



FINANCIAL INTELLIGENCE CENTRE

SUMMARY OF OBSERVATIONS FROM THE STAKEHOLDERS' SATISFACTION SURVEY: THE CASINO SECTOR

APRIL 2019

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1. Introduction

The Financial Intelligence Centre (FIC) is entrusted with supervisory responsibilities in terms of the Financial Intelligence Act, Act 13 of 2012, aimed at, amongst others:

- 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 Office of the Director with reasonable assurance on the level of FIA compliance and thus ML/TF/PF risk mitigation in such sectors under its supervision.

The FIC embarked on a study of Accountable and Reporting Institutions (AIs and RIs) under its FIA supervision. The object was to understand relevant institution's views on the FIC's performance as an Anti-Money Laundering, Combatting Financing of Terrorism and Proliferation (AML/CFT/CPF) supervisor, as well as their general satisfaction with the supervisory and monitoring activities of the FIC.

The FIC values the importance of a fair and open exchange with relevant stakeholders. The feedback received from the survey will thus enhance the FIC's understanding of stakeholder expectations. This understanding will further assist in guiding supervision efforts.

The purpose of this report is to reflect on the feedback received and also avail clarity on certain issues raised by stakeholders.

2. Objective

The key objectives of the study were to help the FIC understand whether:

- a. supervisory activities have assisted in enhancing ML/TF/PF risk mitigation, and the extend of such supervisory assistance. Compliance and monitoring methods ultimately result in effective compliance with the FIA;
- b. supervisory activities have not unduly impeded the efficient operation of regulated entities;
- c. communication with regulated entities is clear, targeted, timely, concise and effective (or helpful);
- d. interventions or remedial actions are proportionate to identified risk exposure;
- e. compliance and monitoring methods are streamlined and coordinated;
- f. monitoring and supervision actively contributes to the continuous improvement of Namibia's AML/CFT/CPF regulatory and complementing frameworks; and

With the above understanding, enable the FIC to consider recommending policy and legislative reforms to enhance current combatting efforts in supervised sectors.

3. Executive Summary

Casino services are inherently vulnerable or susceptible to potential ML abuse due to the following reasons:

- i. The industry does not have an active prudential regulatory body to monitor their activities. Compliance behavior is thus not enforced to a level that encourages AML/CFT/CPF efforts;
- ii. The industry is exposed to a variety of clients that may have proceeds from illicit activities;
- iii. Casinos are cash intensive businesses that often avail services 24 hours a day; and
- iv. Casinos offer various financial services (e.g. foreign exchange and cash ins and cash outs).

Namibia currently has five licensed Casinos. The Government of the Republic of Namibia has placed a moratorium on the licensing of Casino operations. The FIC does not have reasonable assurance that the existing licensing measures meet the fitness and propriety

expectations as per FATF Recommendations to reduce the risk of licensing beneficial owners who may expose Casino services to potential ML/TF/PF risks.

The Casinos are 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 paramount. It is therefore helpful that the sector avails feedback on the FIC's supervisory and compliance framework as such assists the FIC's compliance supervision and monitoring activities.

Feedback provided by the Casinos indicated that the sector has a good understanding of the FIC's function and their FIA obligations. Most of the Casinos that responded to the survey indicated that FIC's supervisory and monitoring activities, including registration, interacting with FIC staff, FIC's publication and industry specific guidelines to be satisfactory. Although most of the Casinos are satisfied with the FIC's supervisory activities, there is room for improvements. Areas such as the reporting of transactions, website accessibility and certain aspects of FIA assessments were identified to be areas of concern.

4. Methodology

A satisfactory survey questionnaire was sent out to all five (5) Casinos, of which four (4) Casino responded to the questionnaire and one (1) did not respond. The FIC therefore has an 80% response rate on which findings herein are based.

The questionnaire was divided into three sections, namely the;

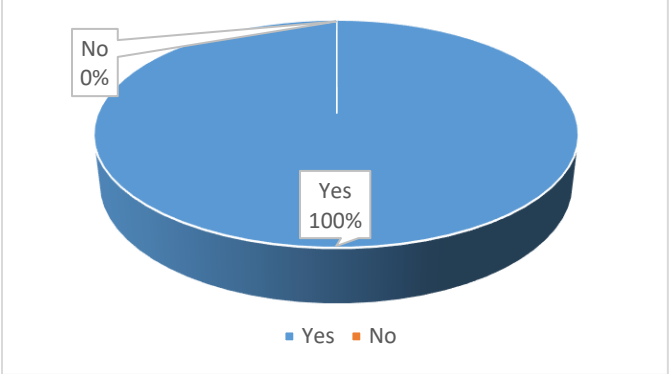
- a. General understanding of the FIC and FIA;
- b. FIC publications and industry specific guidelines; and
- c. FIC compliance assessments.

5. Presentation of survey findings

5.1 General understanding of FIC and FIA

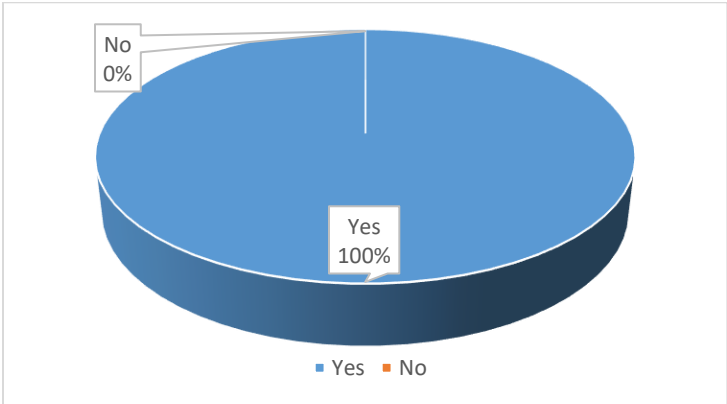
Section 1 of the questionnaire focused on the sector’s general understanding of the FIC and its mandate. It was premised on evaluating the ease or helpfulness of accessing the FIC website. Clarity was also sought on stakeholder’s views on FIC trainings and awareness consultations as well as their experiences with reporting of Suspicious Transactions/Activities and Cash Threshold Reports.

5.1.1 Awareness of the existence of the FIC or FIA



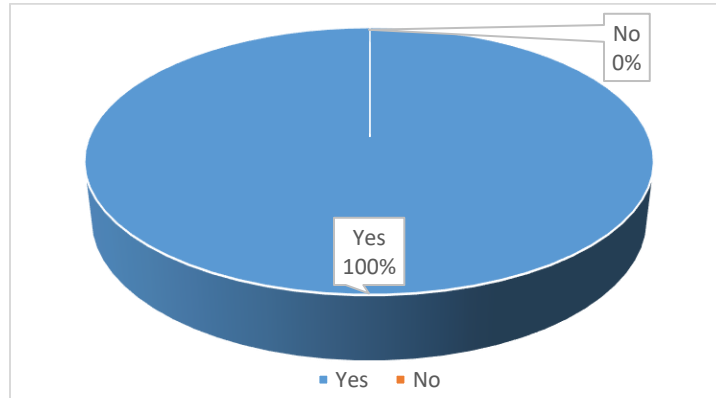
All respondents indicated that they are aware of the existence of the FIC.

5.1.2 Awareness of the functions and or mandate of the FIC



Similarly, all the respondents also indicated that they are aware of the functions and the mandate of the FIC.

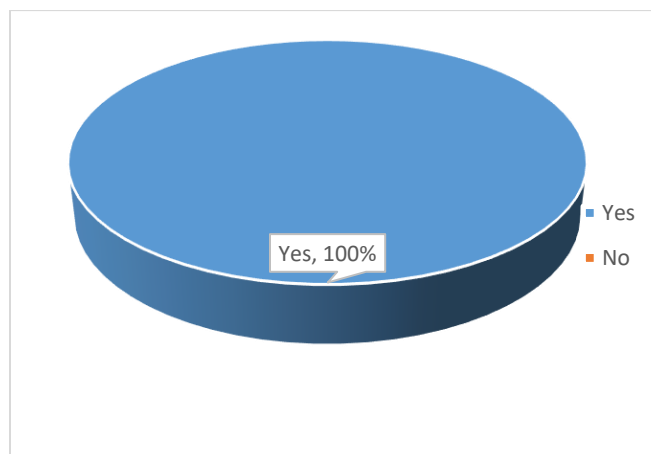
5.1.3 Exposure to some form of AML/CFT/CPF training (e-training, telephonic guidance, internal or external AML training session(s))



According to the sector's, all respondents indicated that they have attended some form of AML training.

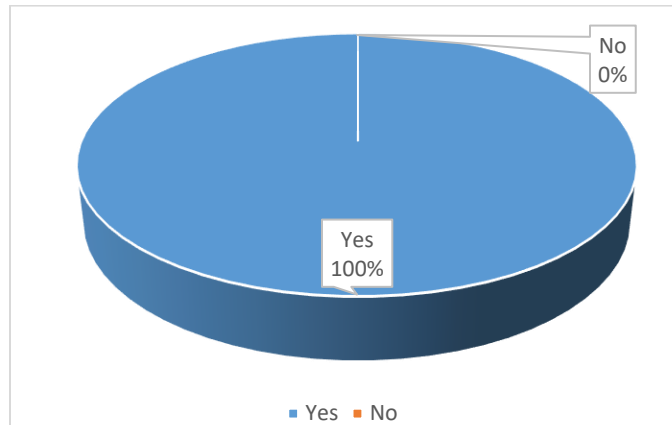
Apart from private agencies, the FIC avails training and is involved in awareness creating initiatives to enhance sectoral understanding of ML/TF/PF risks and FIA obligations.

5.1.4 Accessed the FIC website



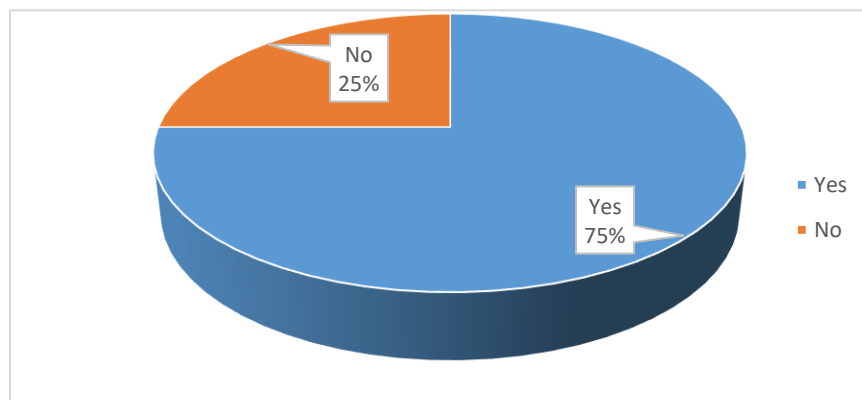
100% of the respondents further indicated that they have accessed the FIC website.

5.1.5 Awareness of all FIA obligations pertinent to an AI/RI



All respondents further indicated that they are aware of their FIA obligations as Accountable Institutions.

5.1.6 Reporting Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs)

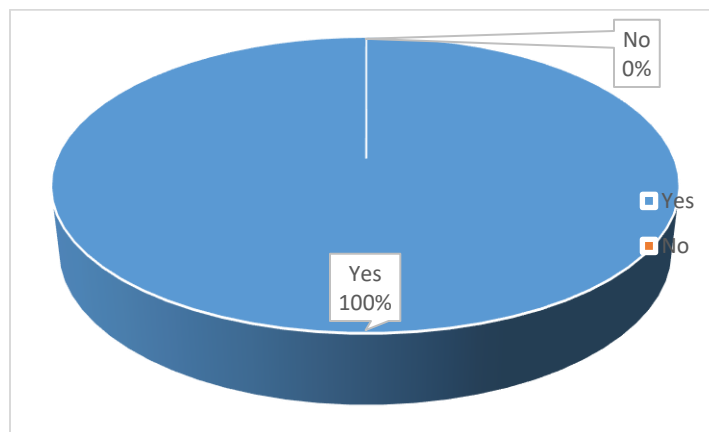


It should be noted that a major objective of complying with the FIA is to enable implementation of controls that will ensure suspicious transactions or activities are detected and reported to the FIC. It can thus be said that to a certain extent, the level

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 Casino sector, 75% of the respondents indicated that they have reported STRs and SARs to the FIC.

5.1.7 Reporting Cash Threshold Reports (CTRs) on cash transactions above NAD 99 999.99



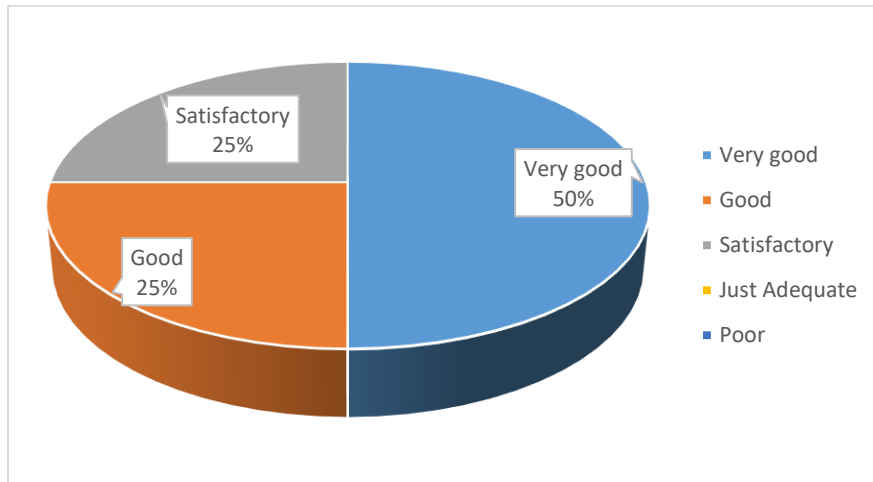
Since January 2015, relevant institutions are expected to report cash transactions that exceed NAD 99 999.99. Such reports are not necessarily suspicious in nature and are mainly reported to form part of the database used in ML/TF/PF combatting activities.

In the Casino sector, 100% of the respondents have reported a STR, SAR or CTR to the FIC.

5.2 FIC publications and industry specific guidelines

This section centered on publications and guidance provided to the accountable and reporting institutions in terms of the FIA. On average, the respondents appear to be satisfied with FIC publications and guidance provided. Below is an analysis of the various responses:

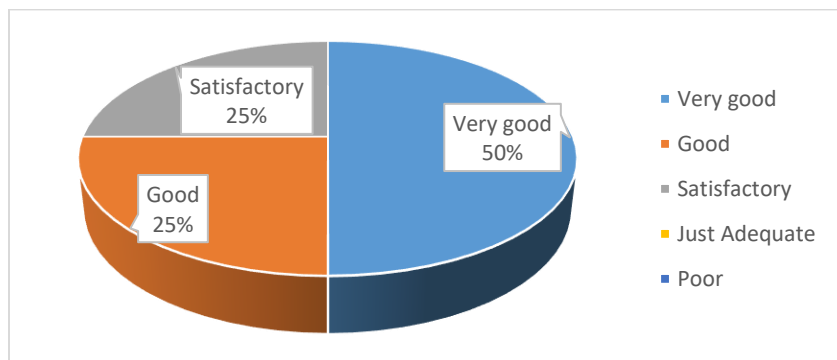
5.2.1 Helpfulness of the FIC website



The website is a significant communication tool of the FIC. All public communications including Circulars, Guidance Notes, Directives, typology reports and other announcements are published on the FIC website.

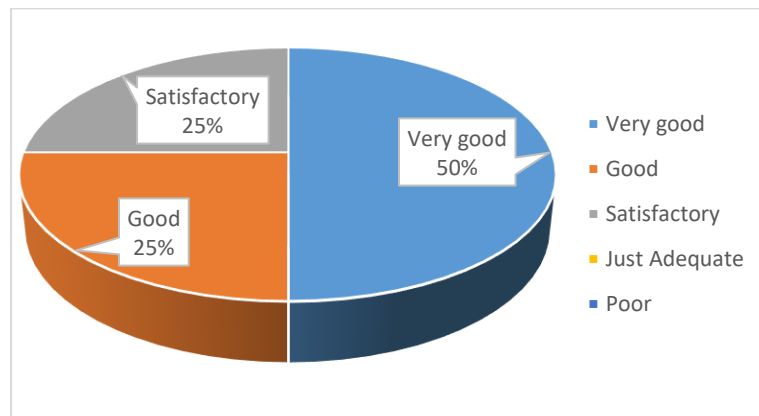
Overall, 50 percent of the respondents rated the helpfulness of the FIC website as 'Very good', while the other 25 percent rated it 'Good' and 25 percent rated it as 'Satisfactory'.

5.2.2 Helpfulness (clarity and conciseness) of the publications and industry specific guides issued by the FIC



Half of the respondents indicated that the FIC's publications and industry specific guidance are very helpful whilst 25 percent of the respondents rated it as 'Good' and 25 percent rated it as 'Satisfactory'.

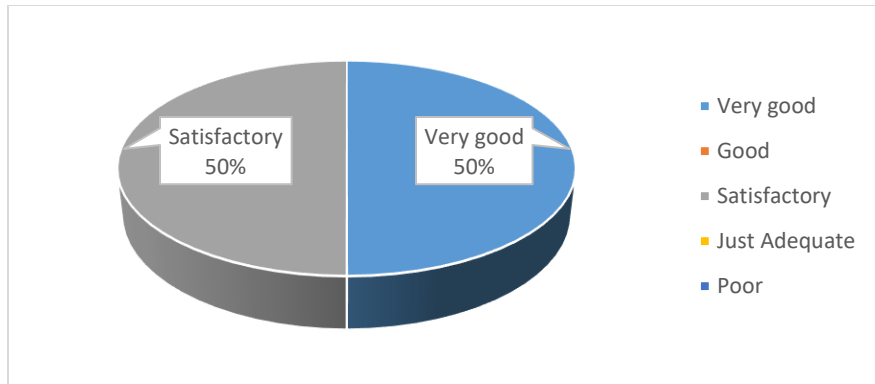
5.2.3 The level of consultation by the FIC before issuing a circular, guidance or directive



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 compliance. Such is needed to enhance the buy-in of stakeholders, enable publishing of Guidance documents which are practical etc.

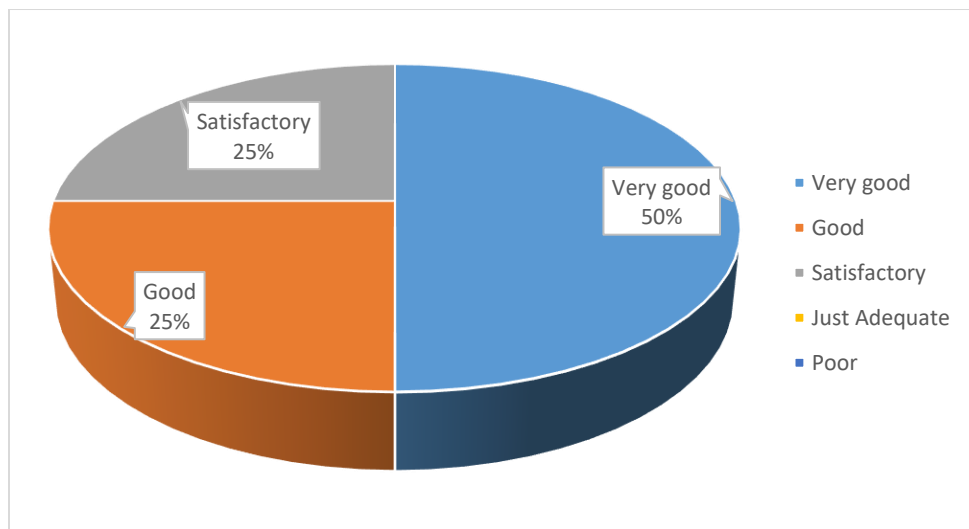
50% of respondents felt that the FIC's level of consultations before issuing circulars, guidance or similar documents is 'very good', as per above.

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



Half (50 percent) of the respondents indicated that the FIC's guidance and technical reference material published on its website is user friendly and rated same as 'very good'.

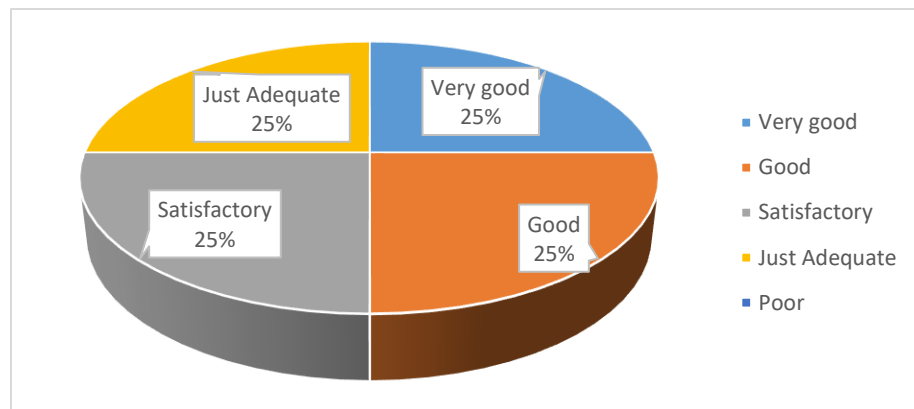
5.2.5 The sector was equally expected to rate its experience of the FIC's web registration process



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 enhances the ease with which to communicate and file various reports in terms of the FIA. Upon registration completion, the FIC avails registration confirmation letters as proof that such entity

has registered with the FIC. 50 percent of respondents indicated the FIC's registration process is 'very good', as per the graph above.

5.2.6 The ease of reporting STRs or SARs to the FIC



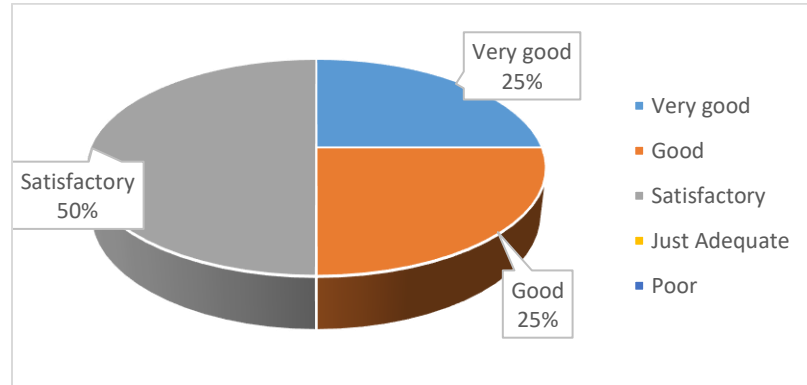
The ease with which AIs and RIs find the process of reporting STRs and SARs is essential in encouraging further reporting. This has a bearing on overall combatting efforts.

Having said that, the FIC recognizes that there is no standard used to determine the volume of STRs/SARs that an entity 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 or transactions are thus not easily comparable. Despite this, most Financial Intelligence Units (FIUs), including the FIC, 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.

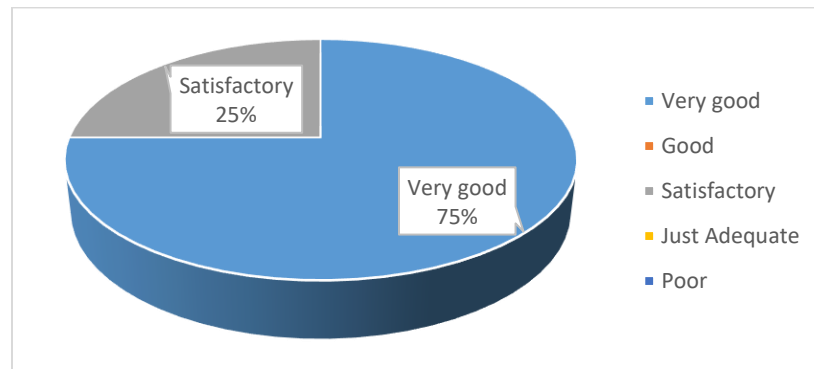
From the graph above, half of the respondents appear to be generally satisfied with the ease of reporting STRs and SARs.

5.2.7 The ease of reporting CTRs to the FIC



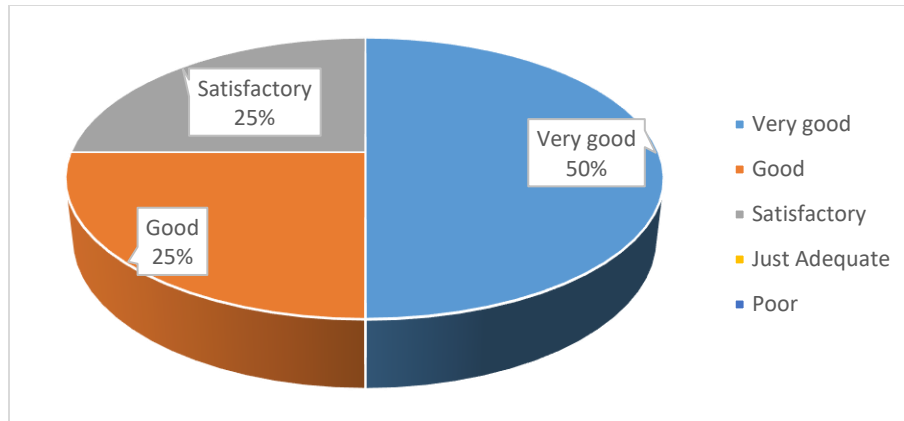
Similar to the reporting of STRs and SARs, half of the respondents indicated that the reporting of CTRs is either 'very good' or 'good'.

5.2.8 Helpfulness of training that Casino's had with the FIC



The majority (75 percent) of the respondents have received training from the FIC and have rated the helpfulness of the training received to be 'very good'.

5.2.9 The feedback and recommendations given by the FIC are transparent and consistent and in a timely manner

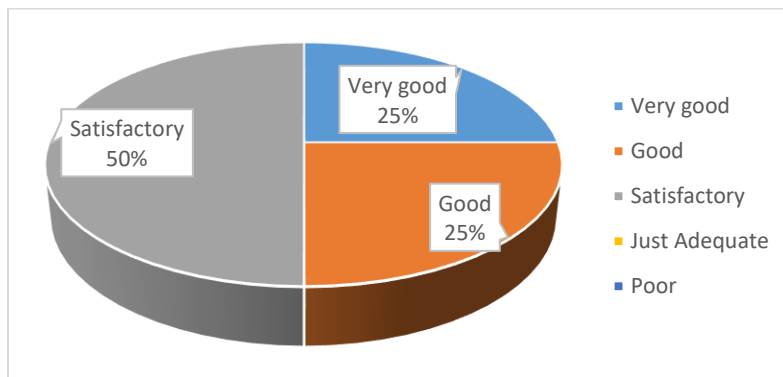


Generally, the respondents are satisfied with the transparency, consistency and timeliness of the advice and recommendations provided by the FIC. Half of the respondents rated the transparency, timeliness and consistency of the feedback and recommendations as 'very good'.

5.3 FIC Compliance Assessments

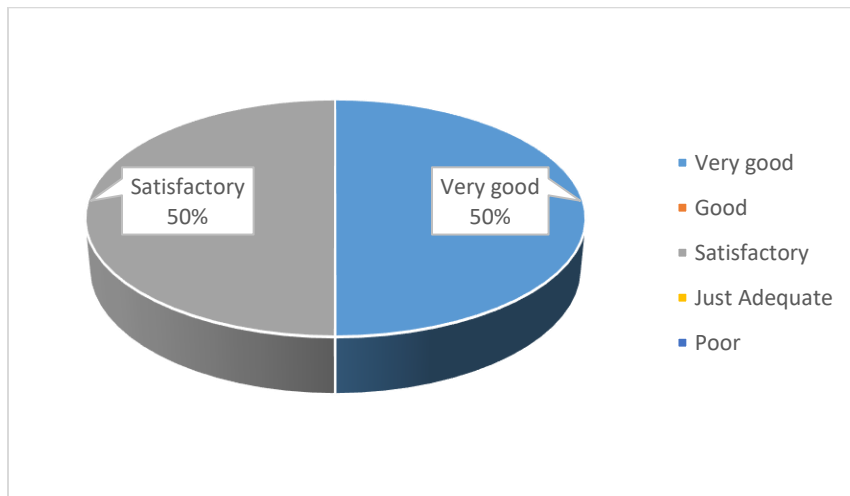
This section of the report details views of Casino's related to FIA compliance assessment activities that their operations are subjected to. On average, the respondents are happy with the way FIA compliance assessments are conducted. Below is the analysis of the responses:

5.3.1 The period of notice given to prepare for AML Compliance assessment activities



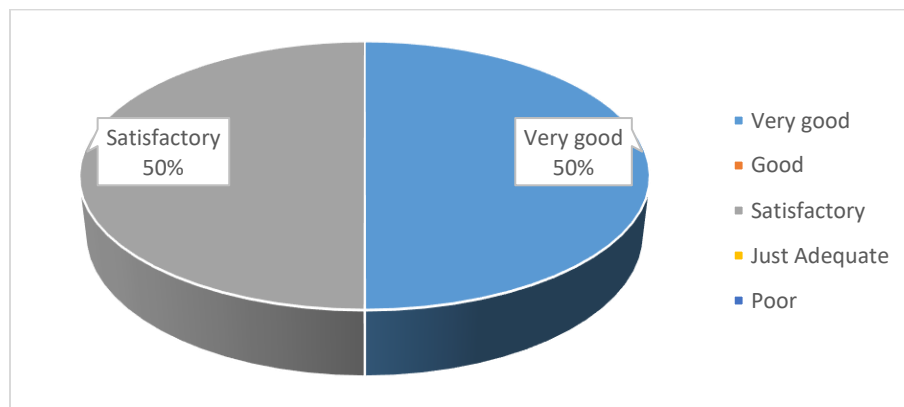
The general sentiment as per above suggests that the period of notice given to the Casino Sector to prepare for FIA compliance assessment activities is sufficient.

5.3.2 The compliance analysts' understanding of assessed systems and operational activities



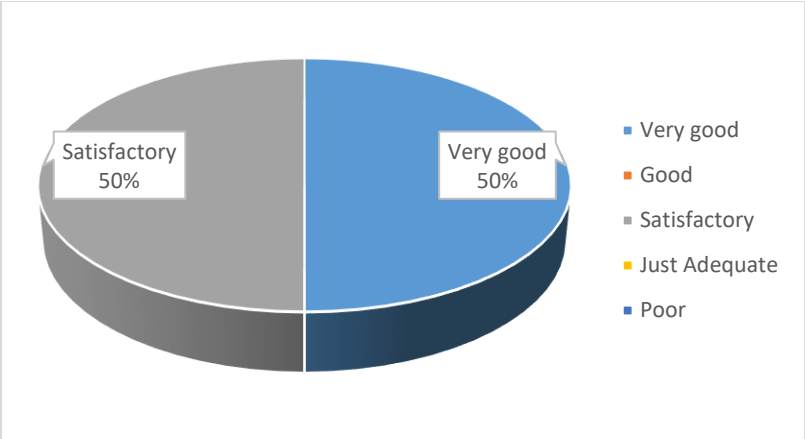
All the respondents indicated that the Compliance Analysts have the required understanding of the Casinos' systems and its operational activities. It is essential that persons tasked with assessing Casino operations have adequate understanding of relevant operations. This enhances value addition and ensures the FIC avails recommendations that are considerate of the nature of such operations.

5.3.3 Efficient execution of the assessment with minimum disruption



Similar to 5.3.2, all the respondents indicated that the FIC monitoring and supervisory activities have not impeded operations within the Casino Sector, as depicted in the table above. It is not the intention of the FIA, nor FIC to disrupt business operations whilst advancing compliance. It is thus important that compliance assessment activities are conducted with minimum disruption to business operations.

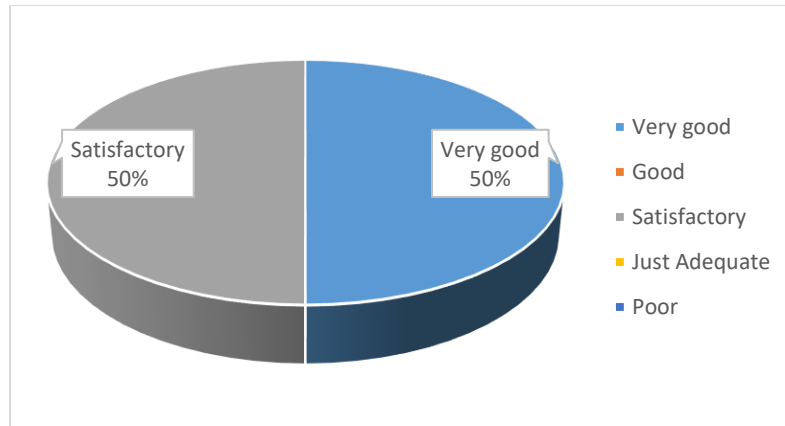
5.3.4 The level of consultation during the assessment



Compliance assessment activities are premised on assessors and assessed entities agreeing on shortcomings and mapping a way forward geared towards addressing same. It is thus essential that there is adequate consultation aimed at finding common ground on key issues in assessment activities.

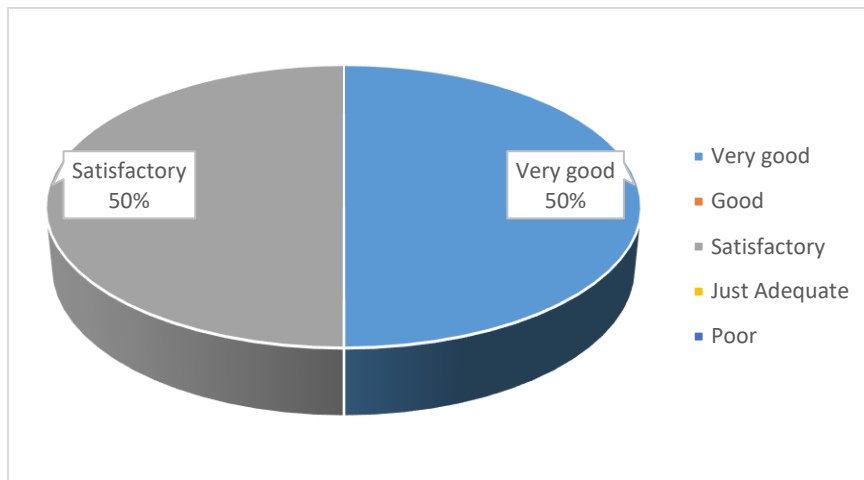
In this regard, it is good to know that the sector rated the level of consultation as either 'Very good' or 'Satisfactory'.

5.3.5 The assessments are carried out professionally and objectively



It can be concluded that all respondents are satisfied with the professionalism and objectivity with which assessments are conducted.

5.3.6 The draft report and/or exit interview addressed the key issues and was relevant

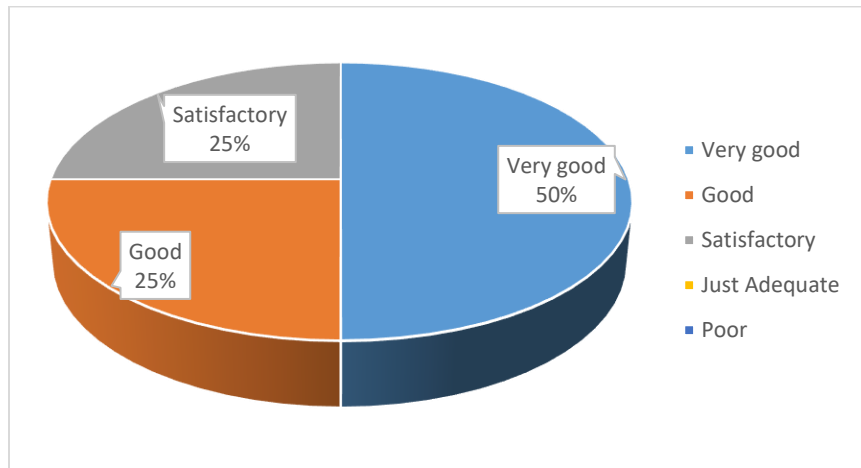


It is essential that the FIC observations from assessment activities capture relevant and key issues.

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 whether 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. In this regard, it can be

summarized, as per the graph above that there is general satisfaction with the way the FIC conducts its activities in this regard.

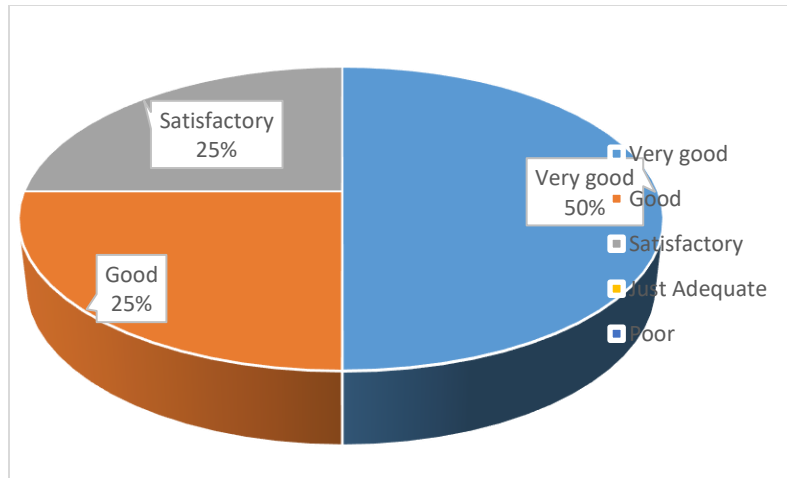
5.3.7 Opportunity to comment on the findings made



Apart from exceptional circumstances which may be determined by the FIC, before assessment reports are finalized, FIC compliance assessment procedures dictate that assessed institutions be afforded an adequate opportunity to avail inputs, correct inconsistencies and avail relevant comments or guidance.

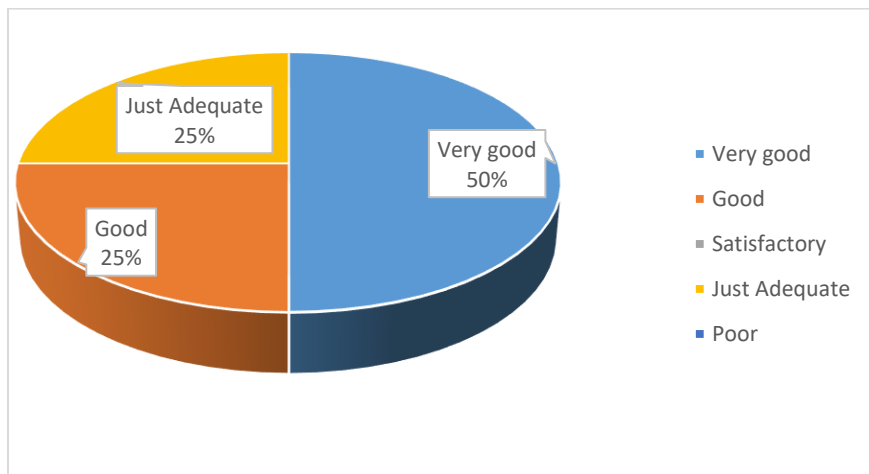
This study found that all the respondents were generally satisfied that the FIC provides the opportunity to comment on the FIA compliance assessment findings. Illustrated in the graph above, the majority of the respondents rated the opportunity provided as either 'Very good' or 'Good'.

5.3.8 The final report in terms of its clarity and conciseness



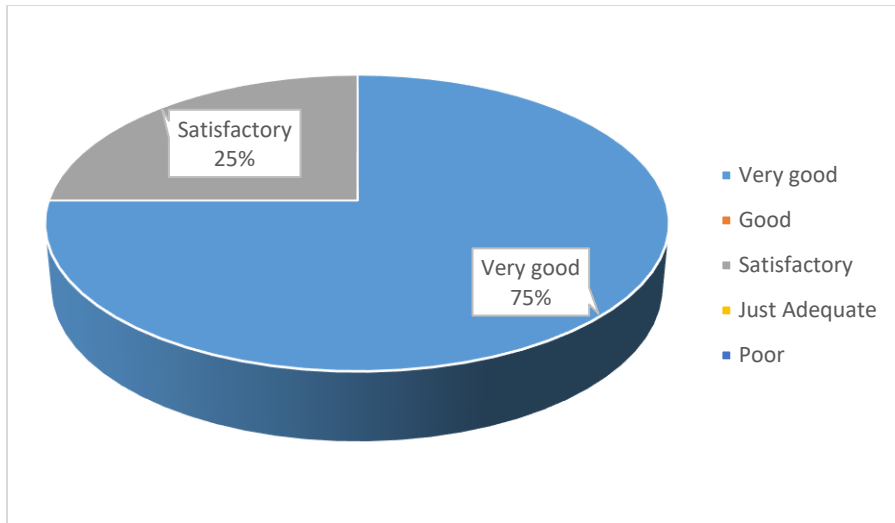
Overall, it can be summarized that all respondents are satisfied with the clarity and conciseness of the FIA compliance assessment reports issued.

5.3.9 The timeliness with which the final report is issued



Overall, most respondents are satisfied with the timeliness of issuing the FIA Compliance assessment reports.

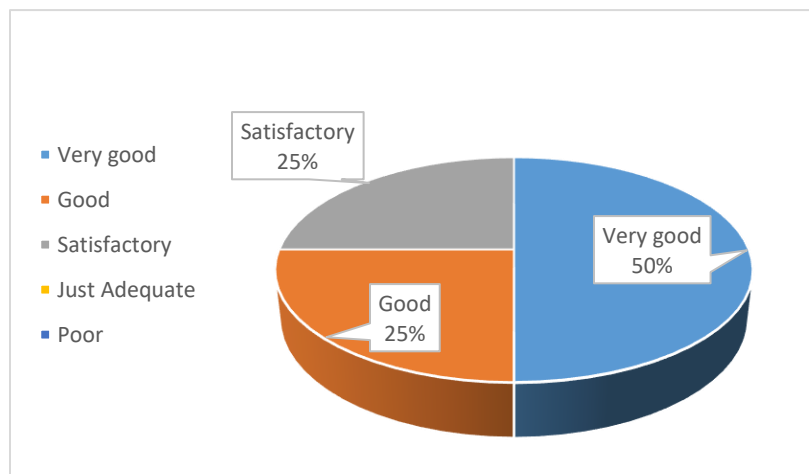
5.3.10 Whether recommendations in the final report will/have improved controls in assessed institutions



The objective of availing recommendations in FIA compliance assessment reports is to avail guidance that can be considered to improve controls.

It can be concluded that all respondents felt that recommendations provided by the FIC to the Casinos have improved their controls and thus effectiveness, as per graph above.

5.3.11 The timeframe within which to respond to report findings and to supply progress quarterly reports



The practice is that assessed institutions are generally granted time to formally respond to assessment findings and observations. This time is usually 30 days but may be prolonged or shortened depending on relevant circumstances. The graph above shows

that many respondents are generally satisfied with the timeframe given for such responses to report findings.

6. General observations

In summary, the following general observations were noted as areas that need improvement:

- i. There are still some Casinos that are not reporting suspicious transactions, 25 percent of the respondents felt that the reporting of STRs or SARs to the FIC is not easy;
- ii. Some of the respondents felt that the stakeholder satisfaction survey was not carried out professionally and objectively. A 'Poor' rating was assigned by a quarter of the respondents in this regard;
- iii. Some Casinos are also of the view that issuance of the final compliance assessment reports is not timely. 25 percent of the respondents rated the timeliness in which the final report is issued as 'Poor'; and
- iv. 25% of the respondents requested more training from FIC, especially on the sanctions screening tools.

7. Comments and feedback from the sector

- a) Given the outcomes of the survey, an engagement session was held on the 11th October 2018 at the Bank of Namibia, Sam Nujoma Auditorium. The session was attended by the FIC and members of the Casino sector. This engagement session was held to allow the sector to clarify certain findings noted from the survey and also avail the FIC with challenges faced as reflected in the sectors' report on the quality of its reports filed with the FIC. In such

session, the FIC also availed guidance and clarity on certain issues raised. The following summarizes discussions from the session: Some participants indicated that it is difficult to identify all the customers that enters the casinos as per FIA expectations. The Casino sector further indicated that some customers are simply non-members that would load amounts as low as NAD 20.00 in a machine which may not accumulate to an amount exceeding the identification threshold. With that said, some members feel that administrative efforts to comply with the FIA in such a scenario are impractical and decreases profitability margins, making it impossible for the casino to record profits on such transactions.

The FIC is studying these concerns and is reviewing certain aspects in the National Risk Assessment to consider increasing the identification threshold to align with Recommendation 22(1)(a);

- b) The sector requested the FIC to give clarity on the definition of “Business Relationship” as this is too vague and open to different interpretations by different people. The notion is that the South African Financial Intelligence Centre Act (FICA) has defined this requirement to include “Members only” and excluding “casual players” who are deemed to not be in a business relationship with the Casinos. The FIC is of the view that all who make use of such services are clients and thus create business relationships with Casinos. The challenge Casinos are having is perhaps adopting a risk based approach as per the FIA;
- c) Some participants indicated that the CTR threshold for the Sector is too low and does not reflect the true risk faced by the sector. The participants suggested that the CTR threshold be increased to NAD 99 999.99. Threshold reporting is not solely informed by risk exposure at institutional level. Threshold reports form a database within the FIC, for the benefit of various ML/TF/PF combatting bodies;

- d) The sector also indicated that there is a need to meet on a periodic basis to address issues faced by Casinos when and as they occur. It was then suggested that the FIC, Compliance Officers, Financial Controllers and the management of registered Casinos form an Industry Forum. Such forum, it was suggested, should ideally meet quarterly to deliberate and find solutions on FIA compliance issues facing the sector. The FIC welcomes suggestions to meet more often and would consider efforts to meet the sector more frequently as it does with the Bankers' Association of Namibia;
- e) The sector identified inconsistencies in the Sector's Report on the Quality of Reports Filed with the FIC and this Stakeholder Satisfaction Report. The sector indicated that the non-reporting of CTR's and STR/SAR findings do not echo the satisfactory ratings and comments, possibly due to the Compliance Officer's limited understanding of their organizations' overall risk exposure. The sector indicated that such assessments e.g. Sectoral Risk assessment questionnaires and satisfaction surveys be ideally completed by their senior staff, discussed and completed at such suggested forums;
- f) The FIC also indicated that findings raised in compliance reports and discussed at exit meetings sometimes go without being resolved because of the non-seniority of appointed Compliance Officers. The persons appointed in compliance functions at times may not necessarily have the required seniority level to drive the necessary change. The Industry participants requested that going forward, General Managers that are responsible for all Casino's should be included in all communications to the Casinos; and
- g) The participants suggested that the FIC consider enhancing the ease of accessing the FIC website and the STR reporting process simpler and user-friendly.

8. Conclusion

The FIC would like to thank all the Casinos for the valuable feedback. The majority of the respondents are satisfied with the supervisory activities of the FIC. In conclusion, the purpose of this study was to identify areas that may need improvement and find ways to enhance such. The FIC has noted such areas as captured herein and will explore means to enhance relevant supervisory measures in the Casino sector.

The point of departure is to come up with an action plan that will take into consideration all factors raised herein, together with outcomes from the National Risk Assessment and implement remedial measures.

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

L. DUNN
DIRECTOR: FIC