



## **FINANCIAL INTELLIGENCE CENTRE**

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# **SUMMARY OF OBSERVATIONS FROM THE STAKEHOLDERS' SATISFACTION SURVEY: THE MOTOR DEALERS SECTOR, JANUARY 2019**

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## **1. Introduction**

The Financial Intelligence Centre (FIC) is Namibia's Financial Intelligence Unit entrusted with, amongst others, supervisory efforts aimed at:

- a. monitoring various sectors to understand the level of FIA compliance and thus Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) risk mitigation;
- b. to the extent possible, take reasonable measures to enhance FIA compliance and relevant ML/TF/PF risk mitigation; and
- c. avail the Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation Financing (AML/CFTP) Council with reasonable assurance on the level of FIA compliance and thus ML/TF/PF risk mitigation in such sectors under its supervision.

As part of its supervisory efforts, the FIC values and encourages an open exchange of ideas with relevant stakeholders. Thus, feedback and comments are a major cornerstone of this exchange.

The FIC embarked on this exercise to assess the level of satisfaction amongst Accountable and Reporting Institutions with the FIC's performance as the AML/CFTP supervisor. Part of the reason was to gain an insight on stakeholder expectations and how the FIC is performing in terms of fulfilling same. The purpose of this report is to reflect on the outcomes of such survey and, where need be, avail some guidance on issues raised by stakeholders.

## **2. Objectives**

The key objectives of the survey were to determine whether the FIC's:

- a. supervisory activities have assisted in enhancing ML/TF/PF risk mitigation and ultimately result in effective compliance with the FIA;
- b. supervisory activities have not unduly impeded the efficient operation of business in supervised sectors;

- c. communication with the regulated entities is clear, targeted, timely, concise and effective (helpful);
- d. interventions or remedial actions are proportionate to identified risk exposure and effective;
- e. compliance and monitoring methods are streamlined and coordinated; and
- f. monitoring and supervision actively contributes to the continuous improvement of Namibia's Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) regulatory and complementing frameworks

In addition to the above, recommend policy and legislative reforms to effectively address and mitigate identified risks if need be.

### **3. Executive Summary**

Amongst others, Motor Vehicle Dealers provide services that are generally vulnerable to potential ML abuse. It is for this reason that they are captured under the FIA as Reporting Institutions and need to have effective measures in place to mitigate ML/TF/PF risk exposure. Motor Vehicle Dealers' services can be abused through the purchasing of motor vehicles in order to disguise the origin of proceeds of illicit activities.

Owing to the risk exposure in the sector, Motor Vehicle Dealers have been subjected to compliance monitoring and supervision measures to assess the level of control effectiveness aimed at preventing, deterring and detecting proceeds of illicit activities from entering the financial system as required by the FIA.

Feedback provided by Motor Vehicle Dealers (MVDs) sector indicates that they have a general understanding of the FIC's mandate and their FIA obligations. On the other hand, this study found that most of the MVDs find the FIC's publication and industry guidelines to be helpful and useful.

The FIA compliance assessments are a major compliance monitoring and supervision tool which the FIC uses to gain reasonable assurance on the level of AML/CFT/CPF control effectiveness within sectors. This study found that the majority of institutions in the MVDs sector are generally satisfied with the manner in which such assessments are conducted, whilst citing a few areas that may need improvement.

This report presents a summary of outcomes from such survey and provides clarity on some pertinent observations.

#### **4. Methodology**

A questionnaire was sent out to 89 MVDs registered with the FIC. From the 89 MVDs, only 22 responded to the questionnaire and the rest did not respond, resulting in a response rate of 25%. After noting that the response rate was low, the FIC sent out reminders to the MVDs that did not respond, however such efforts did not help to improve the response rate.

The analysis herein therefore need to be considered with this limitation in mind.

The questionnaire was divided into three sections, namely;

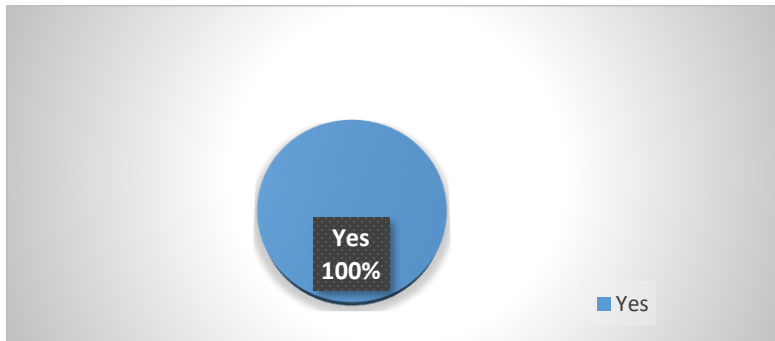
- a. General understanding of the role of the FIC and the FIA;
- b. FIC publications and industry specific guidelines; and
- c. FIA Compliance assessments

Responses from the questionnaire were collated, analyzed and this report presents a summary of the output thereof.

##### **4.1 General understanding of FIC and FIA**

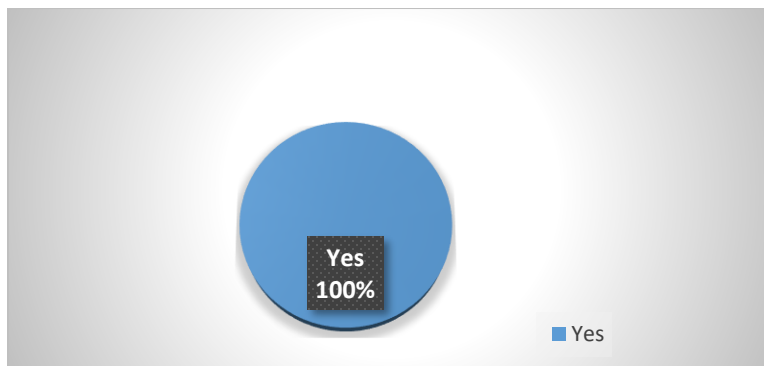
Section 1 of the questionnaire focused on the MVDs sector's general understanding of the FIC and its mandate. Overall, 100 percent of the respondents have indicated to have a general understanding of the FIA and the FIC's mandate. Below is a presentation of responses in this regard:

###### **4.1.1 Graph 1: Awareness of the existence of the FIC**



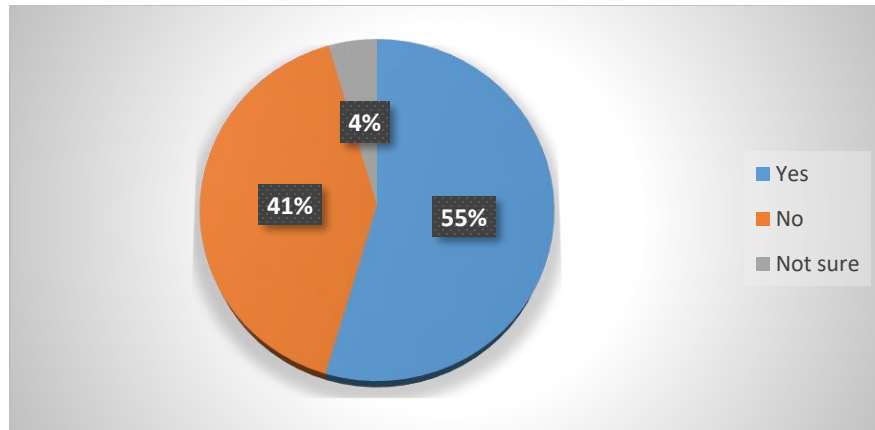
100 percent of the respondents indicated that they are aware of the existence of the FIC.

#### **4.1.2 Graph 2: Awareness of the functions and mandate of the FIC**



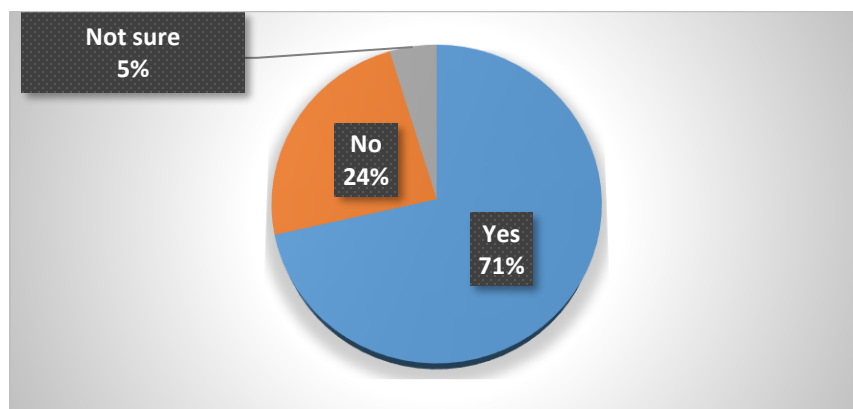
100 percent of the respondents indicated that they are aware of the functions and mandate of the FIC.

#### **4.1.3 Graph 3: Exposure to some form of AML/CFT/CPF training [e-training, telephonic guidance, internal or external AML capacity building session(s)]**



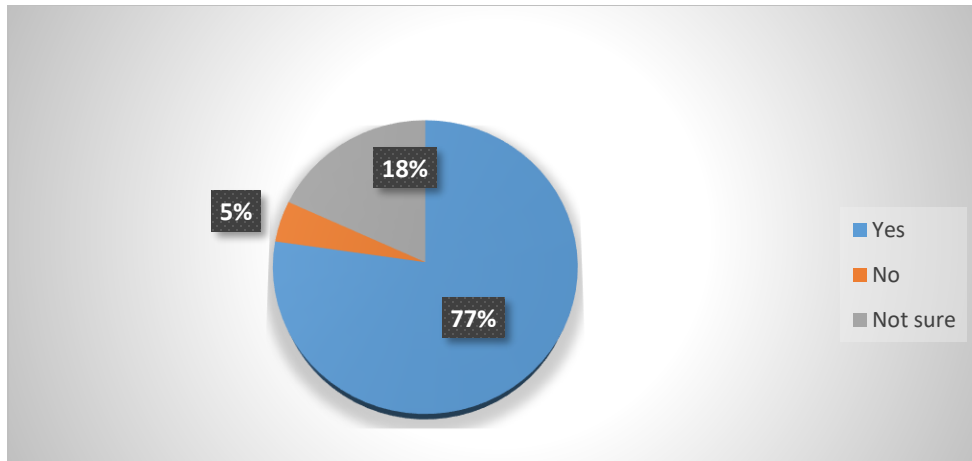
55 percent of respondents indicated that they have received or attended an AML training, while 41% and 4% have not attended and are not sure of having received AML training respectively. Other than private agencies, the FIC avails training on AML/CFT/CPF, and is involved in awareness creating initiatives to enhance sectoral understanding of ML/TF/PF risks and FIA obligations.

#### 4.1.4 Graph 4: Accessing the FIC website



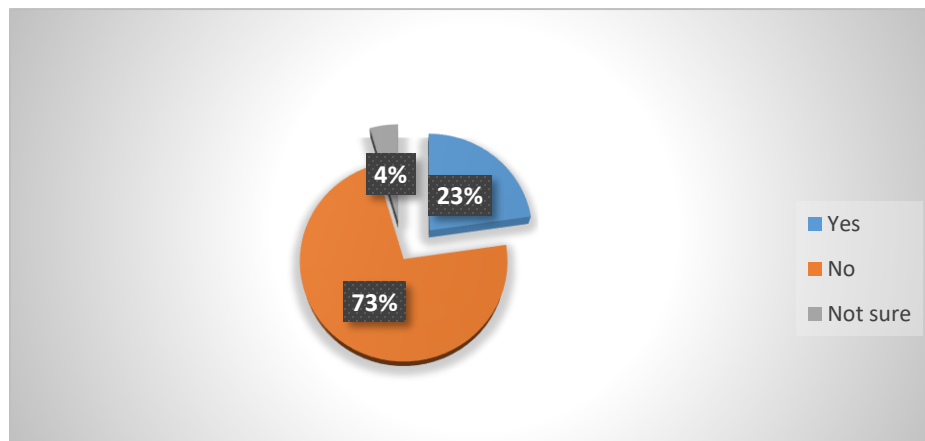
71 percent of the respondents indicated that they have accessed the FIC website, while 24% and 5% did not access the FIC website and are not sure of having accessed the FIC website respectively. The FIC website is an important communication tool through which the FIC engages stakeholders, publishes guidance materials etc.

#### 4.1.5 Graph 5: Awareness of all FIA obligations pertinent to a Reporting Institutions (RI)



As per above, 77 percent of the respondents indicated to be aware of their FIA obligations. 5 percent indicated that they do not know their FIA obligations while 18% of the respondents indicated that they are not sure they know all their FIA obligations.

#### 4.1.6 Reporting Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs) to the FIC

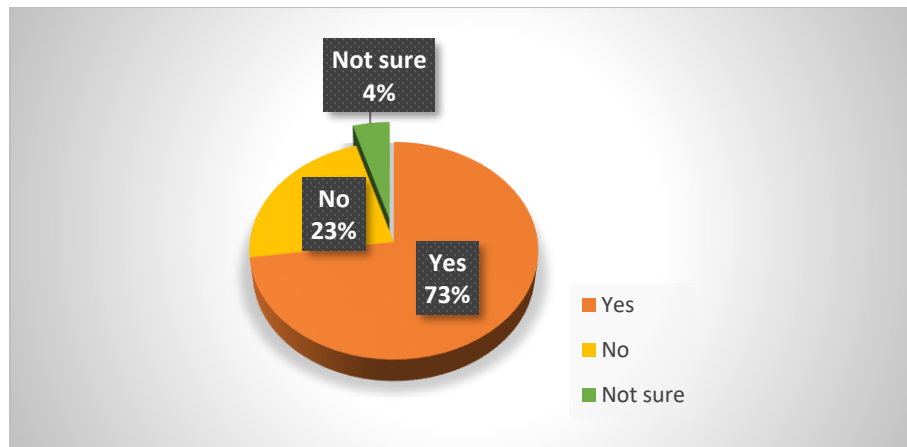


A major objective of complying with the FIA is enabling implementation of controls that will ensure suspicious transactions or activities are detected and reported to the FIC. It can thus be said that primarily, the level of effectiveness of implemented controls in an institution is reflected in the control system's ability to detect and ensure timely reporting of STRs and SARs to the FIC.



73 percent of the respondents indicated that they have never reported STRs and SARs to the FIC, while 23 percent have reported any of the two reports, and the remaining 4% indicated that they are not sure of having reported STRs or SARs to the FIC.

#### 4.1.7 Reporting Cash Threshold Reports (on cash transactions above NAD 99 999.99) to the FIC



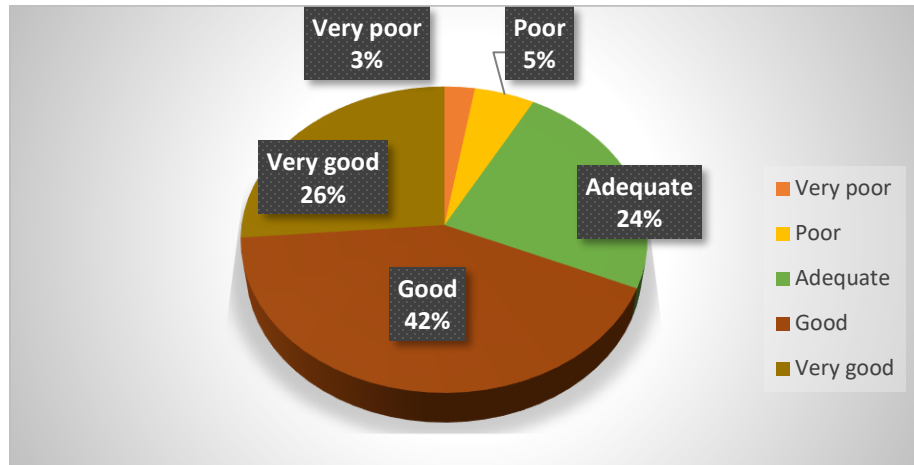
Since 28 January 2015, relevant institutions are expected to report cash transactions to the FIC if such exceed NAD 99 999.00. Such reports are not necessarily suspicious in nature and mainly reported to form part of the database of records used in ML/TF/PF combatting activities. In the sector, 73 percent of the respondents indicated to have reported Cash Transaction Reports (CTRs) to the FIC. Of the remaining 27 percent, 23 percent have never reported a CTR, while the 4% are not sure of having reported CTRs.

#### 4.2 FIC publications and industry specific guidelines

This section of the report focuses on the FIC publications and guidance provided to the sector.

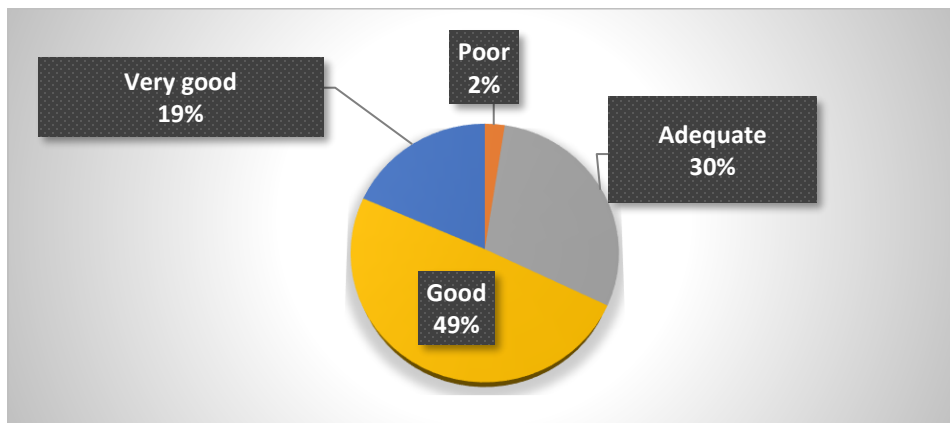
On average, the respondents rated the usefulness of FIC publications and guidance provided as good. Below is a summary of the various responses in this regard:

#### 4.2.1 Graph 6: Helpfulness of the FIC website



As can be seen from the graph above, 42 percent of the respondents rated the helpfulness of the FIC website as good, while the other 26 percent rated it very good.

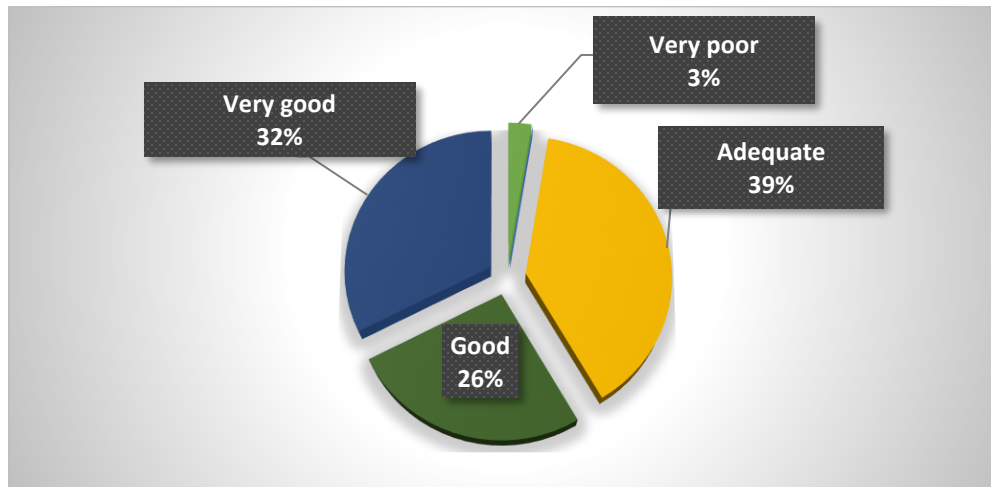
#### 4.2.2 Graph 7: Helpfulness (clarity and conciseness) of the publications and industry specific guidance availed by the FIC



Most of the respondents felt that the FIC's publications and industry specific guidance are helpful. The following were the responses recorded:

- a. 49 percent of the respondents find such to be Good;
- b. 30 percent indicated that such is Adequate; while
- c. 19 and 2 percent rated it as, very good and poor respectively.

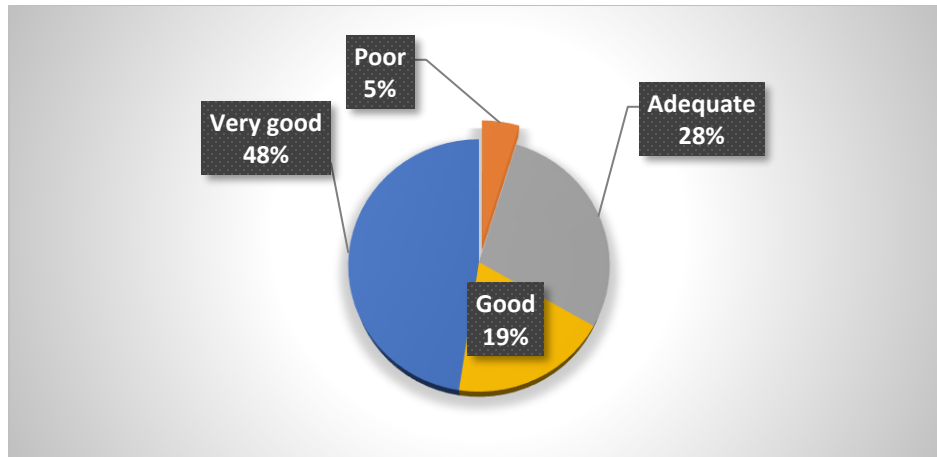
**4.2.3 Graph 8: The level of consultation by the FIC before issuing Circulars, formal guidance or typology reports**



The FIC often consults as widely as possible and seek inputs on relevant matters before issuing formal Circulars, Guidance or similar documents with the aim of enhancing FIA compliance. Such consultations are needed to enhance the buy-in of stakeholders and enable the publishing of documents which have incorporated the views of affected stakeholders. This enhances issuing of practically viable Guidance.

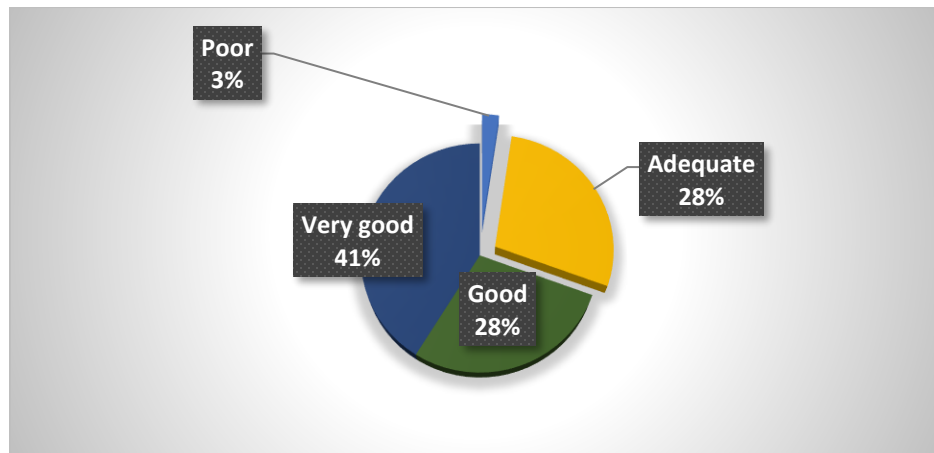
The majority of the respondents (52%) felt that the FIC’s level of consultations before issuing circulars, guidance or typology reports is very good or good.

**4.2.4 Graph 9: The FIC publishes up-to-date guidance and technical reference material on its website in a format which is user friendly**



48 percent of the respondents felt that the FIC publishes up-to-date guidance and technical reference material on its website in a user friendly format.

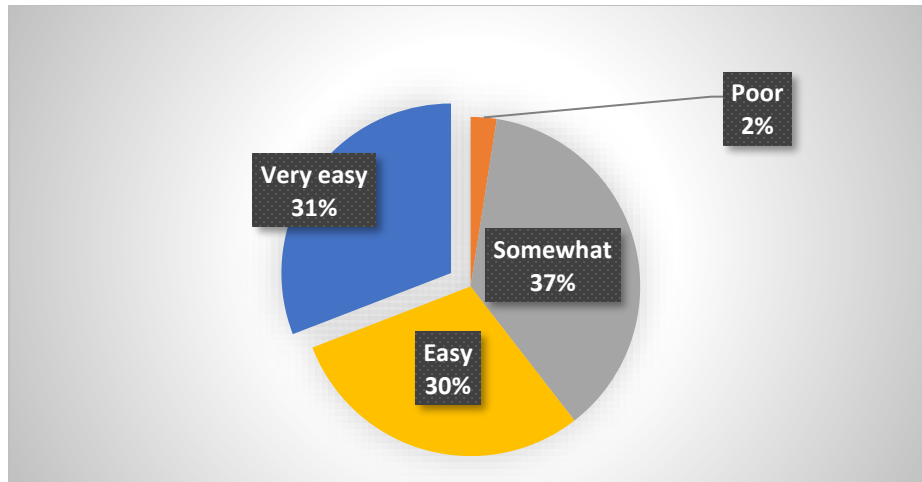
#### 4.2.5 Graph 10: Assessing the FIC's web registration process for AIs/RIs



In order to effectively supervise sectors, it is essential that institutions in such sectors first register their relevant particulars with the FIC. This enables direct and easier access by the FIC to the respective institution. It equally enables the ease with which to communicate and file various reports in terms of the FIA.

This survey found that, 69 percent rated the process very good or good, while 28 percent rated the registration process as good and another 28 percent as adequate.

#### 4.2.6 Graph 11: The ease of reporting STRs or SARs to the FIC



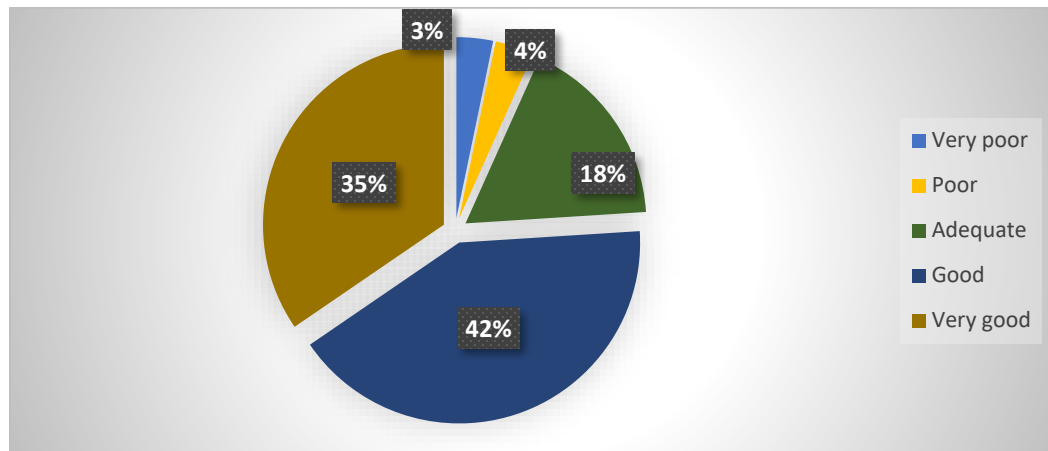
The ease with which RIs find the process of reporting STRs and SARs is essential in encouraging further reporting. This has a bearing on overall combatting efforts.

Having said that, the FIC recognizes that there is no standard worldwide used to determine the volume of STRs that an entity or sector should be reporting. The nature of behavior which may lead to eventual flagging and further reporting of a particular transaction in one Reporting Institution may be different in others. ML/TF/PF activities in different institutions' transactions or sectors are thus not easily comparable. Despite this, most Financial Intelligence Units (FIUs), the FIC included, rely on comparing sectoral reporting behavior to make assessments on areas which may need improvement.

After all, the essence of complying with various sections under the FIA is to enable the detection of reportable transactions. It is thus the FIC's position that in the absence of any other reasonable standard, the quantity and quality of reporting behavior gives an indication of the level of AML/CFT/CPF control effectiveness in a given institution.

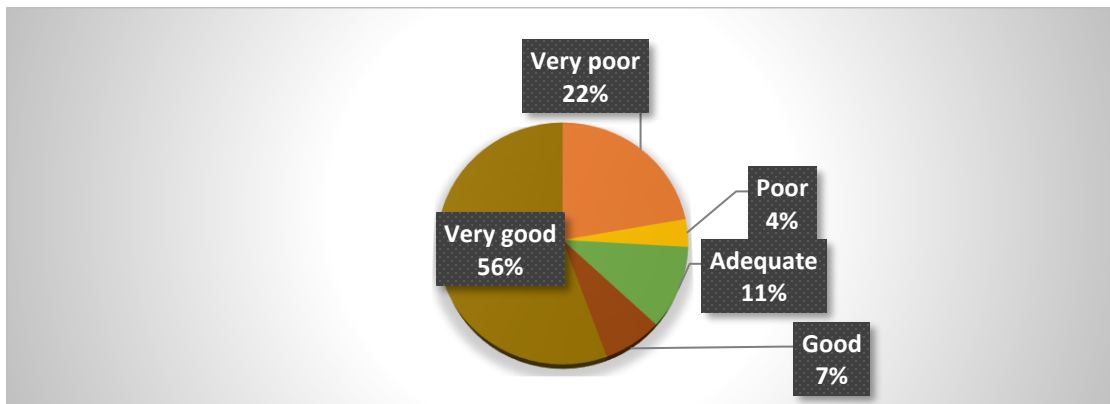
With this survey, the most of respondents (37 percent and 30 percent) felt that the reporting of STRs and SARs to the FIC is somewhat easy and easy respectively. As depicted in the chart above, only 2 percent of the respondents felt that the reporting of STRs and SARs is poor or needs improvement. Reasons for such or areas that may need improvement were not availed.

#### 4.2.7 Graph 12: The ease with which CTRs are reported to the FIC



As per the graph above, the majority of respondents (42 percent and 35 percent) indicated that the ease with which they report CTRs is good and very good respectively, while only 4 percent are of the view that the process is not easy (poor).

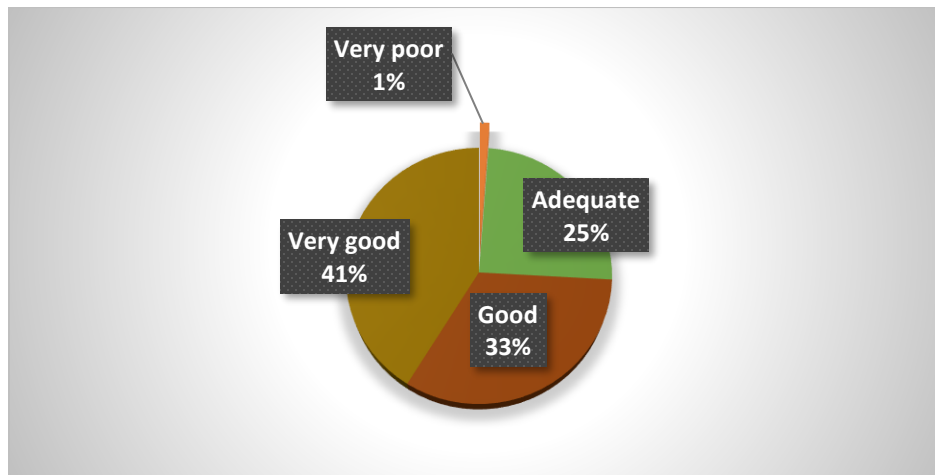
#### 4.2.8 Graph 13: Helpfulness of training you had with the FIC



The majority (56 percent) of respondents have received training from the FIC, and have rated the helpfulness of the training received to be very good. On the other hand, 22 percent of respondents felt that the training provided by the FIC was very poor in terms of helpfulness, as a need was expressed for the FIC to create more public awareness. In terms of ratings which were not satisfactory, the concerns indicated

were that training should be conducted bi-annually or quarterly by the FIC. In addition, the hour long FIC presentation normally availed at an annual conference is not adequate to cover all areas effectively. In fact, the FIC uses such hour for awareness creation as opposed to technical training to enhance FIA obligation appreciation. Whilst agreeing with these sentiments, it is worth noting that the FIC does not only provide awareness sessions at conferences, training is normally provided to all sectors upon request. It can be accepted that the sector may want more in-depth training as the time limits accorded at the annual conference presentations may reduce the depth of such training activities.

**4.2.9 Graph 14: Whether the feedback and recommendations given by the FIC are transparent, consistent and in a timely manner**



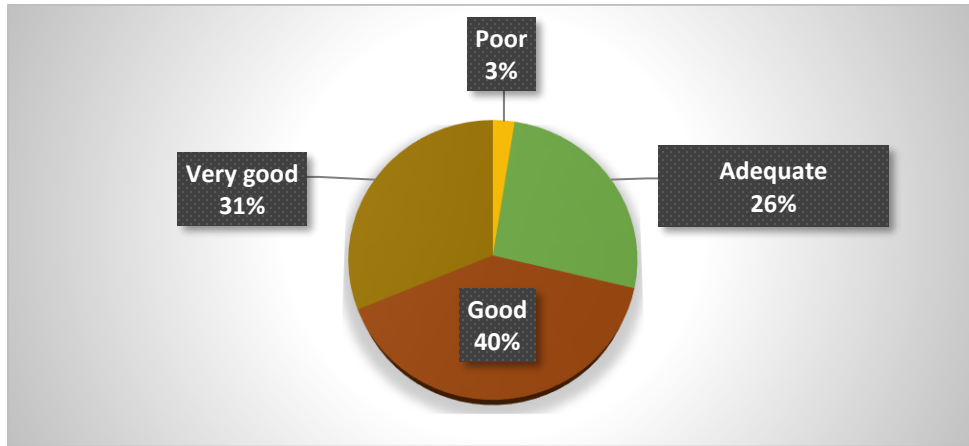
Overall, the respondents were satisfied with the level of transparency, consistency and timeliness of advice and recommendations provided by the FIC. 41 percent of the respondents rated the transparency, timeliness and consistency of the feedback and recommendations as very good.

**4.3 FIC Compliance Assessments**

This section speaks to the FIA compliance assessments conducted by the FIC in an effort to gain reasonable assurance on the level of effectiveness of AML/CFT/CPF controls

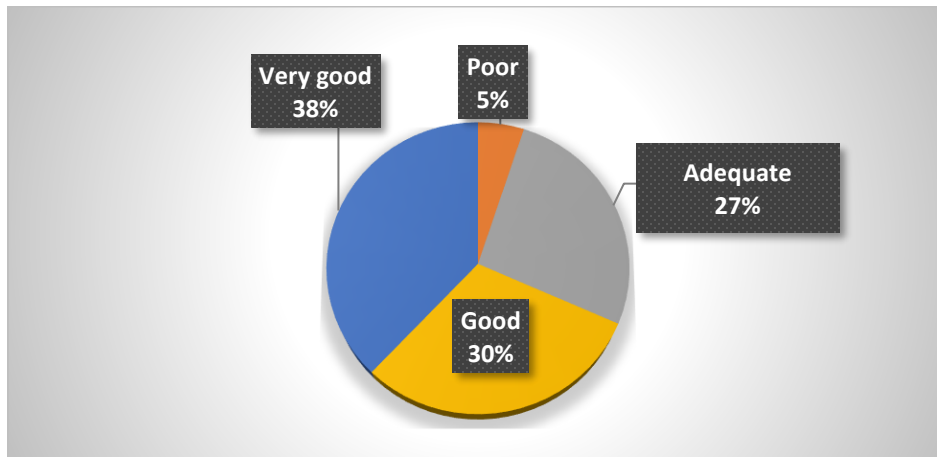
within Reporting Institutions. Observations indicate that on average, the respondents are satisfied with the way the FIA compliance assessments are conducted. Below is a presentation of responses in this regard:

**4.3.1 Graph 15: The period of notice given to arrange the compliance assessment (Notice before onsite activities commence)**



Overall, the respondents indicated that the period of notice given to the MVDs to prepare for FIA compliance assessments is sufficient. 40 percent of the respondents indicate that the notice period given is good while 31 percent rating same to be very good.

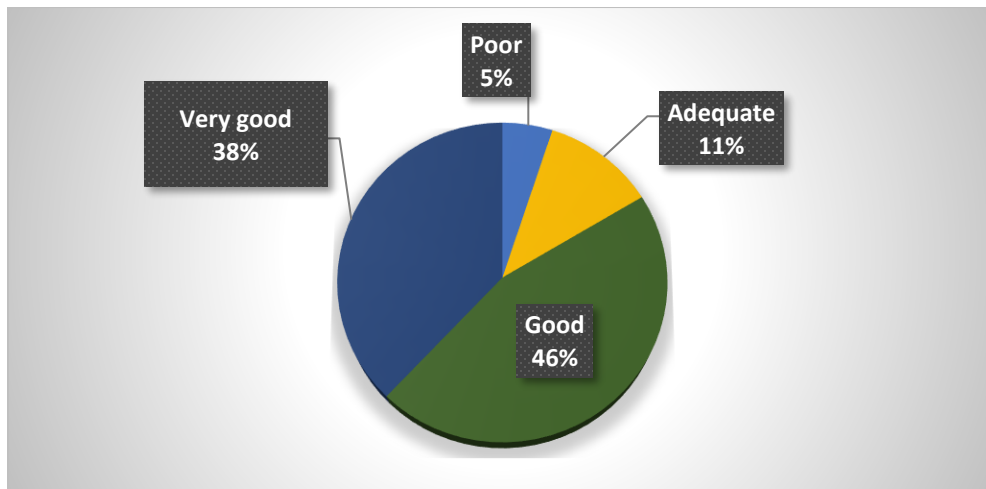
**4.3.2 Graph 16: The compliance analysts' understanding of AI/RI's systems and operational activities**





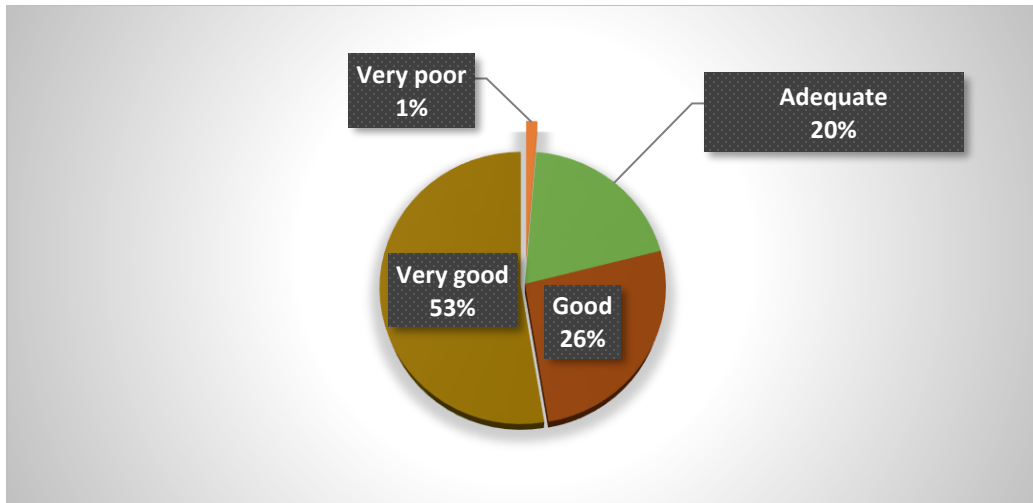
Overall, the majority (38, 30 percent) of respondents indicated that the compliance analysts have either a very good or good understanding of the MVDs' systems and operational activities. On the other hand, 5 percent perceive the compliance analysts' understanding to be poor.

#### 4.3.3 Graph 17: Efficient execution of the assessment with minimum disruption



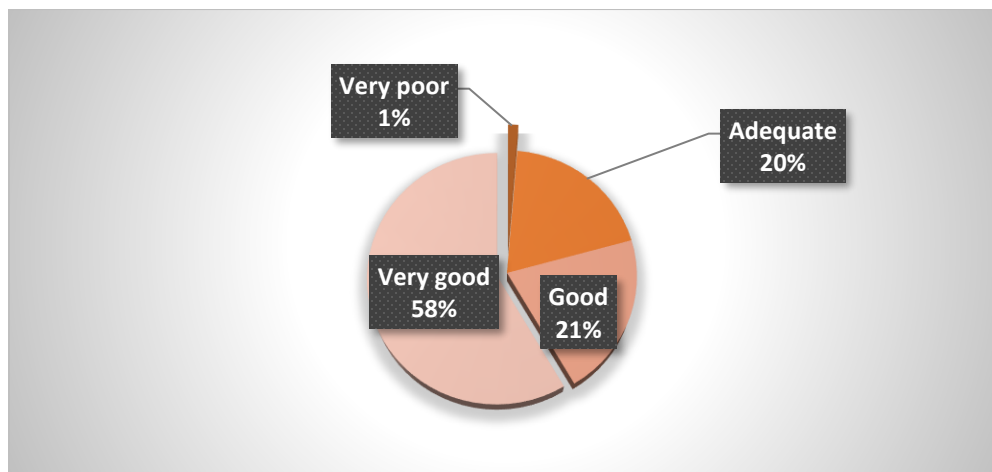
This was to understand whether the execution of FIA compliance assessments create operational disruptions. Overall, respondents are satisfied with the execution of the FIA compliance assessments in this regard. It appears from the results in the graph above that the FIA Compliance assessments are conducted with minimum or no disruption of operational activities in RIs.

#### 4.3.4 Graph 18: The level of consultation during assessments



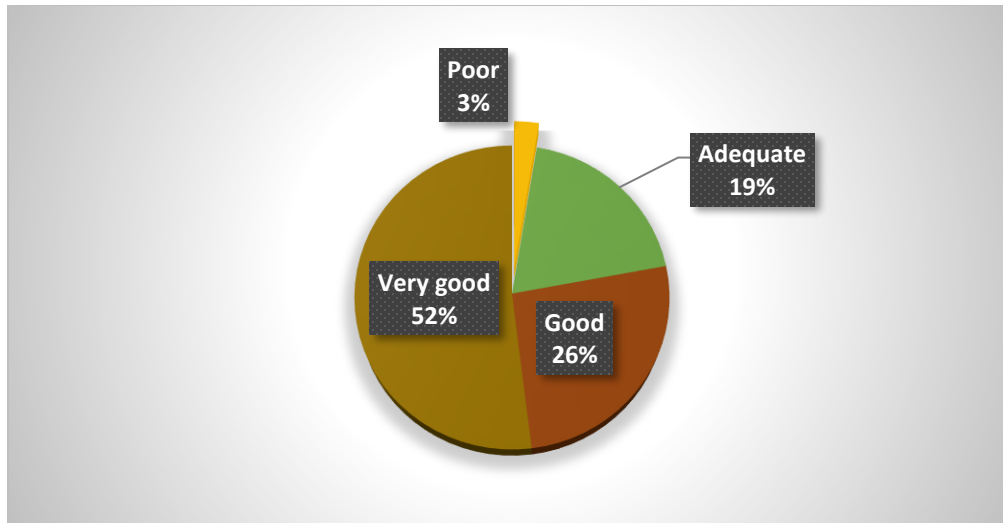
The level of consultation between the Compliance Analysts from the FIC and the relevant MVDs staff is helpful for both stakeholders. In this regard, the majority rated such consultation levels as very good.

**4.3.5 Graph 19: The assessments are carried out professionally and objectively**



Most of the respondents (58 percent) generally rated the professionalism and objectivity of the compliance assessments as very good and 21 percent rated same as good.

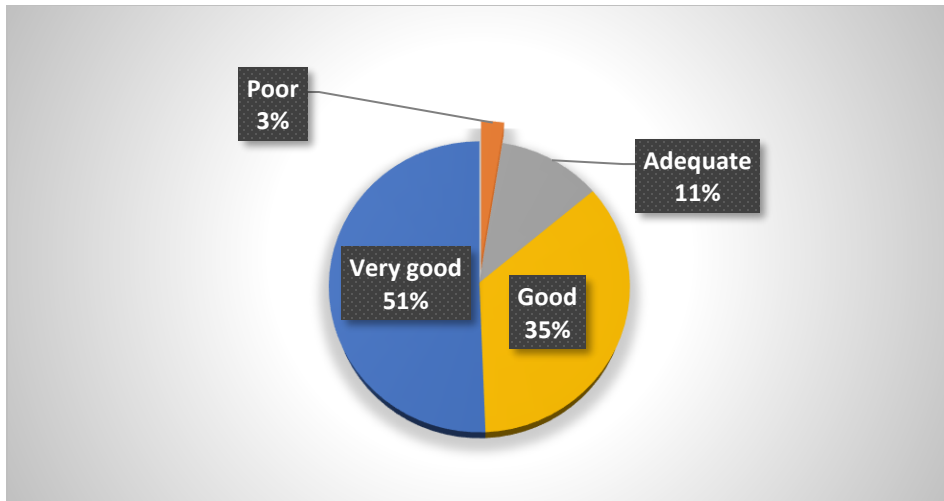
**4.3.6 Graph 20: The draft report and/or exit meeting addresses the key issues and is usually relevant**



Exit meetings conducted after assessments are used to discuss assessment observations before the assessment reports are finalized. Importantly, the exit meetings enable the parties to establish if key assessment issues and relevant matters were duly attended to or addressed. This is to ensure the assessed institutions have a platform to avail inputs for consideration before reports are finalized.

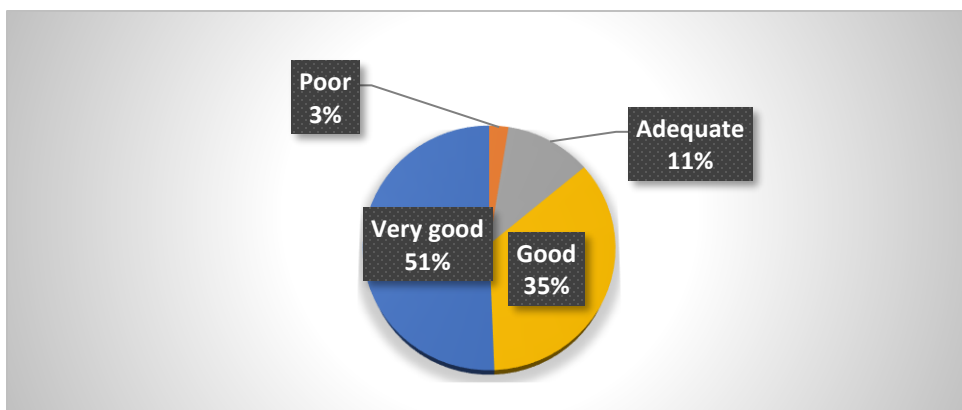
Overall, most of the respondents indicated that the draft reports and exit meetings always address the key issues and such meetings are relevant. The majority (78%) of the respondents rated the exit meeting as very good or good.

#### **4.3.7 Graph 21: Whether RIs are granted an opportunity to comment on findings made**



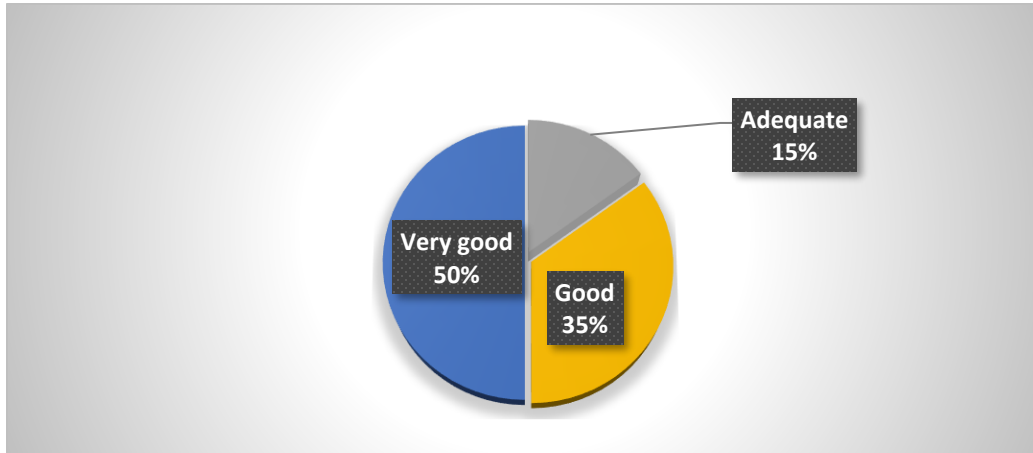
Apart from exceptional circumstances as may be determined by the FIC, before assessment reports are finalized, FIC compliance assessment procedures dictate that assessed institutions be afforded an opportunity to avail inputs, correct inconsistencies and avail relevant comments or guidance. Overall, the respondents are satisfied that the FIC provides them with ample opportunity to comment on the FIA compliance assessment findings. The majority (51 percent) of the respondents rated this aspect as very good.

**4.3.8 Graph 22: Clarity and conciseness of the final report**



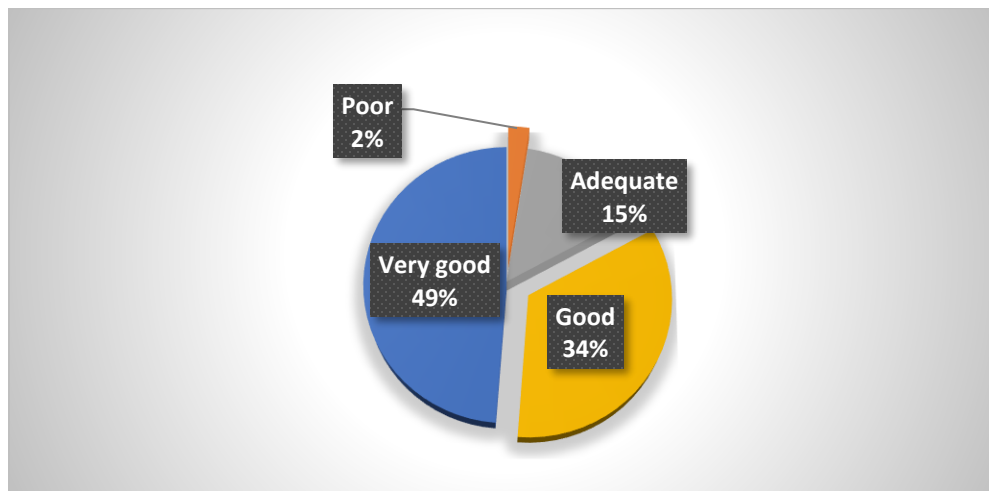
As per the graph above, most of the respondents are satisfied with level of clarity and conciseness of the FIA compliance assessment reports issued. Only 3 percent of the respondents rated the level of clarity and conciseness of the final FIA compliance assessment reports as poor.

#### 4.3.9 Graph 23: The timeliness with which the final report is issued



Overall, respondents are satisfied with the timeliness of the issuance of the FIA compliance assessment reports. 50 percent of the respondents rated the timeliness of the reports as very good, while 35 percent rated same as good.

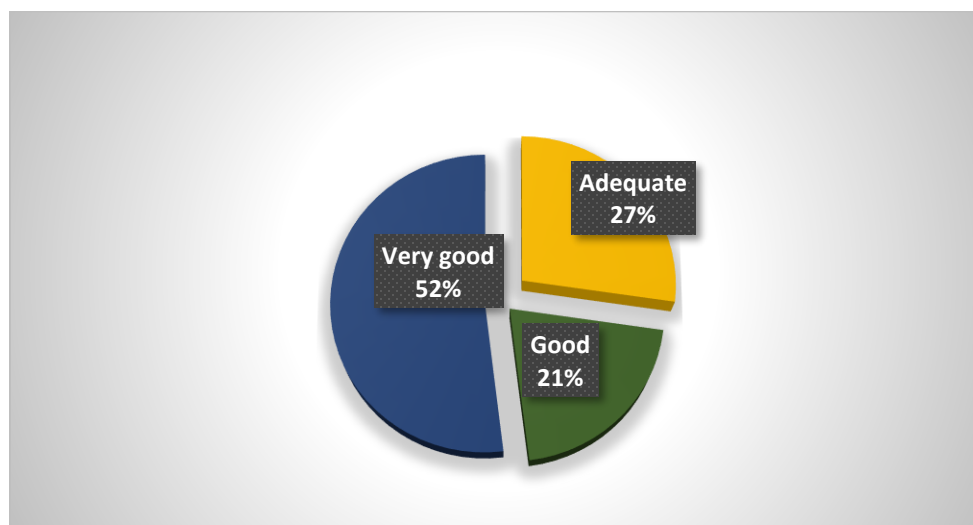
#### 4.3.10 Graph 24: The recommendations in the final report will/have improved RI controls and/or effectiveness



The objective of availing recommendations in FIA compliance assessment reports is to avail a platform for assessed entities to relook and reconsider current controls in light of FIC observations. Most of the respondents felt that recommendations provided by the FIC

to the MVDs have improved their controls and risk mitigation effectiveness (49 percent of the respondents rated this element as very good and 34 percent rated same as good).

**4.3.11 Graph 25: The period availed to RIs to respond to the compliance assessment findings and to supply periodic progress reports**



The graph above sums up the sector's view with regards to the period they are granted within which to respond to the FIA compliance assessment observations and findings. Generally, 52 percent rated such period to be very good, while 21 percent simply rated same to be good.

**5. General observations**

**5.1 Summary of areas that may need improvements**

The following general observations were noted as areas that need improvement:

- a. There are still some MVDs that are not reporting suspicious transactions, whilst others report transactions annually;
- b. There are still some MVDs that have never reported CTRs;

- c. 35 percent of the sector indicated that the consultation by the FIC with the sector, before issuing of Circulars, formal Guidance and various reports is not good enough; and
- d. 22 percent of the respondents still finds the FIC trainings unhelpful.

## **5.2 Respondents' views and reasons as to why certain areas requires improvements**

In October 2018, the FIC held a feedback session with the sector to enhance the understanding on some of the low rated aspects in the survey. During the session, the sector gave comments on areas observed to be contributing factors to some of the low ratings in their responses contained herein. The following is a summary of the major points raised in the session with the sector:

- 5.2.1 there has not been any engagement with the FIC especially on reporting obligations, hence the industry is not really sure on the reporting obligations and reporting procedure;
- 5.2.2 regular training should be provided by the FIC;
- 5.2.3 there was no awareness creation by the FIC regarding the functionalities and reporting procedures on the FIC website;
- 5.2.4 registration process takes too long, as they had forwarded registration forms to the FIC and have not been registered as reporting persons to date;
- 5.2.5 the training availed by the FIC is poor as such is too generic, and not tailor made for the industry;
- 5.2.6 the need exists to have exit meetings for off-site FIA compliance assessments as well, as is the case with on-sites. A need was expressed to have an engagement with the assessed AI and not merely email the report alone;

5.2.7 The sector had a general concern regarding the playing field that appears not to be levelled as there are a few “known” motor vehicle dealers that are not regulated and supervised by the FIC, and as such creates a competitive advantage as clients rather deal with those dealers that do not identify their clients as required by the FIA. Dealers that are applying CDD on their clients are unhappy as they feel they are losing out on business income

## 6. Conclusion

The FIC would like to thank all MVDs for responding to the survey and attending the October 2018 feedback sessions for the informative feedback. Although the majority of respondents were satisfied with most of the activities conducted by the FIC, it is clear from the above outcomes of the feedback session that there is still room for improvement in some areas of FIA compliance monitoring and supervision, with specific emphasis on AML/CFT/CPF training and awareness. The FIC is studying the highlighted areas of concern and will come up with a plan of action to positively impact on such areas.

A handwritten signature in black ink, appearing to read 'L. Dunn', is written over the printed name.

**L. DUNN**  
**DIRECTOR: FIC**