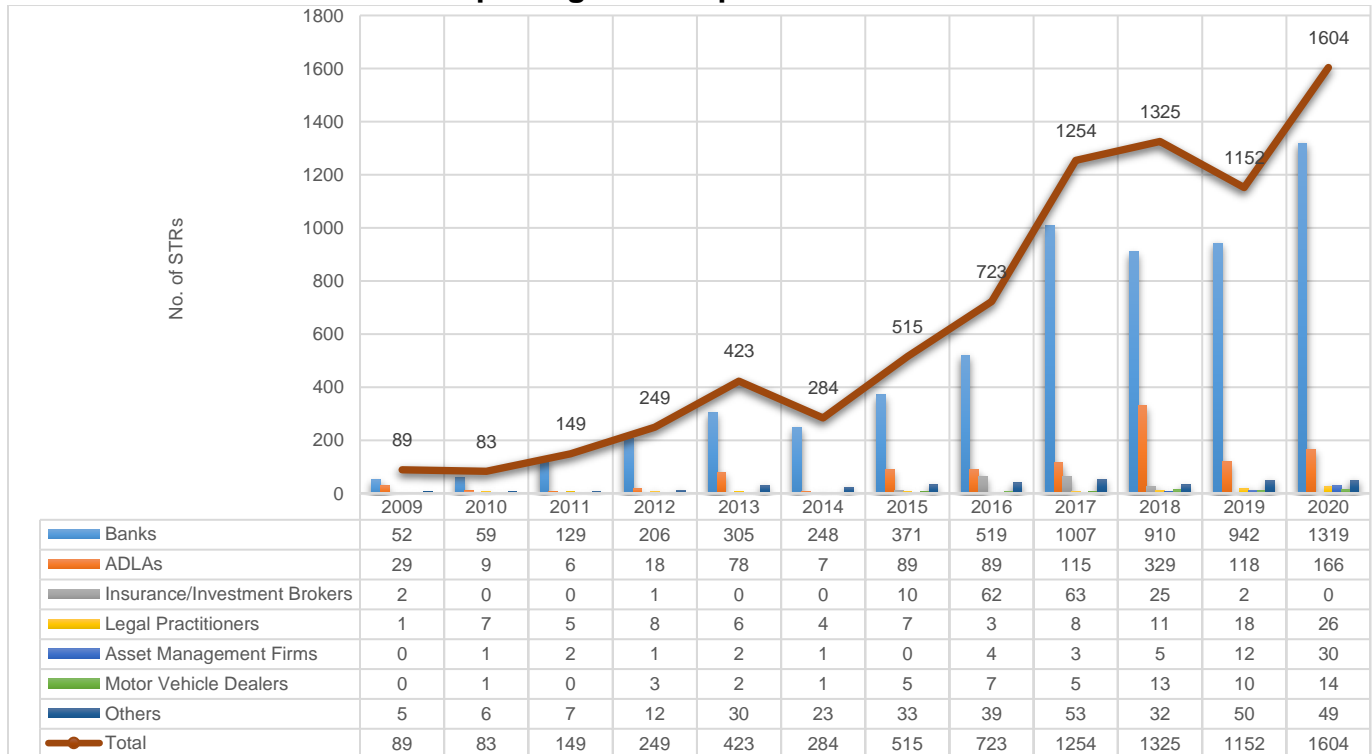
2.1. STRs and SARs

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 2020.

Chart 1. STRs received from reporting sectors per annum²



² 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.

Overall, a total of 7,850 STRs were received by the FIC since the reporting obligation commenced until 31 December 2020. The banking sector submitted the most reports during the period under review, filing 77% (or 6,067 reports) followed by the ADLAs filing 13% (or 1,053 reports). The high number of reports filled by 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 (enhanced ability to detect and report). It can also be argued that banking services are generally 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. The Motor Vehicle Dealer's Sector filed a collective total of 61 STRs during the period under review (from May 2009 to December 2020)³.

Table 1. SARs received from reporting sectors per annum⁴

	2014	2015	2016	2017	2018	2019	2020	Total
Banks	20	42	103	123	159	169	108	724
Real Estate Agencies/Agents	0	0	1	7	41	12	3	64
ADLAs	0	11	5	3	11	8	7	45
Financial Intelligence Units	0	2	7	3	9	8	12	41
Asset Management Firms	1	0	0	0	14	13	2	30
Individual Persons	1	2	2	1	1	7	12	26
Supervisory and Regulatory Bodies	0	1	2	8	4	1	5	21
Legal Practitioners	0	1	1	1	3	2	6	14
Long Term Insurance Companies	0	0	0	0	0	1	8	9
Law Enforcement Agencies	0	3	0	0	0	4	1	8
Insurance/Investment Brokers	0	0	0	0	5	0	2	7
Money and Value Transfers (MVT's)	0	3	3	1	0	0	0	7
Short term Insurance Companies	0	2	1	0	0	2	1	6
Auctioneers	0	0	0	0	1	4	0	5
Stock Brokers	0	0	0	1	0	1	2	4
Unit Trust Schemes	1	0	1	0	1	0	1	4
Micro Lenders	0	0	0	0	2	0	1	3
Motor Vehicle Dealers	1	0	0	0	1	0	1	3
Others	0	1	1	3	3	1	3	12
Total	24	68	127	151	255	233	175	1033

The table above shows the number of SARs filed by the reporting entities since the reporting obligation commenced. It further shows that the banking sector collectively submitted a total of 724 SARs, which represents 70% of the total reports, followed by real estate agencies and ADLAs in third. The Motor Vehicle Dealers Sector have filed a total of 3 SARs as at 31 December 2020.

⁴ 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

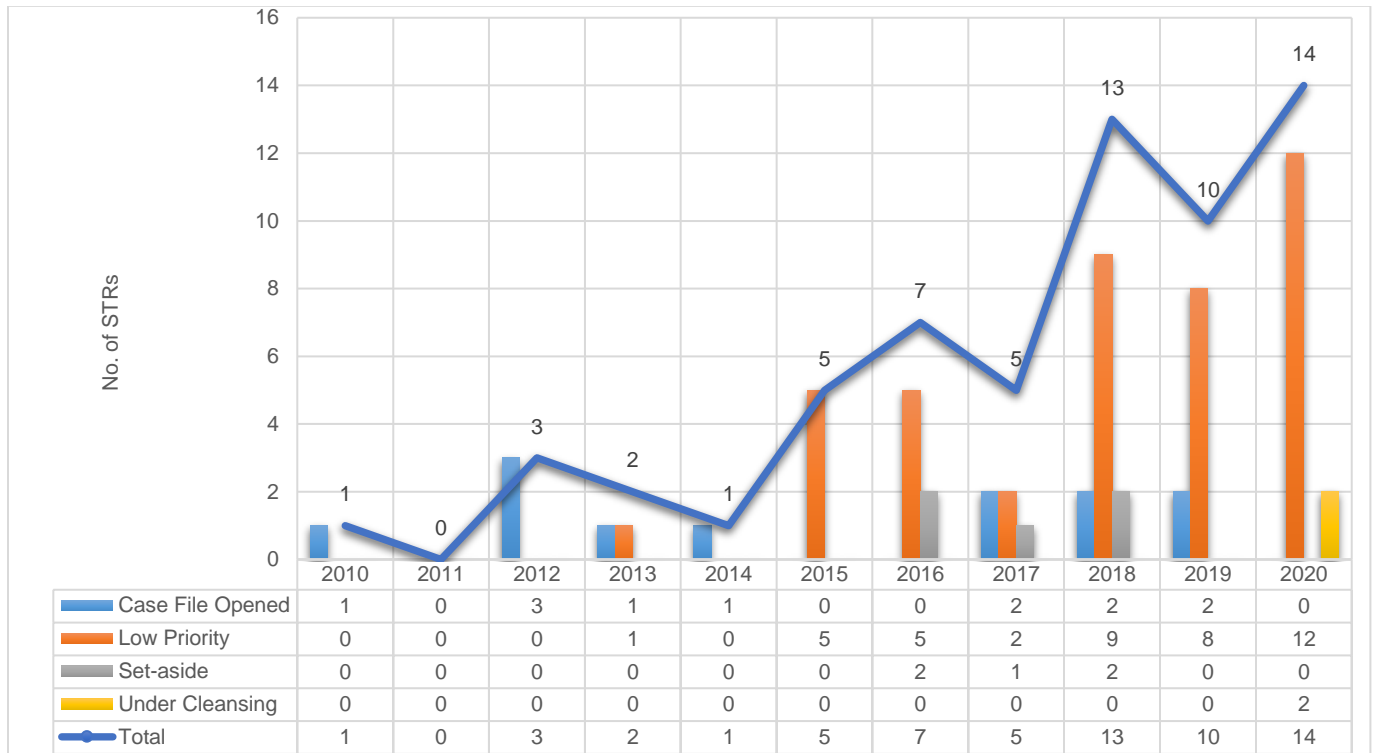
2.2 Level of prioritization of reports from the Motor Vehicle Dealers

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 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:

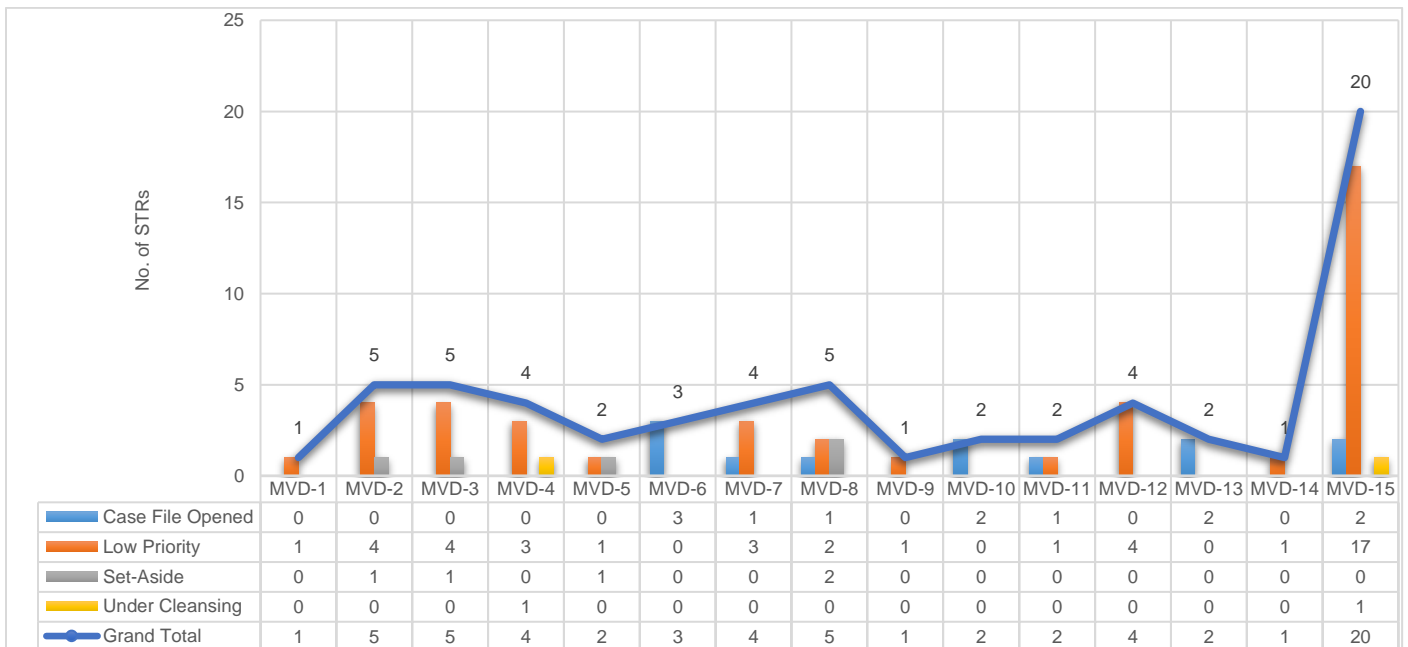
- ✚ Known ML, TF and/or PF indicators;
- ✚ Watch lists [Politically Exposed Persons (PEP) and various sanctions lists];
- ✚ Prior reports on same subject/entity;
- ✚ Geographic risk areas involved;
- ✚ Duplicate/erroneous filing (which could result in the STR/SAR being set-aside);
- ✚ Risk of funds being 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 Motor Vehicle Dealers per annum



Overall, 20% of the STRs received from the Motor Vehicle Dealers 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.

Chart 3. Categorization of STRs by Reporting Motor Vehicle Dealers



During the period under review, entity MVD-15 filed the majority of STRs (a total of 20 STRs). This was followed by MVD-2, MVD-3 and MVD-8, each filing a total of 5 STRs. Worth noting is that MVD-5 filed the most STRs that were accorded ‘high priority’ status (a total of 3 STRs).

Table 2. Categorisation of SARs received from the Motor Vehicle Dealers Sector per annum

	2014	2018	2020	Total
Case Files opened	0	0	0	0
Under Cleansing	0	0	0	0
Low Priority	1	1	1	3
Total	1	1	1	3

Table 3. Categorization of SARs by Motor Vehicle Dealers

	Case File opened	Under Cleansing	Low Priority	Total
MVD-002	0	0	1	1
MVD-013	0	0	1	1
MVD-016	0	0	1	1
Total	0	0	3	3

The Sector has submitted a relatively small number of SARs, totaling 3 reports only. These SARs were all categorized as ‘Low Priority’.

2.3 Other reports received from the Motor Vehicle Dealer’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 Motor Vehicle Dealers' Sector

	AIFs	CTRs	EFTs	IFTs	CBMCRs
Number of Reports	1	431	315	2	0
Number of Transactions	1	519	315	2	0
Amount Involved	150,200.00	123,999,708.00	58,781,643.00	60,544.00	0

The table above shows the number of other reports that the Sector filed with the FIC. However, 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

	Total Disclosures	Potential Predicate Offense	AmountInvolved (N\$)
Ministry of Finance-Receiver of Revenue	3	Tax Related Offences	1,100,000.00
		Fraud	255,000.00
		Tax Related Offences	300,000.00
Namibian Police	6	Rhino Poaching	1,100,000.00
		Drug Dealing	400,000.00
		Fraud	255,000
		Fraud	280,000.00
		Unexplained source of funds	300,000.00
		Pyramid Schemes	N/A
Office of the Prosecutor General	1	Pyramid Schemes	N/A
Total	10		3,990,000.00

In the period under review, ten spontaneous disclosures were disseminated to Law Enforcement Agencies as a result of STRs and SARs received from the Motor Vehicle Dealers. The Namibian Police received the highest number of such disclosures. Fraud featured as the leading potential offenses recorded within the Sector.

3. Typical Reasons for Reporting Transactions as Suspicious

When reporting STRs and SARs via GoAML, the web application for submitting STRs contains a drop down menu, which avails 59 potential indicators from which reporting entities choose 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 on such drop-down menu. The purpose of the list is to assist in determining the grounds for suspicion and potential predicate offences when filing reports. assists the FIC during analysis of such reports.

In the process of establishing a suspicious activity or transaction relating to ML/TF/PF, an Accountable/Reporting Institution, when reporting, needs to take into consideration various elements (red flags, 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 observed in the analysis of STRs filed by Motor Vehicle Dealers during the period under review:

1. A subject refusing to provide information to the Dealer on the source of funds being used to purchase a vehicle;
2. A subject refusing to provide personal identification information;
3. A subject trading a luxury vehicle for a small vehicle shortly after acquiring it, resulting in a higher payout;
4. The subject purchasing the vehicle is allegedly scamming people;
5. The subject transferring funds into the Dealer's account and later requests the Dealer to transfer back the same amount without purchasing a vehicle;
6. The subject provides a forged proof of payment to purchase a vehicle;
7. A foreign national paying for a vehicle on behalf of a Namibian client with no logical explanation for such;
8. A subject purchased a vehicle in cash;

9. The subject purchases a vehicle but waits for a long period of time before picking up their vehicle (months);
10. The source of funding is not consistent with the established customer financial profile;
11. A Politically Exposed Person purchasing a vehicle on behalf of someone else, their relationship cannot be readily established;
12. A subject purchasing a vehicle and there is news of their alleged involvement in Rhino Poaching; and
13. A subject purchasing a vehicle, with widespread rumours suggesting he is allegedly dealing in prohibited substances (drugs).

The FIC observed that in Money Laundering activities, perpetrators continue to explore and find new methods of hiding or concealing the illicit origins of their assets/funds. It is therefore crucial that accountable and reporting institutions consider conducting risk assessments on their products, services and customers, in order to enable a proactive approach to combatting ML/TF/PF threats (identifying and then zooming in on high risk clients/transactions).

4. Summary of matters worth noting

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

- ✚ lack of ML/TF and/or PF indicators in the reports;
- ✚ poorly articulated “Reasons for Suspicion” in STRs;
- ✚ duplicate and erroneous filing of reports; and
- ✚ filing of incomplete STRs.

Motor Vehicle Dealers are urged to consider the said shortcomings and device means to enhance internal controls accordingly.

5. Conclusion

The FIC appreciates the Motor Vehicle Dealers' 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.

A handwritten signature in black ink, appearing to read "P.P. K. [unclear]". The signature is stylized and somewhat illegible.

L. DUNN

DIRECTOR: FINANCIAL INTELLIGENCE CENTRE