



FINANCIAL INTELLIGENCE CENTRE

SUMMARY OF OBSERVATIONS FROM THE STAKEHOLDERS' SATISFACTION SURVEY: THE REAL ESTATE AGENCY SECTOR, JANUARY 2019

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1. Introduction

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

- a. monitoring various sectors to understand the level of FIA compliance and thus Money Laundering, Terrorism 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/CFT/CPF) 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 (AIs and RIs) with the FIC's performance as the AML/CFT/CPF 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 AML/CFT/CPF regulatory and complementing frameworks.

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

3. Executive Summary

Amongst others, Real Estate Agents offer the following products and services: selling properties, facilitating rental agreements, managing of properties on behalf of clients etc. These services are inherently attractive to criminals and thus funds can be laundered through any of the abovementioned services. Selling of properties is inherently regarded as high risk for money laundering purposes. Most property transactions commence under the facilitation of Real Estate Agents, before they are referred to the conveyancers. The risk exposure is thus prevalent at the point of sales agreement in real estate. Real Estate Agencies are thus at the forefront of risk mitigation and play a crucial role in safeguarding the integrity of our financial system. The need to ensure supervisory and monitoring controls are effective within the sector is therefore paramount. It is thus of utmost importance that the sector availed feedback on the FIC's supervisory and compliance framework as such assists the FIC's compliance supervision and monitoring activities.

Feedback provided by the Real Estate Agency Sector indicates that the majority of Real Estate Agents have a general understanding of the FIC's mandate and their FIA obligations. In the same vein, it also came to light that there are still some agents that are not aware of the FIC's mandate and their FIA obligations. On the other hand, this study

found that most of the agents find the FIC's publications and industry specific 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. As stated herein, the majority of institutions in the Real Estate Sector indicated to be 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 all such outcomes from the survey and provides clarity on some pertinent observations.

4. Methodology

A questionnaire was sent out to 675 Real Estate Agents registered at the time with the FIC. From the 675 Real Estate Agents, only 71 responded to the questionnaire and 604 did not respond, resulting in a response rate of 11%. After noting that the response rate was low, the FIC sent out reminders to the Real Estate Agents that did not respond, however that effort did not help to improve the response rate. The analysis herein therefore need to considered with this limitation in mind.

The questionnaire was divided into three sections, namely;

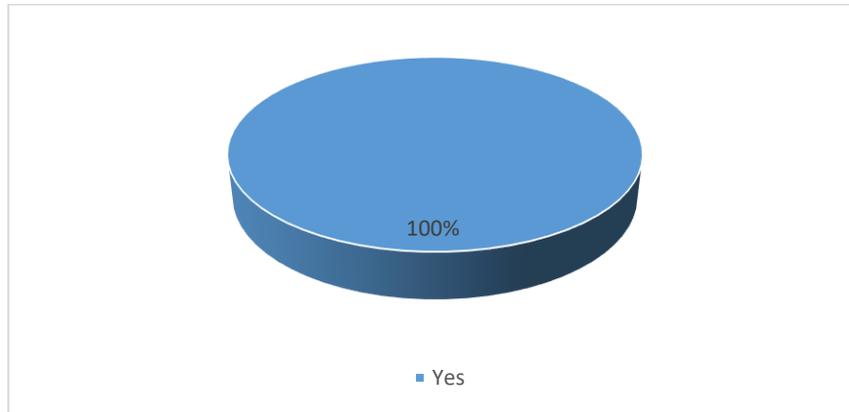
- General understanding of the FIC and FIA;
- FIC publications and industry specific guidelines; and
- FIC Compliance assessments.

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

4.1 General understanding of FIC and FIA

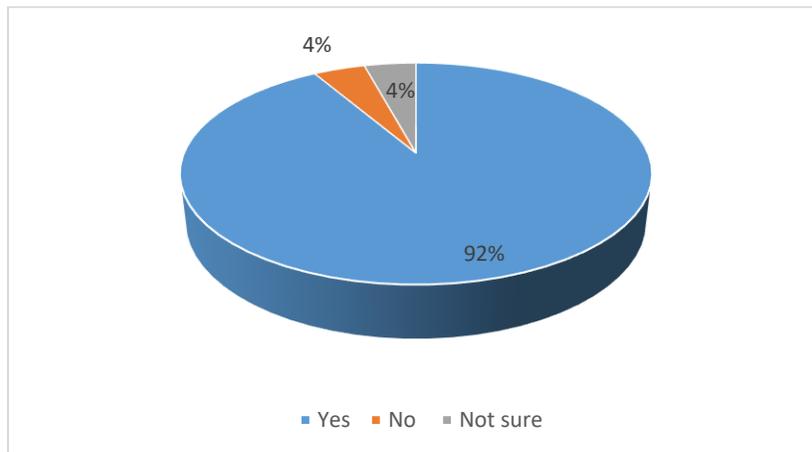
Section 1 of the questionnaire focused on the Real Estate Agents Sector's general understanding of the FIC, its mandate and the agents' understanding of their obligations under the FIA, as per the graphs below:

4.1.1 Graph 1: Awareness of the existence of the FIC



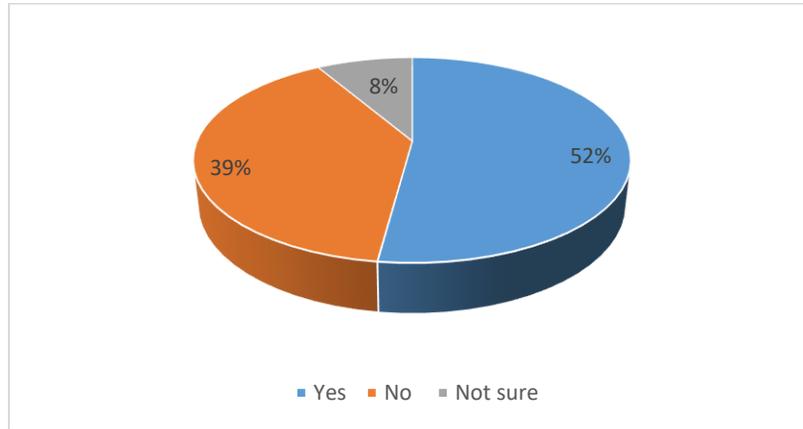
100 percent of the respondents indicated that they are aware of the existence of the FIC.

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



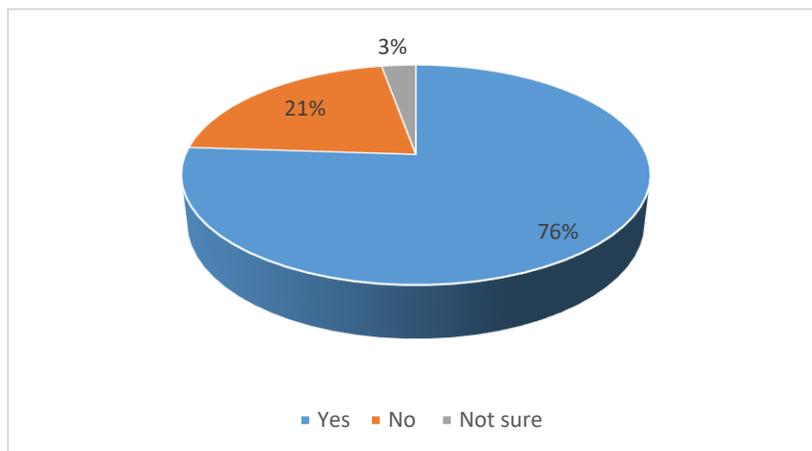
92 percent of the respondents indicated that they are aware of the functions and mandate of the FIC while the other 8 percent stated that they are not aware of the function and mandate of the FIC.

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)]



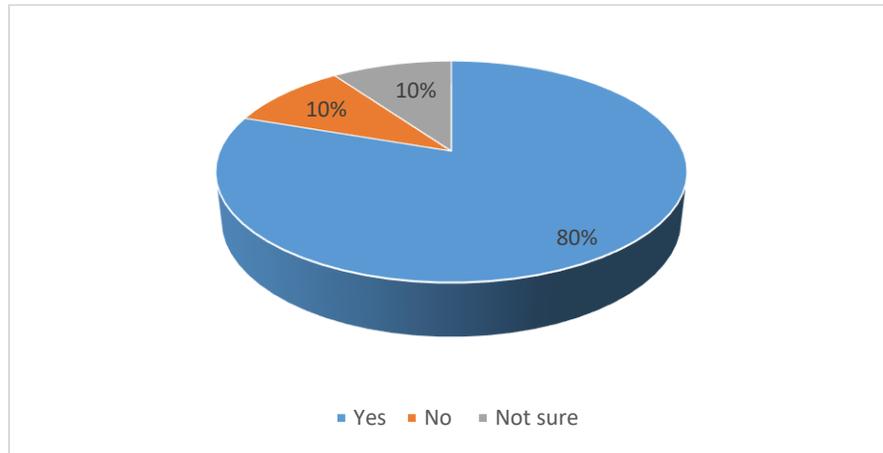
52 percent of respondents indicated that they have received or attended an AML training, while 39 percent have never been exposed to such training and awareness creation activities. Other than private consultants, the FIC avails training on AML/CFT/CPF, and is involved in awareness creating initiatives to enhance sectoral understanding of ML/TF/PF risks and FIA obligations.

4.1.4 Graph 4: Accessing the FIC website



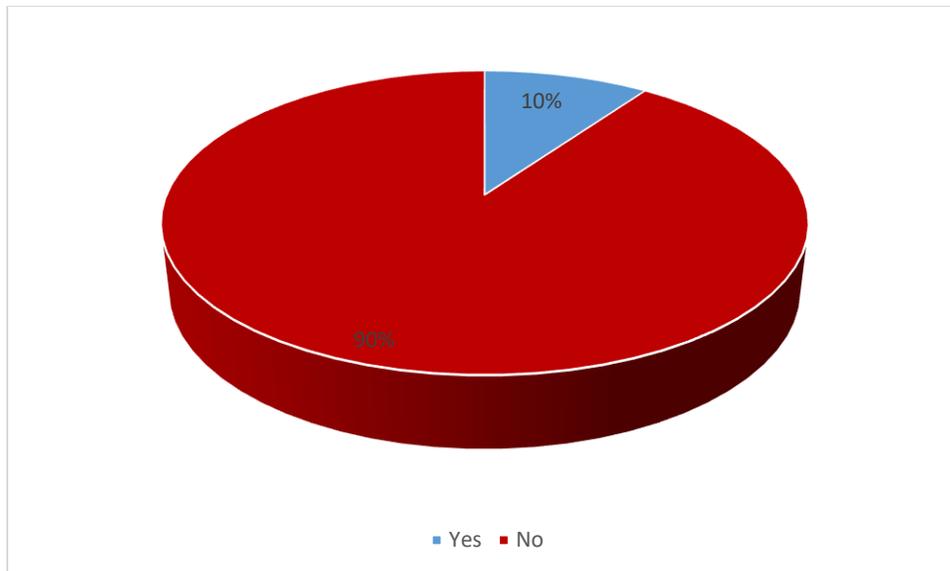
76 percent of the respondents indicated that they have accessed the FIC website while 21 percent have never accessed same. The FIC website is an important communication tool through which the FIC engages stakeholders, publishes guidance materials etc.

4.1.5 Graph 5: Awareness of all FIA obligations pertinent to an Accountable Institution (AI)



As per above, 80 percent of the respondents indicated to be aware of their FIA obligations while 10 percent confirmed that they are not aware of their FIA obligations.

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

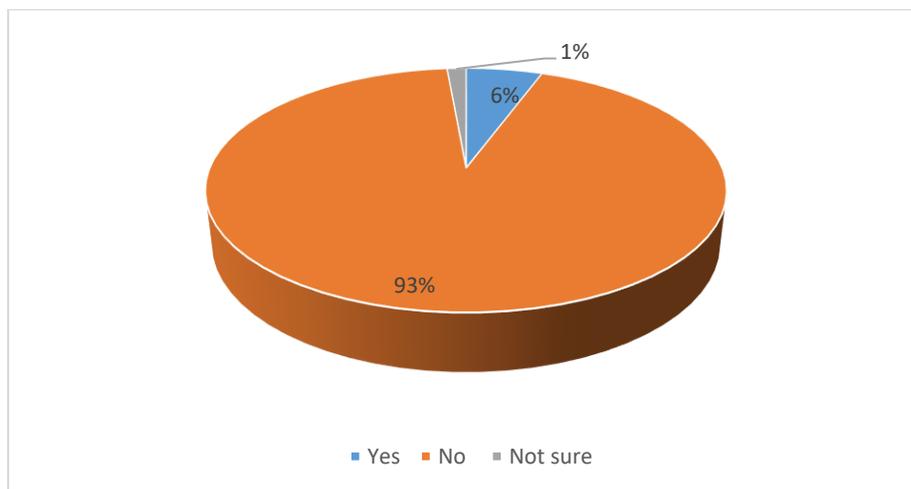


A major objective of complying with the FIA is enabling implementation of controls that will ensure suspicious transactions or activities are detected and reported to the FIC. It can thus be said that primarily, the level of effectiveness of implemented controls in

an institution is reflected in the control system's ability to detect and ensure timely reporting of STRs and SARs to the FIC.

In the Real Estate Agency sector, 90 percent of the respondents indicated that they have never reported STRs and SARs to the FIC while 10 percent have indicated to have reported one or both types of reports.

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



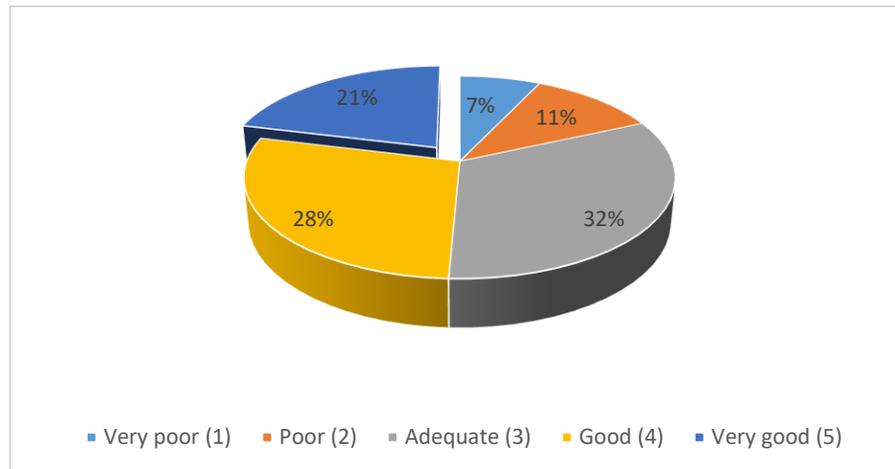
Since 28 January 2015, relevant institutions are expected to report cash transactions to the FIC, if such exceed NAD 99,999.00. Such reports are not necessarily suspicious in nature and mainly reported to form part of the database of records used in ML/TF/PF combatting activities. In this sector, 93 percent of the respondents indicated that they have never reported Cash Transaction Reports (CTRs) to the FIC. Only 6 percent have reported CTRs.

4.2 FIC Publication and industry specific guidelines

This section of the questionnaire focused on the FIC publications and guidance provided to the sector.

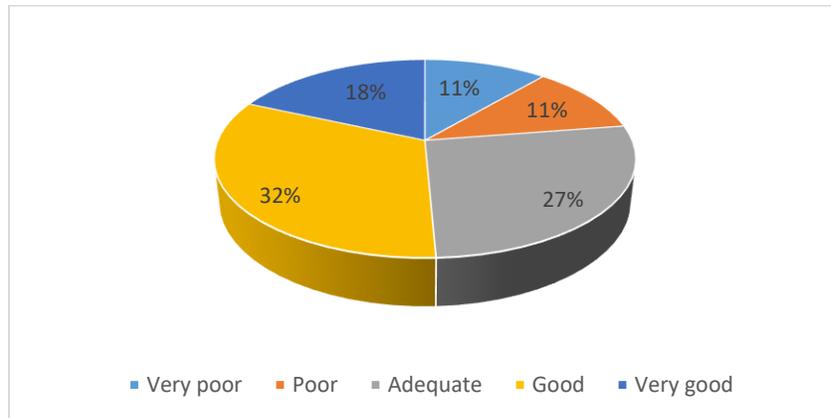
On average, the respondents appear to be satisfied with the FIC publications and guidance provided. Below is a summary of the various responses in this regard:

4.2.1 Graph 6: Helpfulness of the FIC website



32 percent of the respondents rated the helpfulness of the FIC website as adequate, while 28 percent rated same as Good. On the other hand, 11 percent and 7 percent rated same as 'poor' and 'very poor' respectively. The concern in this regard was that the website is not user friendly. There are some areas or functions on the website that are dormant while other functions on the website do not deliver the most satisfactory results.

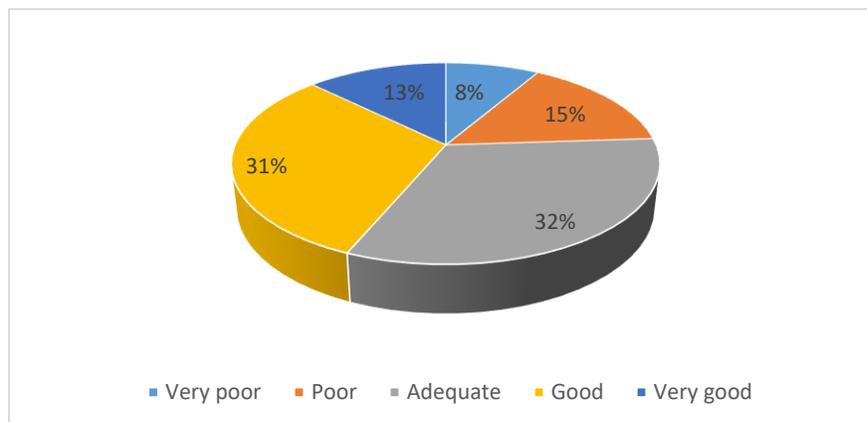
4.2.2 Graph 7: Helpfulness (clarity and conciseness) of the publications and industry specific guidance issued by the FIC



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

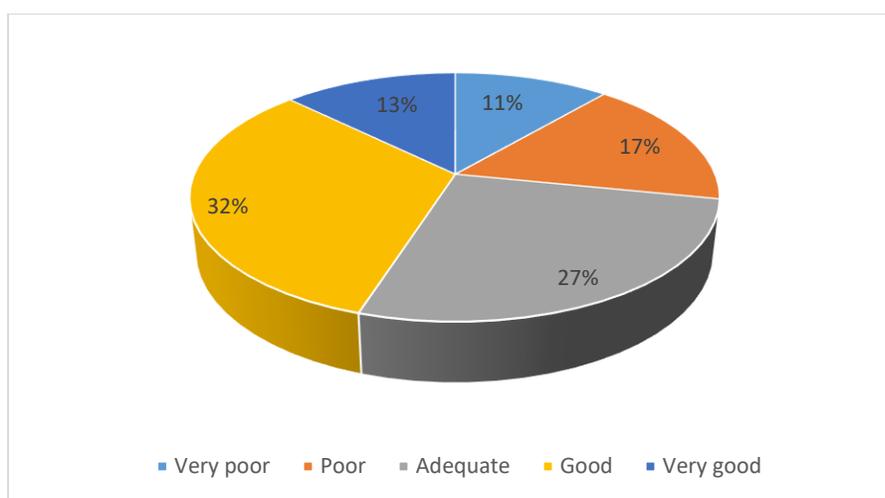
- 32 percent indicated that such is good;
- 18 percent of the respondents find such to be very good; and
- 27, 11 and 11 percent rated same as 'just adequate', 'very poor' and 'poor' respectively.

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 seeks inputs on relevant matters before issuing formal Circulars, Guidance Notes 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 etc. In this regard, 32 percent of the respondents felt that the FIC's level of consultations before issuing Circulars, Guidance Notes or Typology Reports is just adequate, while 31 percent and 13 percent of the respondents rated such as 'good' and 'very good' respectively.

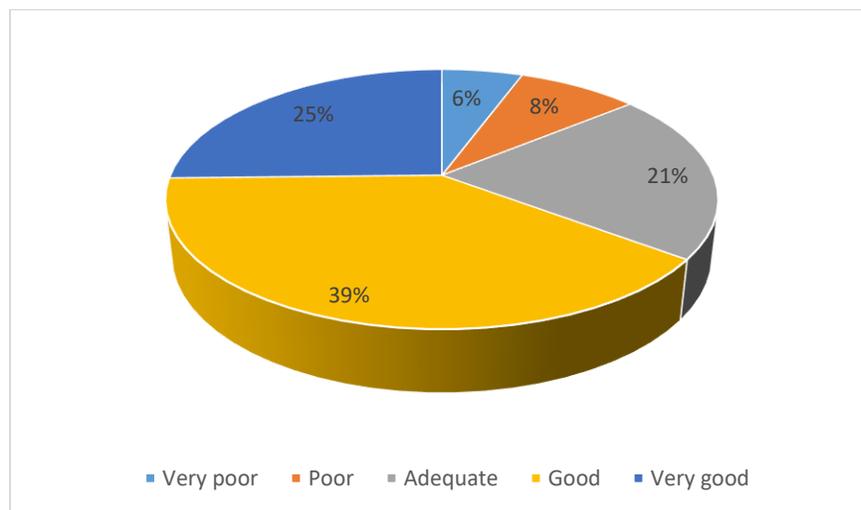
4.2.4 Graph 9: The FIC publishes up-to-date guidance and technical reference material on its website in a format which is user friendly



The 32 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. However, 17 and 11 percent rated it as 'poor' and 'very poor' respectively. Respondents indicated that the FIC should have different sections on the website covering different industries. It was further explained that everything is generalized and actually meant for the banks firstly and then the rest of the industries are merely added-on and must use the same set of documents that appear bulky and confusing.

Additionally, the sector advised the FIC to employ a manager for each industry to make sure that such manager adequately supervises that specific industry and issues industry specific guidelines. Such manager should equally avail training every year and not only once every 5 years like it is currently happening. The FIC appreciates this feedback and is considering measures to ensure periodic engagements (trainings, awareness sessions etc.) with the sector.

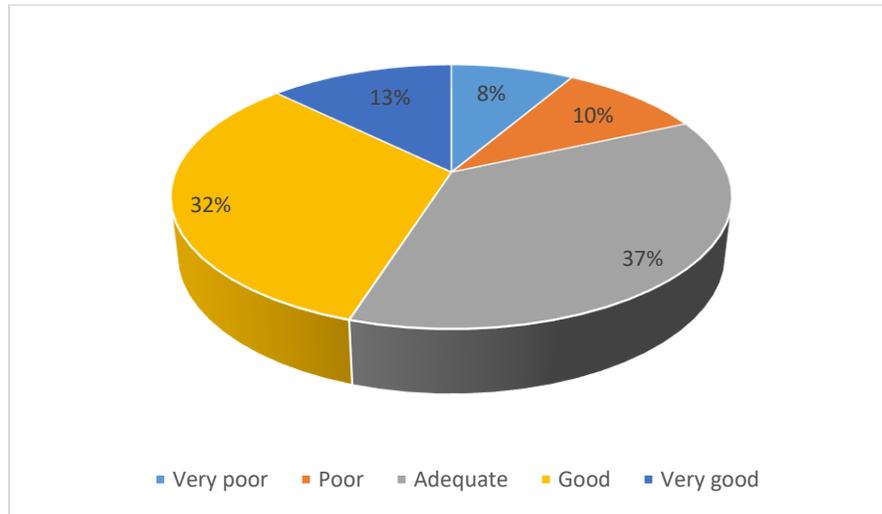
4.2.5 Graph 10: Assessing the FIC's web registration process for AIs



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 ease with which to communicate and file various reports in terms of the FIA. Upon registration completion, the FIC avails registration confirmation letters which are required by the Real Estate Agency Board.

This survey found that 39 and 25 percent of the respondents rated the web registration process as 'good' and 'very good', as per the graph above. Some Real Estate agents' concern was that they have registered a while ago, but they have not received their registration confirmation letters from the FIC.

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



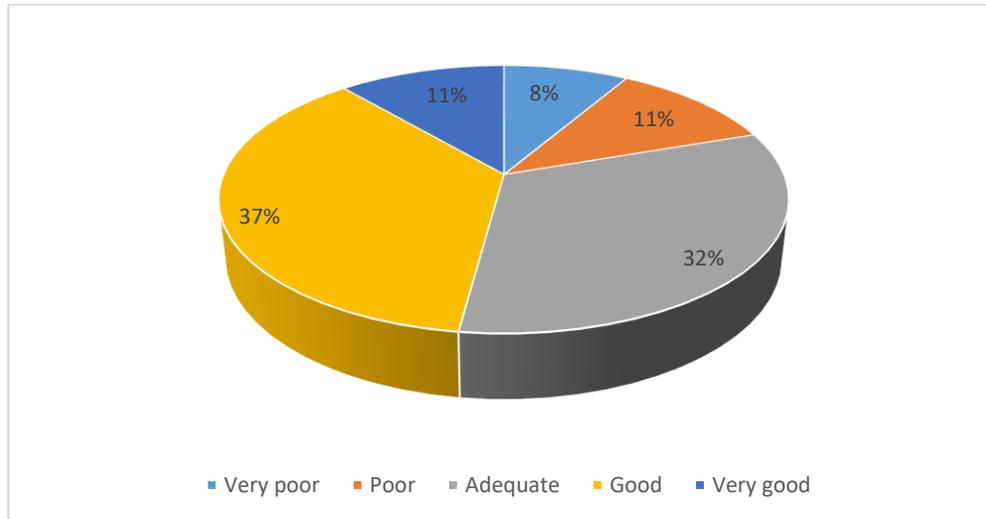
The ease with which AIs find the process of reporting STRs and SARs is essential in encouraging further reporting. This has a bearing on overall combatting efforts. Having said that, the FIC recognizes that there is no standard worldwide used to determine the volume of STRs that an entity or sector should be reporting. The nature of behavior which may lead to eventual flagging and further reporting of a particular transaction in one Accountable 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.

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, it was observed that 37, 32 and 13 percent of the respondents rated the ease with which reporting of STRs and SARs to the FIC as 'Just adequate', 'good' and 'very good' respectively, as per graph above. Respondents indicated the need

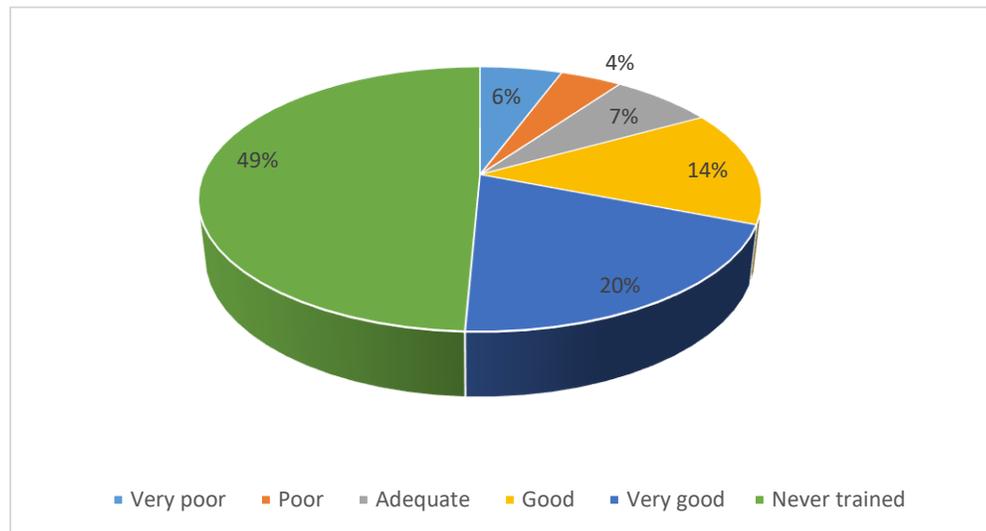
for training on how to report on the web portal. Furthermore, they indicated that the website is not very user friendly and the process to report a transaction is a very lengthy process. It was recommended that the FIC explore ways to simplify the data entry process to enhance the ease of reporting.

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



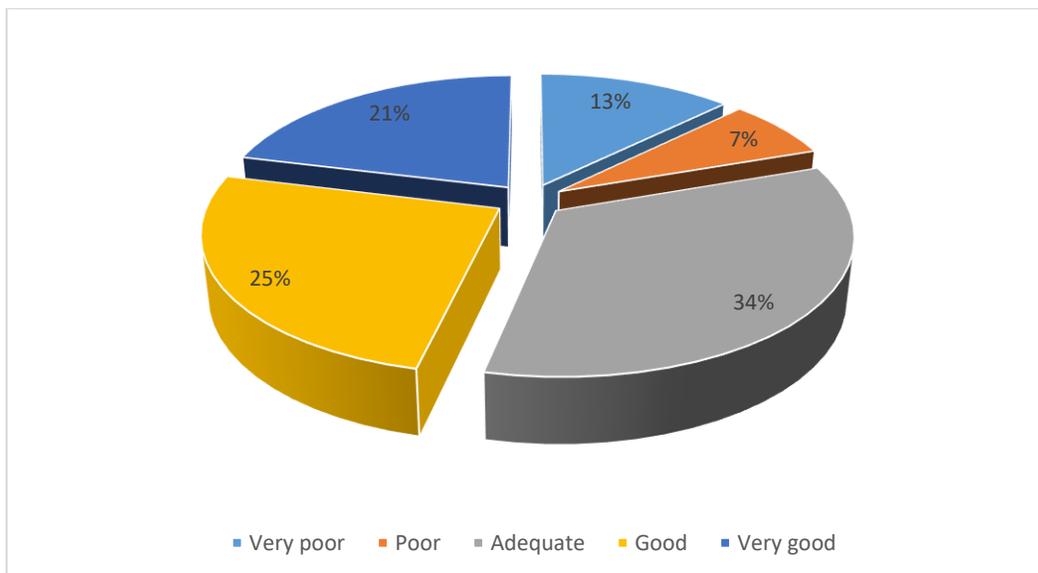
The ease with which respondents find reporting of CTRs was generally adequate if the ratings above are anything to go by. Respondents who were not satisfied generally indicated that they need training on how to report on the web portal.

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



49 percent of the respondents have never received training from the FIC, as per graph above. 51 percent of the respondents indicated to have received training and have rated such training as per graph above. 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. In fact, the FIC uses such hour for awareness creation as opposed to technical training. The FIC does not only provide awareness at conferences, training is normally provided 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. In addition, when a Real Estate Agent is assessed by the Analyst and its observed that the staff are unaware of their FIA obligation, training is always arranged with the specific agency.

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

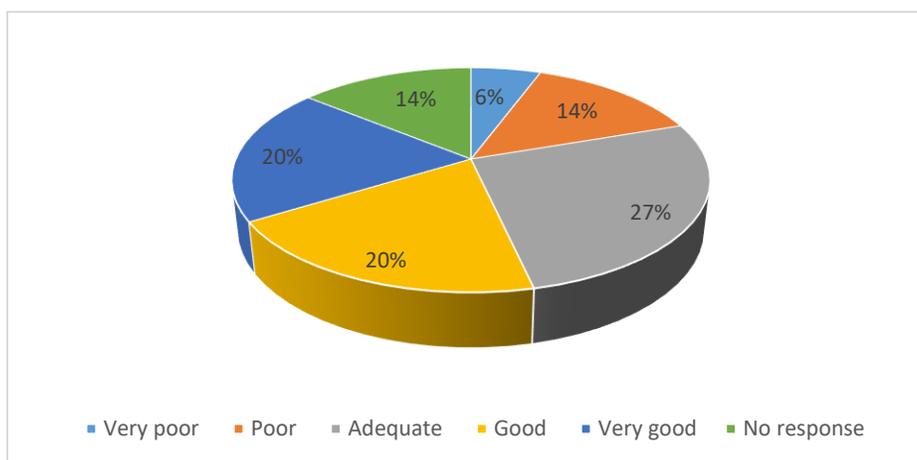


Through the various positive ratings, most of the respondents were generally satisfied with the level of transparency, consistency and timeliness of advice and recommendations provided by the FIC, while 20 percent of the respondents were not entirely satisfied. The 20% comprises respondents who rated such as either 'poor' or 'very poor'.

4.3 FIC Compliance Assessments

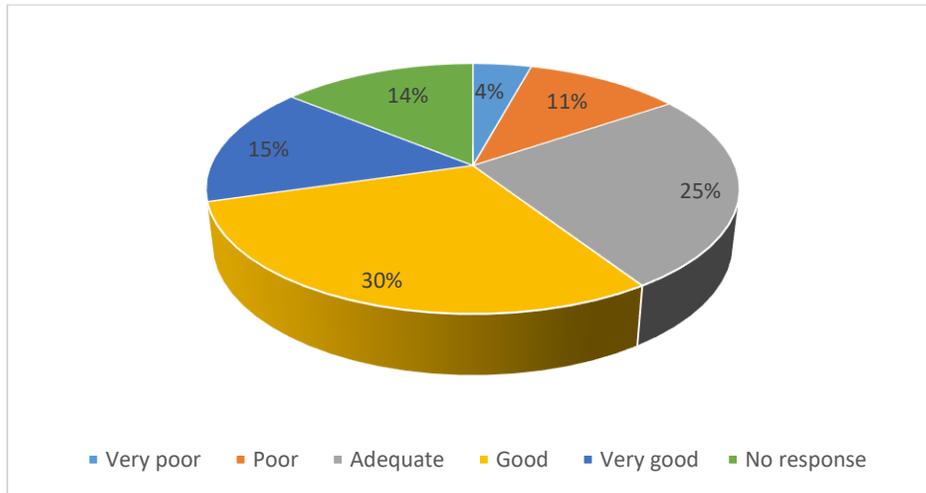
This section speaks to the FIA compliance assessments conducted by the FIC in an effort to gain reasonable assurance on the effectiveness of AML/CFT/CPF controls within Accountable Institutions. Observations indicate that on average, the respondents are satisfied with the way the FIA compliance assessments 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)



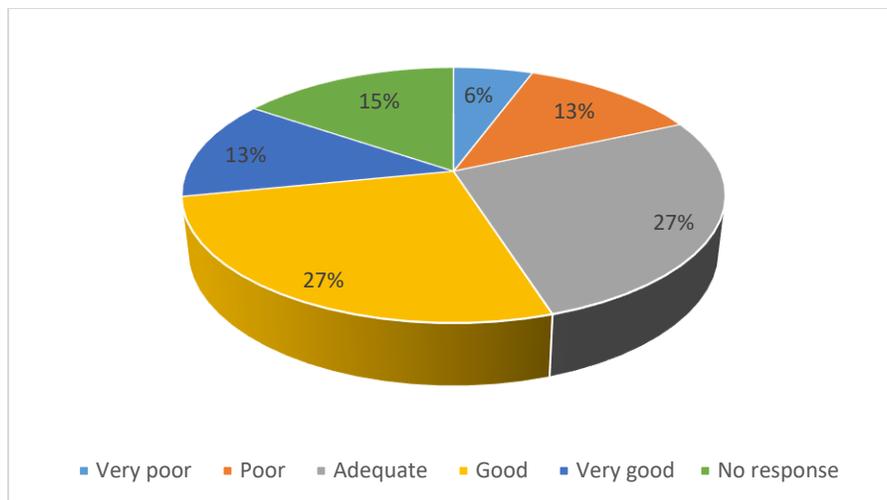
Overall, responses indicate that the period of notice given to the Real Estate Agents to prepare for FIA compliance assessments is sufficient. The FIC could not be availed with reasons for the unsatisfactory ratings availed by the respondents who rated such as either 'poor' or 'very poor'. In the sectoral workshop hosted by the FIC on 12 October 2018, the sector could still not avail explanations on areas that may need improvements in this regard.

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



70 percent of respondents indicated that the compliance analysts have either a 'good' or 'very good' understanding of the Real Estate Agents' systems and operational activities. On the other hand, 30 percent perceive the compliance analysts' understanding to be 'poor'. Reasons for such were not availed in the questionnaires, nor in the sectoral workshop hosted by the FIC on 12 October 2018.

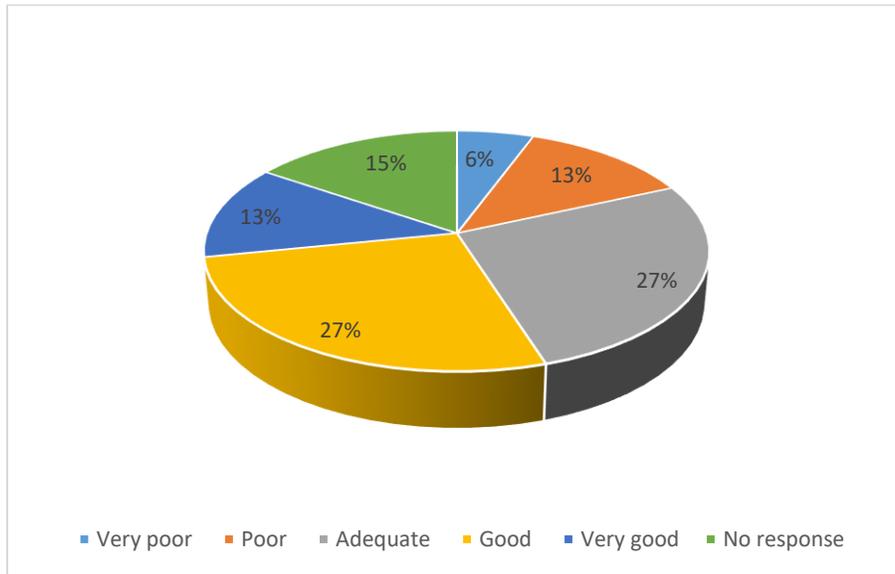
4.3.3 Graph 17: Efficient execution of the assessment with minimum disruption



This was to understand whether the execution of FIA compliance assessments create operational disruptions in institutions subjected to such exercises. Overall, most of the

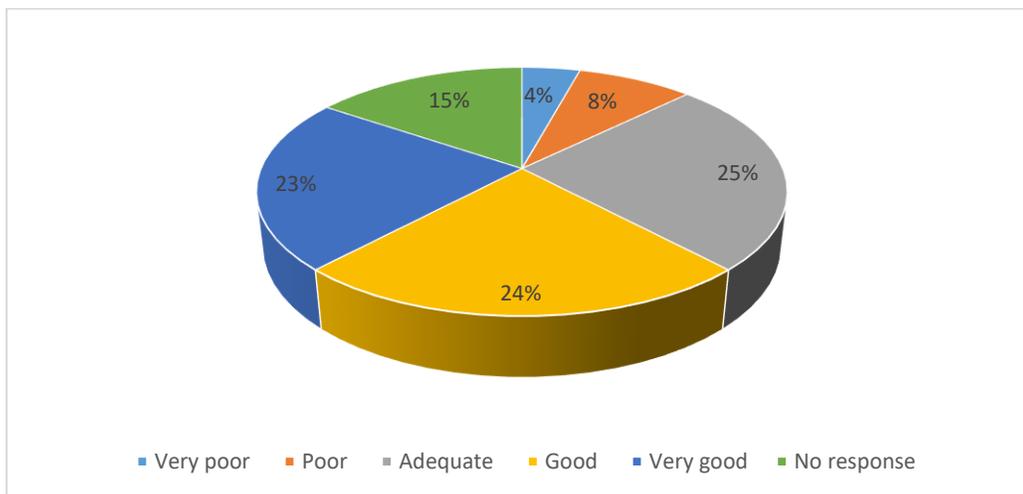
respondents were satisfied with the execution of the FIA compliance assessment activities in this regard. It appears from the results that the FIA compliance assessments are conducted with minimum or no disruption to operational activities in AIs.

4.3.4 Graph 18: The level of consultations during assessments



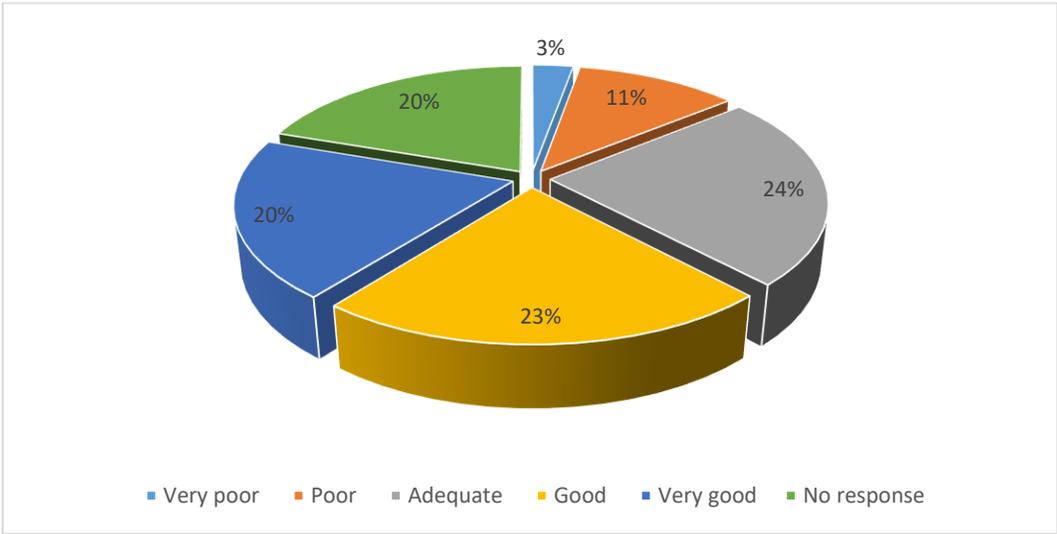
The level of consultations between the compliance analysts from the FIC and the relevant Real Estate Agencies' staff, in as far as the assessment is concerned was generally accepted as satisfactory.

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



Most of the respondents were generally happy with the level of professionalism and objectivity with which compliance assessments are executed. Some respondents however also indicated such to be 'poor' but could not further explain why reasons for such ratings. Industry consultations will, going forward, be conducted more frequently to try and identify areas that may need improvement in order to address such.

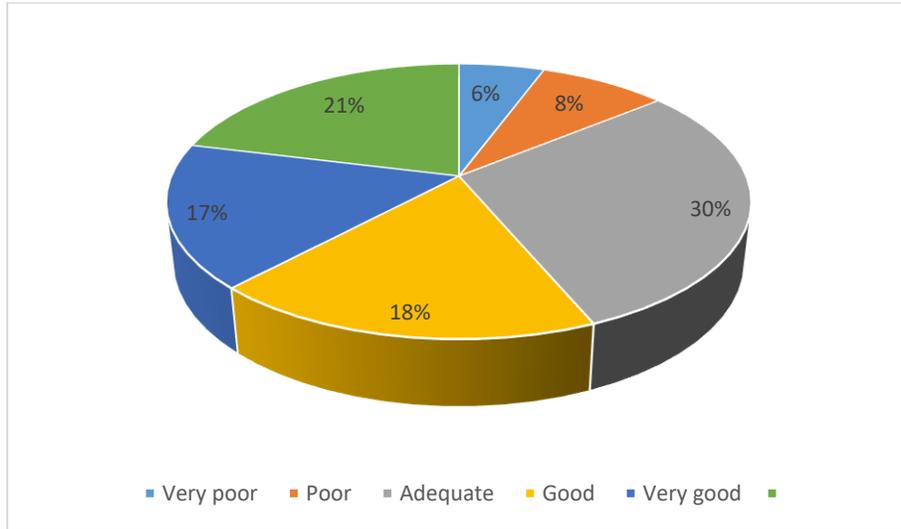
4.3.6 Graph 20: The draft report and/or exit meeting addresses the key issues and is usually relevant



Exit meetings conducted after assessments are used to discuss assessment observations before the assessment reports are finalised. 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 finalised.

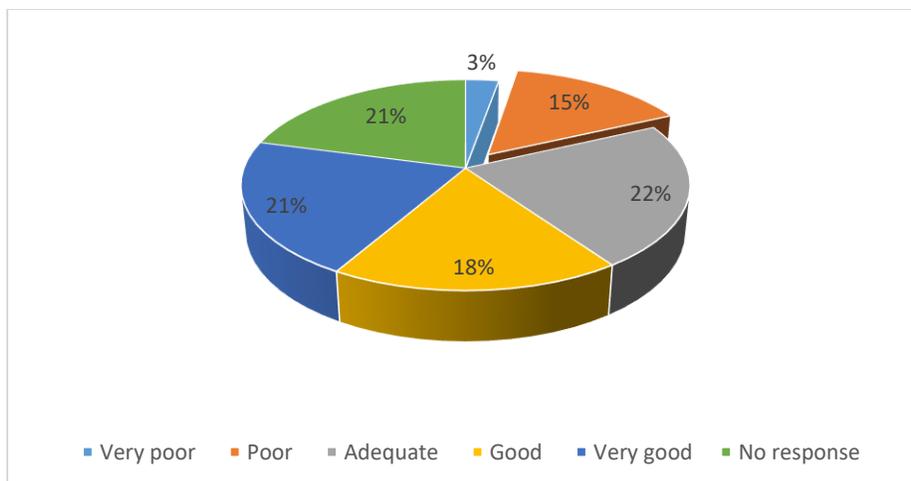
Overall, most of the respondents indicated that the draft reports and exit meetings always address the key issues and such meetings are relevant. There is an indication of general satisfaction with FIC activities in this regard.

4.3.7 Graph 21: Whether AIs are granted an opportunity to comment on findings made



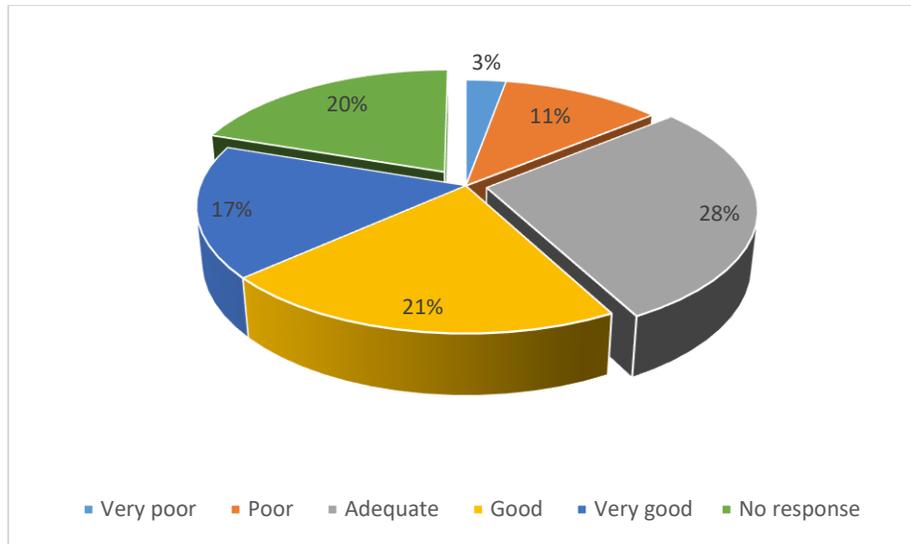
Apart from exceptional circumstances as may be determined by the FIC, before assessment reports are finalised, FIC compliance assessment procedures dictate that assessed institutions be afforded an opportunity to avail inputs, correct inconsistencies and avail relevant comments or guidance. Overall the respondents are satisfied that the FIC provides them with ample opportunity to comment on the FIA compliance assessment findings. Most respondents rated this aspect as 'Adequate'.

4.3.8 Graph 22: Clarity and conciseness of the final report



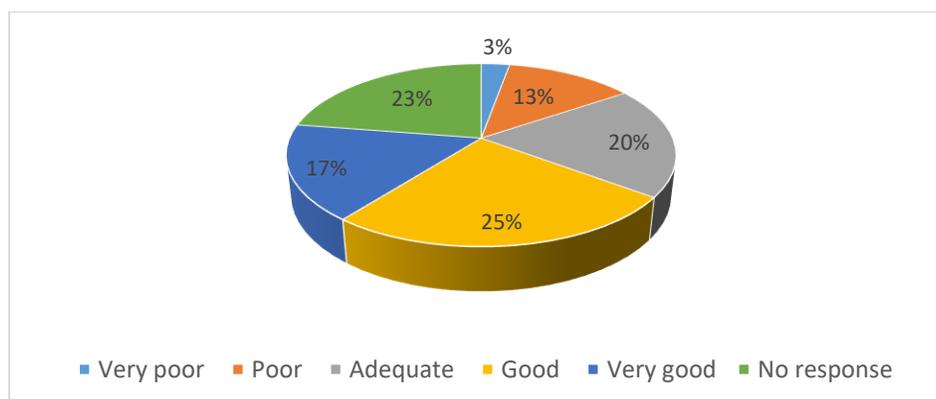
As per the graph above, most of the respondents are satisfied with the level of clarity and conciseness of the FIA compliance assessment reports issued. Only 18 percent of the respondents rated the level of clarity and conciseness of the final FIA compliance assessment reports as either 'Poor' or 'Very Poor'.

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



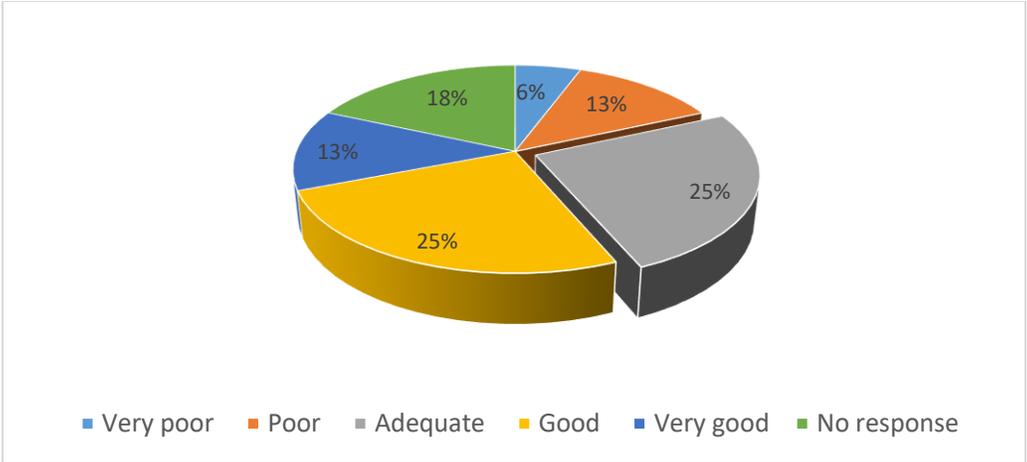
Overall, the respondents appear satisfied with the timeliness of the issuance of the FIA compliance assessment reports. 28 percent of the respondents rated the timeliness of the reports as 'Adequate', while 21 percent rated same as 'Good'.

4.3.10 Graph 24: The recommendations in the final report will/have improved AI 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 Real Estate Agents have improved their controls and risk mitigation effectiveness. 25 percent of the respondents rated this element as 'Good' and 20 percent rated same as 'Adequate'.

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



The graph above sums up the Real Estate Agents sector’s view with regards to the period they are granted within which to respond to the FIA compliance assessment observations and findings. Generally, most of the respondents rated such period to be satisfactory while 19 percent (6% and 13%) rated same to be either ‘poor’ or ‘very poor’. Reasons for such unsatisfactory ratings were not availed to the FIC in the questionnaire, nor, in the sectoral workshop held on 12 October 2018.

5. General observations

5.1 Summary of areas that may need improvements

The following general observations were noted as areas that may require improvements:

- a. 11 percent of the respondents indicated that the FIC's publications and industry specific guidance are very poor;
- b. 13 percent of the respondents were not satisfied with the level of transparency, consistency and timeliness of advice and recommendations provided by the FIC;
- c. 49 percent of the respondents never received training or awareness creation briefings from the FIC;
- d. 10 percent of the respondents indicated not to be aware of their FIA obligations; and
- e. 15 percent of the respondents rated the level of clarity and conciseness of the final FIA compliance assessment reports as poor.

5.2 Respondents' views and reasons as to why certain areas require improvements

Given the outcomes of the survey, the FIC organized a feedback session to enhance the understanding of the sector, especially in light of the ratings. This session was held on 12 October 2018 in the Bank of Namibia, Sam Nujoma Auditorium and was attended by Real Estate Agents sector. During the session, the sector gave some considerations to support some of the low ratings cited herein. The following is a summary of the points raised in the meeting with the sector.

- 5.2.1 They sector has never been trained by the FIC on the FIA obligations, in most cases the FIC is normally invited at some workshops where they are allocated an hour to share information. Such time allocation is usually not adequate. The time allocated is never enough, thus the sector requested the FIC to provide training tailored for the sector, country wide. The FIC at times avails high level presentations owing to time constraints at these conferences;
- 5.2.2 Attendees felt that generally, more AML/CFT/CPF public awareness and training needs to take place;
- 5.2.3 Some felt that the FIC website and the GoAML reporting portal is not user friendly;
- 5.2.4 Guidance notes published by the FIC are not tailored to their sector; and

5.2.5 The FIC should assist the sector through guidance notes on areas that they are non-compliant with.

6. Conclusion

The FIC would like to thank the Real Estate Agents for the time taken to respond to the survey and attend the October 2018 sectoral session to discuss the survey outcomes. Although the majority of respondents appear to be generally satisfied with most of the activities conducted by the FIC, it is clear 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 these areas and will come up with an action plan to positively impact on such areas.

A handwritten signature in black ink, appearing to read 'P.P. K. [unclear]'. The signature is written in a cursive style.

L. DUNN
DIRECTOR: FIC