



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

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## **FEEDBACK REPORT: SUSPICIOUS TRANSACTIONS AND ACTIVITIES REPORTS**

**Date: July 2022**

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## 1. INTRODUCTION

One of the Financial Intelligence Centre's (FIC) primary functions is receiving and analysing suspicious transactions (STR) and suspicious activity reports (SAR). This is done to determine the veracity of such suspicions in the Combatting of Money Laundering (ML), Terrorist and Proliferation Financing (TF/PF) value chain. The scope of this report is limited to STRs.

A suspicion 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 within 15 working days after it has noticed such suspicion. 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 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 FIC relies on STRs and SARs outputs to enhance national 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 Namibia Revenue Agency (NAMRA), FIC, Law Enforcement Agencies, and the Office of the Prosecutor General (OPG). As a country, the finalizations of ML/TF/PF cases (be it through asset forfeitures or/and criminal sanctions) is the essence that demonstrates the level of Namibia's AML/CFT/CPF overall effectiveness. As such, all efforts should be made to enhance the quality of these reports.

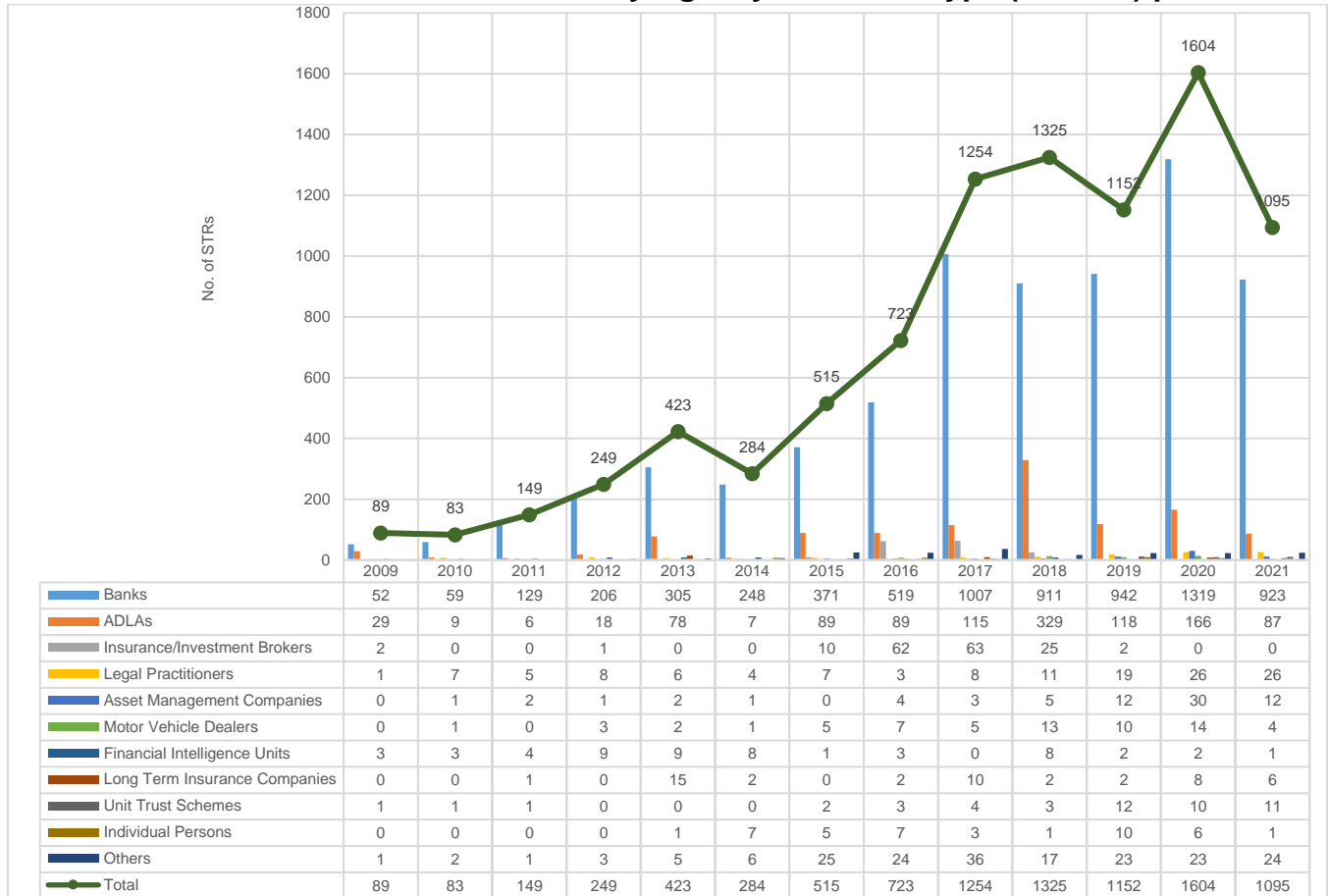
This report documents an analysis of STRs and SARs filed with the FIC. For the private sector, it is hoped that this analysis would help guide the implementation of measures necessary to enhance the quality and quantity of reporting behavior. For LEAs, the objective is to highlight reporting trends and typologies which can contribute to combatting activities.

The feedback documented herein presents an analysis of reports received by the FIC from various reporting sectors since the FIA came into operation up to 31 December 2021.

## 2. SUMMARY OF ANALYSIS AND OBSERVATIONS

### 2.1 Suspicious Transaction Reports

**Chart 1. Classification of STRs received by Agency Business Type (Sectors) per annum<sup>1</sup>**

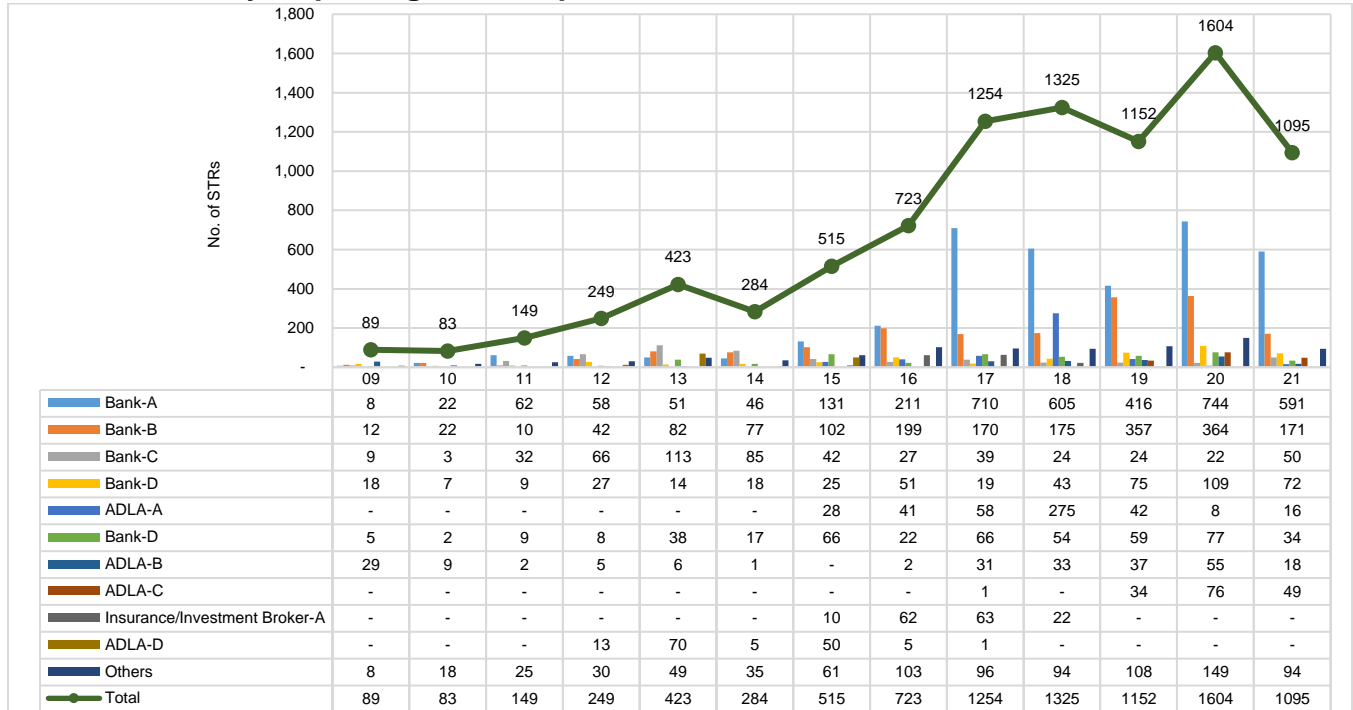


Overall, a total of 8,945 STRs were received by the FIC since the reporting obligation commenced until 31 December 2021. The banking sector submitted the most reports in such period, filing 78% (or 6,991) of reports followed by ADLAs who submitted 13% (or 1,140). The high number of reports from the banking 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.

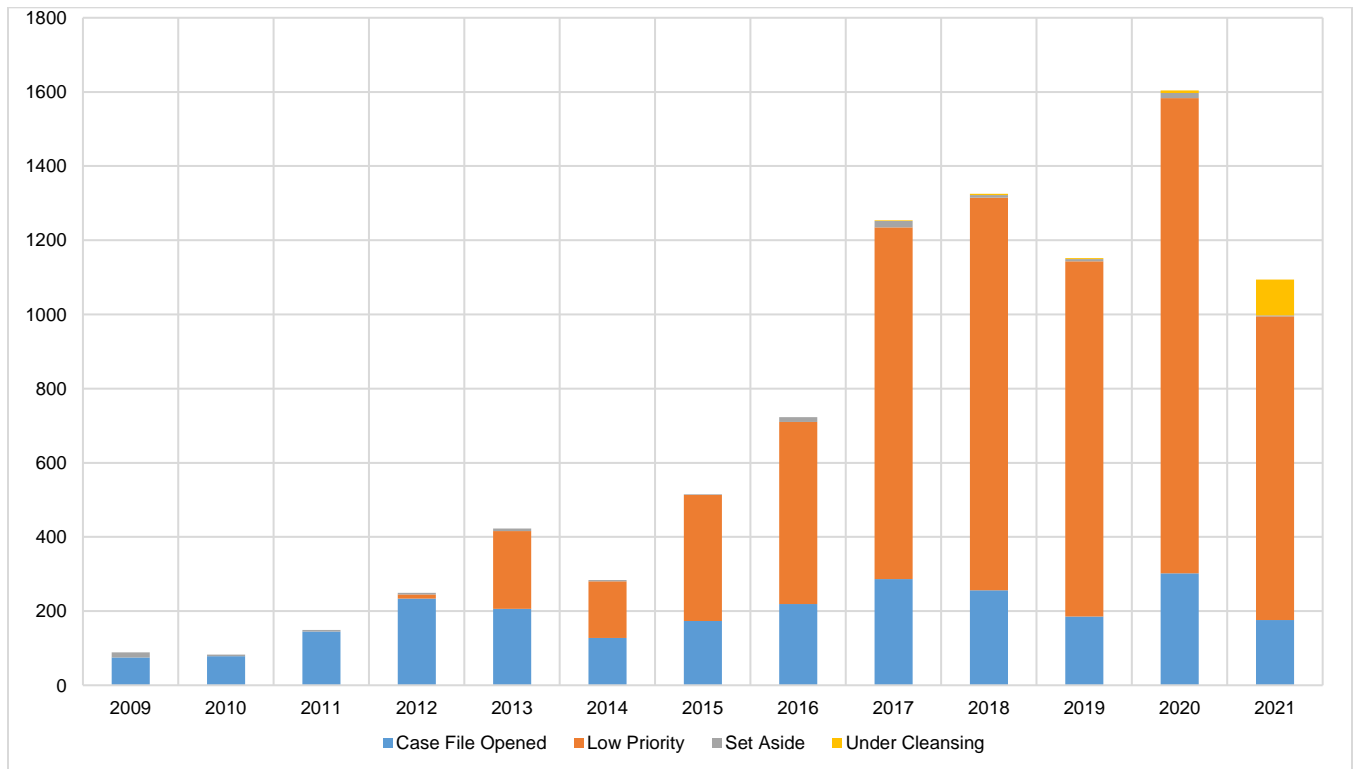
<sup>1</sup> The "Others" category in the chart above comprises of the following sectors: Foreign Financial Intelligence Units; Casinos; Short Term Insurance Firms; Accountants; Supervisory and Regulatory Bodies; Dealers in precious metals and stones; Unit Trust Scheme Companies; Unit Trust Scheme Companies; 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.

**Chart 2. STRs by Reporting Entities per annum**



During the period under review, Bank-A filed the majority of STRs 41% (or 3655 SARs). This was followed by Bank-B Ltd with 20% (or 1783) STRs and Bank-C Ltd with 5% (or 536 STRs).

**Chart 3. STRs received per annum: Cases opened vs those categorized as Low priority**



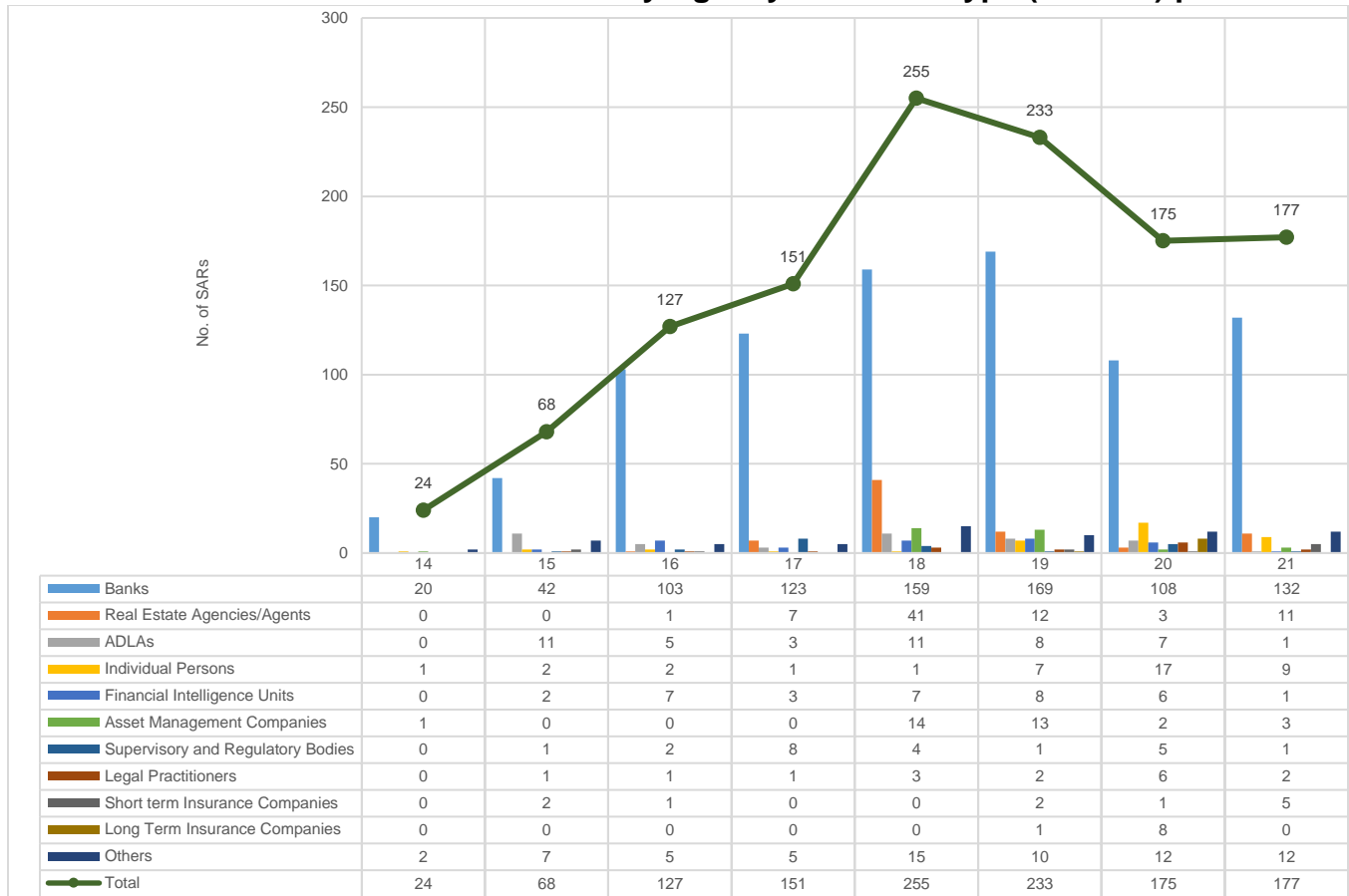
Overall, 2,646 STRs (or 27% of reports) received from the reporting entities were accorded “high priority” status and escalated for further analysis. These STRs resulted in actionable intelligence which was forwarded to relevant LEAs for further investigation. It is further notable that 70% of the STRs filed were accorded a “low priority” status and 1% were “set-aside”.

The FIC applies a risk-based approach in determining the prioritization level to assign to reports received from all sectors. Incoming 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 that collectively inform prioritization levels include, but are not limited to:

- a. strategic priorities of Law Enforcement Authorities (LEAs), which are informed by the risk areas identified in the National Risk Assessment (NRA) and other similar platforms 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 the same subject/entity;
- e. geographic risk areas involved;
- f. duplicate/erroneous filing (which may normally lead to the STR and 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 transactions.

## 2.2 Suspicious Activity Reports

**Chart 4. Classification of SARs received by Agency Business Type (Sectors) per annum<sup>2</sup>**

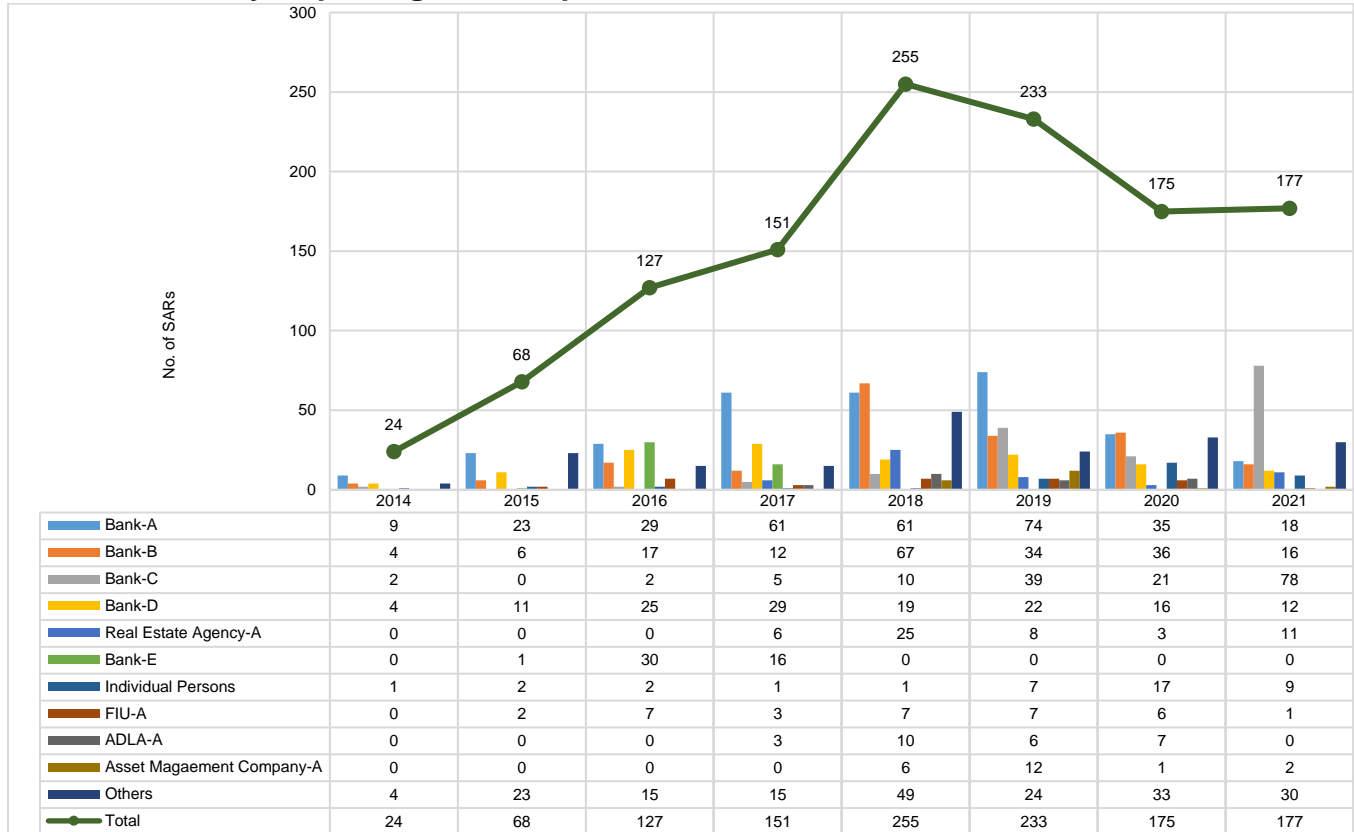


Overall, a total of 1,210 SARs were received by the FIC since the reporting obligation commenced until 31 December 2021. The banking sector submitted the most reports in such period, filing 71% (or 856) of reports, followed by Real Estate Agencies who submitted 6% (or 75 SARs). The high number of reports 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 SARs were received in the year 2018, a record high of 255 SARs.

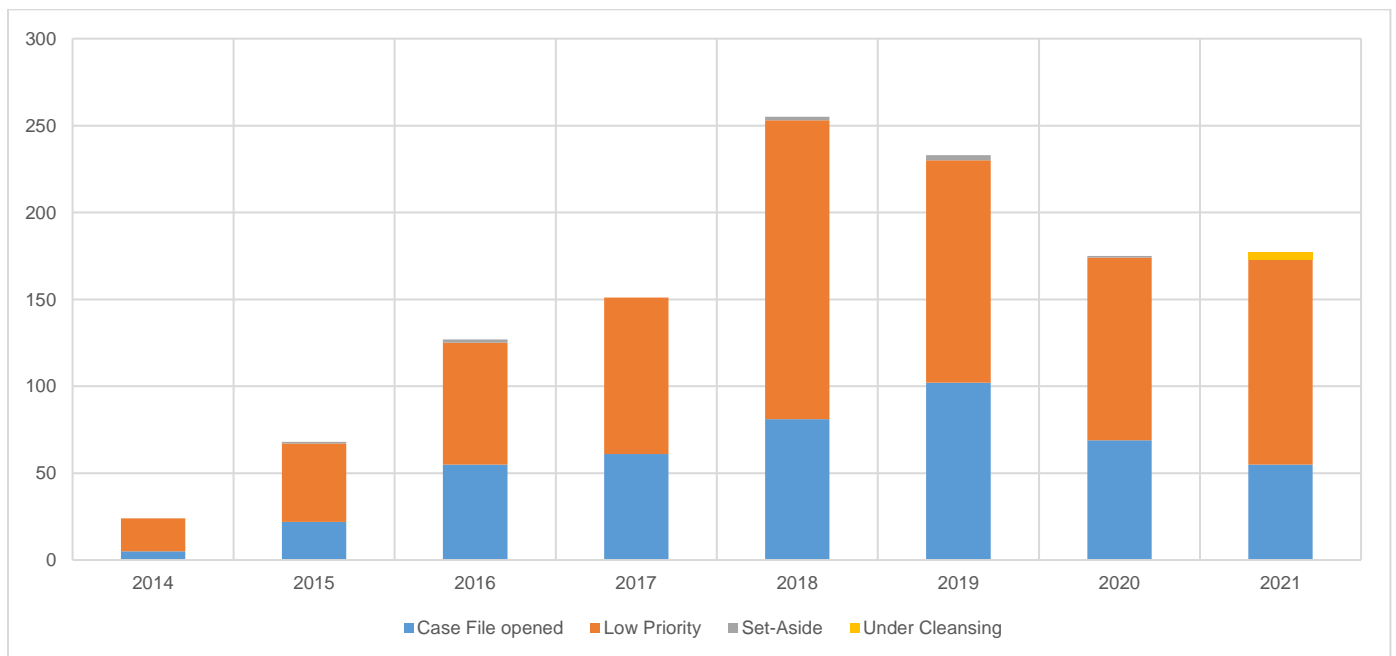
<sup>2</sup> The "Others" category in the chart above comprises of the following sectors: Foreign Financial Intelligence Units; Casinos; Short Term Insurance Firms; Accountants; Supervisory and Regulatory Bodies; Dealers in precious metals and stones ; Unit Trust Scheme Companies; Unit Trust Scheme Companies;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

**Chart 5. SARs by Reporting Entities per annum**



During the period under review, Bank-A filed the majority of SARs (26% or 310 SARs). This was followed by Bank-B with 192 SARs and Bank-C with 157 SARs.

**Chart 6. SARs received per annum: Cases opened vs those categorized as Low priority**





Overall, 450 SRs (or 37% of reports) received from the reporting entities were accorded “high priority” status and escalated for further analysis. These SARs resulted in actionable intelligence which was forwarded to relevant LEAs for further investigation. It is further notable that 62% of the SARs filed were accorded a “low priority” status and less than 1% were “set-aside”.

### 2.3 Additional Information File

Additional Information File (AIF) refers to the filing of new additional information related to an STR previously filed with the FIC. When filing AIFs, Accountable and Reporting institutions must make reference to the previously filed report to which information conveyed relates. This enables the FIC to make significant linkage of additional information so provided, to previously reported information in its domain.

**Table 1. AIFs by Reporting Entities per annum**

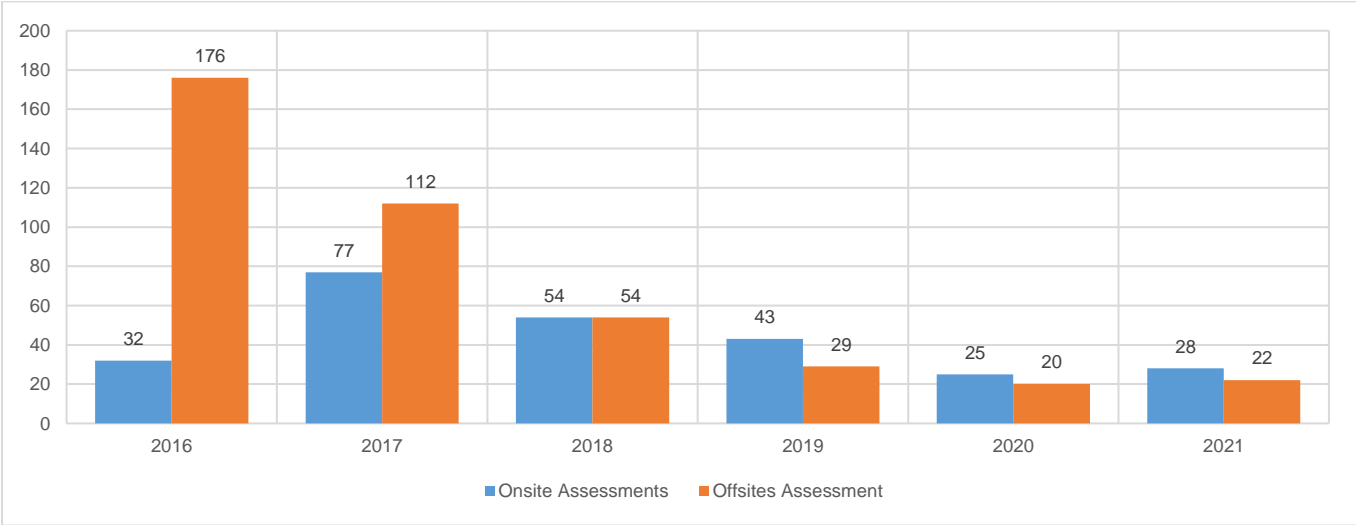
	10	11	12	13	14	15	16	17	18	19	20	21	Total
Bank-C	4	10	15	2	1	9	25	20	398	551	731	769	2,535
Bank-F	-	-	6	12	8	21	221	166	24	99	112	46	715
Bank-E	-	2	-	9	2	5	4	1	6	7	11	-	47
Bank-B	-	1	1	12	2	2	2	2	11	-	1	6	40
Bank-D	-	22	8	1	-	2	-	-	-	1	-	-	34
ADLA-A	-	-	-	-	-	-	-	-	-	15	4	9	28
ADLA-B	-	-	-	-	-	-	1	2	2	-	9	4	18
Life Insurance Broker-A	-	-	-	3	2	-	-	-	-	-	-	-	5
Money and Value Transfers-A	-	-	-	-	-	4	1	-	-	-	-	-	5
ADLA-C	-	-	-	-	-	1	-	-	-	-	-	-	1
ADLA-D	-	-	-	-	-	1	-	-	-	-	-	-	1
Bank-A	-	-	-	-	-	-	-	-	-	-	1	-	1
Long Term Insurance Company-A	-	-	-	-	-	-	-	-	-	-	1	-	1
Motor Vehicle Dealer-A	-	-	-	-	-	-	-	1	-	-	-	-	1
Short term Insurance Company-A	-	-	-	-	-	-	-	-	-	-	1	-	1
Supervisory and Regulatory Body-A	-	-	-	-	-	-	-	-	1	-	-	-	1
<b>Total</b>	4	35	30	39	15	45	254	192	442	673	871	834	3,434

In the period under review, the FIC received a total of 3,434 AIFs from Accountable and Reporting Institutions. 73% (or 2,535) of these reports were filed by Bank-C, followed by Bank-F with 715 reports and then Bank-E with 47 reports. The majority of these reports were filed in the year 2020, a total of 871 AIFs.

### 2.4 Assessment Activities

The FIC conducts onsite and offsite FIA compliance assessments (inspections). These are undertaken to gain assurance on the level of effectiveness of controls implemented in different sectors to mitigate ML/TF/PF risks. The FIC’s Compliance Monitoring and Supervision Division employs a risk-based approach in its supervisory activities. Such an approach informs the nature, frequency and extent of relevant supervisory activities employed in supervision. The table below suggests an overall increase in the STR reporting behaviour from 2012/2013 when the FIC commenced with assessment activities

**Chart 7. Compliance assessment activities per annum**



In the period reviewed, the FIC conducted 259 on-site and 413 off-site FIA compliance assessment activities. The higher offsite assessment volumes in years such as 2016 and 2017 are planned to be undertaken primarily every 5-6 years to enhance coverage within the medium to low-risk sectors and entities.

### 2.5 Registrations and Trainings

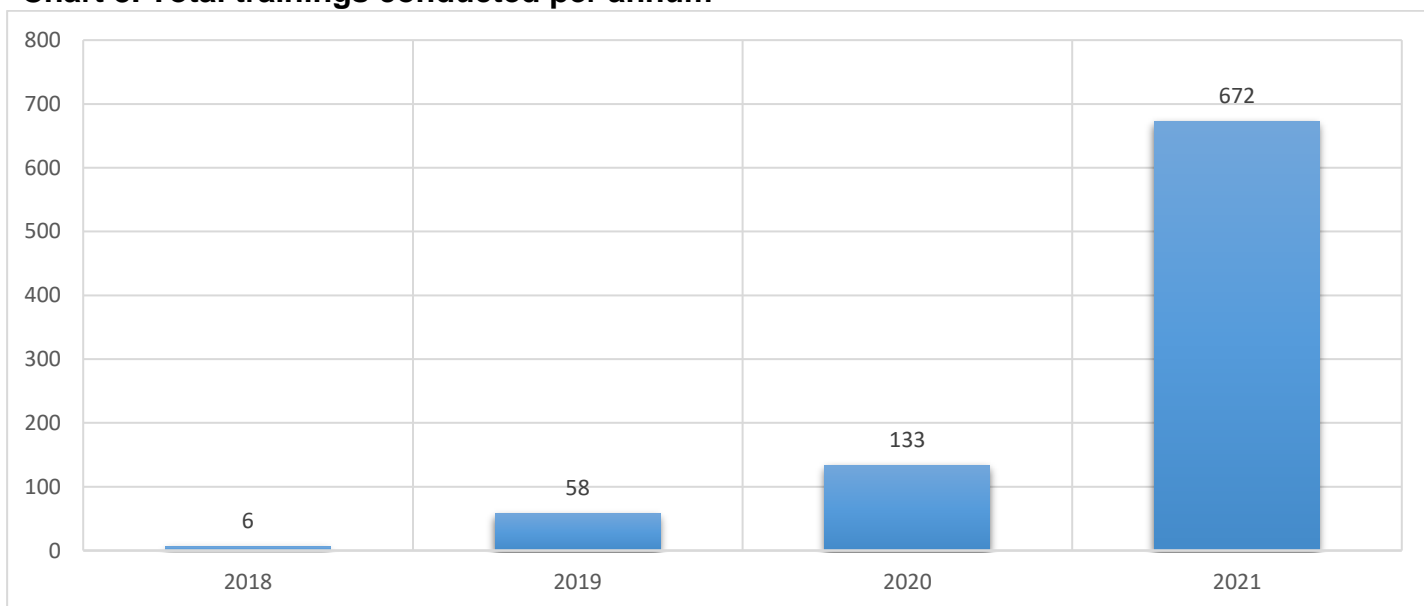
Trainings are essential to supervisory activities as such enhances compliance behavior. Registration of institutions with the FIC enhances supervisory effectiveness as it enables the ease with which communications and reports flow between the FIC and registered entities.

In the period reviewed, the FIC registered a total of 2,594 entities. The majority of these registrations took place in the year 2015, with 744 institutions registered in the calendar year, see table 2 below.

**Table 2. Total registrations of Accountable and Reporting Institutions conducted per annum**

	08	09	10	11	12	13	14	15	16	17	18	19	20	21	Total
Real Estate Agencies/Agent	0	0	1	1	1	6	53	315	100	192	132	116	87	132	1,136
Micro Lender	0	0	0	0	0	0	22	242	4	35	21	28	7	2	361
Legal Practitioner	0	27	5	14	28	11	18	61	13	17	21	20	14	21	270
Courier and Customs Clearing	0	0	0	0	0	0	0	0	0	0	49	1	51	55	156
Motor Vehicle Dealership	0	0	1	2	1	4	11	24	13	31	14	5	3	4	113
Customs and Excise	0	0	0	0	0	0	0	0	0	0	2	0	29	23	54
Accountants and Auditors	0	0	0	0	0	0	1	27	0	2	12	5	1	1	49
Trust and Company Service	0	0	0	0	0	0	0	2	2	2	13	14	8	3	44
Asset Management	0	5	2	0	3	0	2	20	2	2	1	4	1	1	43
Accountant	1	1	0	0	0	0	0	0	1	4	15	10	3	1	36
Non Profit Organization	0	1	0	0	0	0	0	0	0	0	0	11	5	19	36
Insurance/Investment Brokers	0	5	1	0	1	0	6	12	0	3	2	2	0	0	32
Long Term Insurance	0	3	0	1	0	2	10	5	0	1	0	0	1	0	23
Auctioneers	0	0	0	0	0	0	4	10	4	2	1	0	1	0	22
Local Authorities	0	0	0	0	0	0	2	0	0	10	3	1	3	0	19
Short term Insurance	0	1	0	1	1	1	3	7	0	2	1	0	0	0	17
Unit Trust Schemes	1	3	0	0	0	0	7	1	1	1	0	2	0	0	16
Bank	7	1	0	0	1	0	1	2	2	0	0	0	1	0	15
ADLAs	2	2	0	1	0	0	3	3	1	0	0	1	0	0	13
Dealers in precious metals and stones	0	0	0	0	0	0	0	0	3	0	1	2	2	4	12
Others	0	12	4	3	2	5	6	13	8	28	11	15	7	13	127
<b>Total</b>	<b>11</b>	<b>61</b>	<b>14</b>	<b>23</b>	<b>38</b>	<b>29</b>	<b>149</b>	<b>744</b>	<b>154</b>	<b>332</b>	<b>299</b>	<b>237</b>	<b>224</b>	<b>279</b>	<b>2,594</b>

**Chart 8. Total trainings conducted per annum**



### **3. Conclusion**

The FIC appreciates the continuous efforts made by Accountable and Reporting Institutions 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 reporting quality or value adding STRs 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. Eiman'.

**GERRIT C EIMAN**

**ACTING DIRECTOR: FINANCIAL INTELLIGENCE CENTRE**