FINANCIAL INTELLIGENCE CENTRE

REVIEW OF THE REPORTING BEHAVIOUR AND QUALITY OF REPORTS:
AUTHORISED DEALERS WITH LIMITED AUTHORITY (ADLAs) SECTOR,

REPORTING PERIOD: MAY 2009 TO DECEMBER 2017

Report Date: 21 January 2019

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1. Background

The Financial Intelligence Centre (FIC) is mandated to, amongst others: coordinate, supervise, monitor and regulate relevant controls within Accountable Institutions (AIs) in terms of the Financial Intelligence Act, 2012 (Act No.13 of 2012) as amended (FIA). The FIA classifies Authorised Dealers with Limited Authority (ADLAs) as Accountable Institutions (AIs) under Schedule 1. Services provided by ADLAs are vulnerable to ML/TF/PF activities. ADLAs, by virtue of availing such services have a role to play in contributing to prevention measures.

As a consequence of such classification, the FIA requires these institutions to implement control measures aimed at preventing, detecting and mitigating Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) risks. Amongst others, these controls include measures to enable detection of transactions that should be reported to the FIC via GoAML. Such reports are used by the FIC and various other relevant authorities to enhance ML/TF/PF combatting efforts. Such reports can further shape the outcome of a ML/TF/PF case within the domains of the FIC, law enforcement or prosecution. Enhancing the quantity and quality of these reports has an impact on overall effectiveness and it is therefore crucial. This report is primarily presented with the aim of enhancing the quality of all reports escalated to the FIC.

2. Purpose

In furtherance of its supervisory mandate, the FIC has embarked on a review to assess the reporting behaviour in various sectors in terms of their value addition. The aim of this assessment is to understand the usefulness and quality of various report types escalated to the FIC, identify areas that may need improvement and work with the relevant sectors to enhance the quality of such reports.

This report entails the review of Suspicious Transaction Reports (STRs), Suspicious Activities Reports (SARs), Additional Information Files (AIFs), Cash Threshold Reports (CTRs) and International Funds Transfers (IFTs) reported by the ADLAs sector.

The results of this analysis as documented herein should be used by AIs to guide implementation of remedial efforts related to reporting.

3. Sector Overview:

In Namibia, the ADLAs are licenced and regulated by the Bank of Namibia in terms of the Currency and Exchanges Act 9 of 1933 and Exchange Control Regulations. Similarly, the ADLAs are regulated by the FIC in terms of the FIA with the aim of mitigating ML/TF/PF risks.

There are 10 ADLAs registered with the FIC in terms of the FIA as at 31 December 2017.

The business activities of ADLAs which includes Bureaux de Change businesses, are primarily centred on:

- buying and selling of foreign currency; and
- cross border remittance of funds using international intermediary service providers such as Western Union, Money Gram, etc.

In an effort to reduce and manage ML/TF/PF risks, the AIs are required through section 33 of the FIA to report STRs, SARs (AIF). Section 32 creates an expectation to report threshold based transactions in the form of CTRs above NAD 99 999.99 and section 34 speaks to reporting International Funds Transfers (IFTs). The threshold based and IFT reports should be filed in line with the provisions of Circular 3 of 2015.

4. Suspicious Transaction and Suspicious Activity Reports

ADLA's are obliged by the FIA to report STRs and SARs within 15 (fifteen) days after the suspicion or belief concerning the transaction that gave rise to the requirement arose. With regards to the STRs and SARs submitted, AIs may also submit additional information files (AIFs) to supplement the already submitted information, if need be.

FIC records indicate that over the last nine (9) years, only eight (8) out of ten (10) Institutions submitted five hundred and thirty-three (533) STRs to the FIC. Nineteen (19) SARs were received from the sector for the period under review. *(See table 5.1 below).*

STRs and SARs are reported for the purpose of enabling the FIC to collect, analyse and disseminate case reports to relevant law enforcement agencies.

Table 4.1 Number of reported STRs and their relevant values as from 2009 to 2017

Entity No	Number of STRs	Total Value (NAD)
1	1	400.00
2	13	312,405.00
3	202	4,606,341.00
4	144	12,105,080.00
5	98	5,081,404.00
6	67	6,400,412.00
7	5	419,559.00
8	3	388,951.00
9	0	-
10	0	-
Totals	**533**	**29,314,552.00**

Table 4.2 Number of reported SARs as from 2009 to 2017

Entity No	Number of SARs	Total Value
1	0	-
2	0	-
3	0	-
4	12	-
5	3	-
6	4	-
7	0	-
8	0	-
9	0	-
10	0	-
Totals	**19**	**-**

Table 4.3 Summary of major observations from STRs, SARs and AIFs received

Category	Exceptions Noted	FIC Expectations
Reason for suspicion	Indicating "None", "N/A" or "Invalid"	This field is mandatory for completion. Institutions should explain why they find conduct or transactions suspicious.
Transaction location	Indicating "None"	Field to be completed at all times.
Other information	Few information provided	More information to be provided as transactions are usually filed with minimal information.

5. Cash Threshold Reporting

ADLAs have an obligation to report within five working days, any transaction concluded by or on behalf of a client which involves cash payments presented to and received by it, or cash pay-outs made by the ADLAs in excess of a threshold amount of NAD 99 999.99. This obligation came into effect in January 2015.

Over the last three (3) years, seven (7) out of ten (10) Institutions submitted six hundred and eighty-one (681) CTRs to the FIC. *(See table 6.1 below).*

Table 5.1 Number of reported CTRs and their transactional values as from 2015 to 2017

Entity No	Number of CTR	Total Value
1	60	11,544,529.00
2	39	7,406,091.00
3	2	252,360.00
4	56	11,360,295.00
5	83	45,199,196.00
6	362	60,108,095.00
7	79	11,989,360.00
8	0	-
9	0	-
10	0	-
Totals	**681**	**147,859,926.00**

Table 5.2 Summary of observations from CTRs Reporting

Category	Exception Noted	*FIC Expectation*
Conductor details	Blank	Name of person completing the transaction
Transaction mode	In-branch/office	Select "In-branch deposit/withdrawal"
Transaction Description	Blank	Transaction description must be completed.
Transaction location	Blank	Indicate the transaction location
Source party - deposit	Account	Should be the Name

6. Domestic and International Funds Transfers

ADLAs have an obligation to report within five working days, any international or cross border funds transfers concluded by or on behalf of a client, or domestic electronic funds transfers in excess of a threshold amount of NAD 99 999.99. This obligation came into effect in January 2015.

Over the last three years, eleven (11) EFT and twenty-two thousand seven hundred and nineteen (22, 719) IFT reports were escalated to the FIC by the ADLAs as seen in the table below:

Table 6.1 Number of reported EFTs and Value as from 2015 to 2017

Entity No	Number of EFTs	Total Amount
1	0	-
2	3	13,759.00
3	0	-
4	3	1,274,136.00
5	2	187,676.00
6	3	105,678.00
7	0	-
8	0	-
9	0	-
10	0	-
Totals	**11**	**1,581,249.00**

Table 6.2 Number of reported IFTs and Values as from 2015 to 2017

Entity No	Number of IFTs	Total Amount
1	90	406,277.00
2	7,445	47,613,196.00
3	714	95,776,566.00
4	81	3,706,349.00
5	1,010	188,162,570.00
6	11,931	565,798,073.00
7	1,448	103,748,636.00
8	0	-
9	0	-
10	0	-
Totals	**22,719**	**1,005,211,667.00**

Table 6.3 Summary of major observations from EFTs and IFTs

Category	Exception Noted	FIC Expectation
Primary person	Unknown	Should be the name of a person
Source country and Destination Country	Indicating both Namibia for IFTs	Source Country and Destination Country must be different for IFTs.
Transaction description	Not clear	Clear, understandable description required
Source currency	None	Currency name required for IFTs
Source amount-foreign	None	Foreign source amount value required
Destination currency	None	Currency name required for IFTs
Destination-foreign amount	None	Foreign destination amount value required

7. Recommendation: Risk Based Approach

A risk-based approach (RBA) is recommended for ADLAs to ensure that measures to combat ML/TF/PF risks are commensurate to risk exposure. The RBA enables an institution to prioritize and thus deploy its time, resources and efforts relative to the level of risk exposure.

This creates a platform to discharge risk management in the most efficient ways possible. The norm is that the highest areas of risk exposure are accorded the most time, attention and resources. The enables an effective and efficient (less costly) deployment of controls.

8. Conclusion

The FIC's analysis on ADLAs' reporting behaviour shows that not all entities within the sector are reporting STRs, SARs, CTRs, EFTs and IFTs as seen from illustrations herein. The FIC has also identified that although some ADLAs are reporting, the quality of such reports requires enhancement to positively and meaningfully impact combatting efforts. The sector remains exposed to ML/TF/PF risks as noted herein. Therefore, the FIC encourages the sector to ensure that ADLAs comply with obligations in terms of the FIA, including the conducting of effective Customer Due Diligence that enables the effective monitoring of client transactions and behaviour. Such will enhance the detection of reportable transactions or activities in the form of either STRs or SARs.

P.P

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9. ANNEXURE

ML/TF/PF Risks in the Sector

The most significant factors that may indicate possible misuse or expose the sector to ML/TF/PF risk with regards to money remittance and currency exchange activities are:

a. use of underground remittance systems;
b. use of several currencies, number of persons involved, large number of transactions related to each other during a short period of time;
c. use of mules / straw men or middle persons through whom funds are remitted;
d. organized criminal involvement in transfers of stolen money between different countries;
e. structured transactions (huge amounts remitted in smaller units to one or several beneficiaries usually from one or several beneficiaries as well). At times, there is some connection between beneficiaries;
f. remittances to high-risk countries or jurisdictions that seem unusual or for no apparent logical reason by client;
g. use the ownership in Money Remittance /Currency Exchange company to launder money;
h. mismatch between the economic activity, country of origin, or person and the money remittances received;
i. mismatch between the financial profile of the sender/receiver of funds and the actual nature of transaction or values of funds;
j. periodic transfers made by several people to the same beneficiary or related persons;
k. transfers from one or more senders in different countries to a local beneficiary and vice-versa; and
l. False information during the identification procedure/lack of co-operation by client.