



FINANCIAL INTELLIGENCE CENTRE

**REVIEW OF THE QUALITY OF REPORTS SUBMITTED TO THE FIC BY
THE REAL ESTATE AGENTS SECTOR**

REPORTING PERIOD: 2009 TO 2017

REPORT DATE: 21 January 2019

Table of Contents

1.	Acronyms and Abbreviations & Glossary	3
2.	Background.....	4
3.	Industry Overview	5
4.	Suspicious Transaction Reports (STRs)	6
5.	Suspicious Activity Reports (SARs)	8
6.	Areas that need improvements: STR and SAR Reporting	9
7.	Cash Threshold Reports (CTRs)	10
7.1	Areas that need improvements: CTR reporting	11
8.	Conclusion	11

1. Acronyms and Abbreviations & Glossary

AI (s)	Accountable Institution (s)
AML	Anti-Money Laundering
CFT	Countering the Financing of Terrorism
CPF	Combating Proliferation Financing
CTR	Cash Transaction Report (s)
FIA	Financial Intelligence Act, 2012 (Act No. 13 of 2012) as amended
FIC	Financial Intelligence Centre
GoAML	A standard software system used for Anti-Money Laundering reporting and communication
ML	Money Laundering
NAD	Namibian Dollars
RI (s)	Reporting Institution (s)
SAR (s)	Suspicious Activity Report (s)
STR (s)	Suspicious Transaction Report (s)
TF	Terrorist Financing

2. Background

The Financial Intelligence Act, 2012 (Act no.13 of 2012) as amended (FIA) classifies Real Estate Agents as Accountable Institutions (AI) under Schedule 1. Consequently, the FIA requires these institutions to implement control measures (including reporting controls) aimed at preventing, detecting and mitigating Money Laundering, Terrorism Financing and Proliferation Financing (ML/TF/PF) risks. Services provided by Real Estate Agencies are vulnerable to ML/TF/PF activities. Real Estate Agents, by virtue of availing such services have a role to play in contributing to prevention measures. The sector's Anti-Money Laundering, Combatting of Terrorism and Proliferation Financing (AML/CFT/CPF) activities therefore contribute to the national combatting efforts. A significant part of such combatting efforts lies in the ability of AIs to detect unusual transactions, analyse them and report suspicious transactions to the FIC. Upon receipt of such, the FIC conducts analysis and escalates actionable intelligence products to relevant Law Enforcement Authorities.

The Financial Intelligence Centre (FIC) is mandated to, amongst others: coordinate, supervise, monitor and regulate AIs' efforts to mitigate ML/TF/PF risks, thus enhancing FIA compliance. In furtherance of this, the FIC has embarked on a review of the quality of reports submitted by Accountable and Reporting Institutions in terms of sections 32, 33 and 34 of the FIA. The outcomes of such review are contained herein. It is hoped that this report highlights observations which may enhance controls geared towards detecting and reporting suspicious transactions. The ability to detect specified transactions which are reportable reflects an institution or sector's overall control effectiveness level.

The objective of this assessment was to enhance the quantity and quality of FIA report types received by the FIC, thereby improving compliance behaviour. This review of the quality of reports considered reporting behaviour of Suspicious Transaction Reports (STRs), Suspicious Activity Reports (SARS) and Cash Threshold Reports (CTRs) above NAD 99,999.99. The results were used by the FIC to assess the design, adequacy and

to a certain extent the effectiveness of AML/CFT/CPF controls (herein referred to as controls) in reporting the above mentioned reports.

3. Industry Overview

Real Estate Agents are required as per section 32 and section 33 to report CTRs above NAD 99,999.99. On the other hand, STRs are reported based on an unusual transactional behaviour of a client, which is found to be inconsistent with the known client financial profile. A SAR is different from a STR described above, in that a SAR is not a transaction per se but activities that may escalate to a future transaction or activities that give rise to reportable matters.

STRs and SARs are reported to enable the FIC to collect, analyse transactions and share intelligence outputs with relevant Law Enforcement Agencies such as the Namibian Police, Anti-Corruption Commission, the Receiver of Revenue and the Office of the Prosecutor General. CTRs are an essential component of the FIC database used for data mining, analysis and other purposes.

Real Estate Agency services are inherently vulnerable to potential Money Laundering (ML) abuse as the industry offers lucrative products with high values of return on investments, hence the potential for attracting criminals to launder proceeds through investments in properties. The inherent risks may further be escalated by the fact that some of the clients are foreign nationals investing illicit funds in Namibia. There is equally a risk of properties previously acquired with illicit funds being sold in legitimate transactions. This may occur in a sector where the client due diligence is centred on the buyer with little to no regard for exploring how sellers may have funded the properties on sale in the first place. Equally, the general lack of controls observed in the sector as per the FIC's compliance assessment observations over the last five years enhances risk exposure. It is thus an unfortunate reality that the industry is exposed to a variety of clients who may want to launder proceeds through the purchase and sale of properties.

At the time of compiling this report, the FIC had registered a total of 704 Real Estate Agents for FIA compliance supervision and monitoring purposes. The scope of this review covered the period from 05 May 2009 to 31 December 2017.

4. Suspicious Transaction Reports (STRs)

STRs are reported for the purpose of enabling the FIC to collect, analyse and disseminate case reports (intelligence products) to the relevant Law Enforcement Agencies. When a Real Estate Agent has knowledge of any suspicious transactions concluded with them, or suspects that it has received or is about to receive the proceeds of unlawful activities, it should report such to the FIC. Equally, if an agent has been used or is about to be used in any other way for ML/TF/PF purposes, it must within 15 working days of detecting such suspicion report to the FIC.

Based on our review of transactions reported to the FIC for the period under review, only 8 STRs were received from the sector.

From the total of such eight STRs, only one of the reports was escalated for further analysis and resulted in actionable intelligence. The rest were categorized as “low priority”. Low priority categorization refers to such reports that are not immediately attended to by the FIC.

The FIC applies a risk-based approach in assigning priority levels to STRs/SARs received from the various stakeholders. The same applies to the actual investigation of such reports. Reports regarded as “high priority” are normally attended to at the earliest opportunity, depending on various considerations. Some of the factors taken into consideration when assigning priority levels include:

- a) the monetary values involved in the suspicious transaction;
- b) the possibility of involved funds being used or placed beyond the reach of law enforcement;

- c) the possibility of perpetrators fleeing from Namibia or any other jurisdiction internationally;
- d) the likelihood that the transaction relates to the most prevalent predicate offences: Tax evasion, fraud and corruption etc.;
- e) assessment whether there are any prospects of recovery, seizure, preservation of funds and/or property;
- f) whether subjects/entities are related to other reports, known to the FIC, Law Enforcement etc.;
- g) feedback received on similar reports issued to Law Enforcement Agencies in the past;
- h) whether the submitted report relates to known typologies and trends considered to be high risk;
- i) whether the submitted report has clear links to criminal organizations/activities;
- j) priorities of Law Enforcement Agencies;
- k) whether there are any pending investigations led by investigating authorities on which the submitted report may impact;
- l) whether the submitted report identifies well known subjects involved in high risk ML/TF/PF transactions;
- m) whether the geographic location of transactions as identified in the submitted report is regarded as high risk for ML/TF/PF purposes; and
- n) whether the transaction(s) in question has already been executed or/not executed.

The availability of resources within the FIC tasked with reviewing incoming reports at any point in time impacts the number of reports the FIC can effectively work on at any given time.

Table 1: Number of STRs received during the period under review

Transaction year	Total (NAD)	No of Transactions
2017	13,522,263.03	8

Table 2: Grounds for suspicion as per STRs filed

No of STRs	Reason for reporting STR
2	Purchases for cash and funds not in line with client profile
4	Suspicion relating to potential tax evasion
1	Third party payment
1	Client refusing to provide information

Notably, 50% (4/8) of STRs were reported based on the suspicion of potential Tax Evasion. This is in line with FIC's observations, as contained in other reports that Tax Evasion is perhaps the most common predicate offence for Money Laundering locally.

Table 3: Number of Institutions that reported STRs

Entity	No of STRs reported
Institution A	3
Institution B	4
Institution C	1

Less than 1% (3/704) of the registered Real Estate Agents reported STRs as per above table. This is a worrying trend. No STRs were received from the other 701 institutions registered with the FIC from May 2009 to date.

5. Suspicious Activity Reports (SARs)

Table 4: Number of SARs received during the period under review

Transaction year	No of transactions
2017	8

Eight SARs were received from the Real Estate Agents for the period under review. Five of the eight were escalated for further analysis and resulted in actionable intelligence, whereas the remaining three were categorized as “low priority”. Factors that inform report classification are captured in section 4 above.

Table 5: Grounds for suspicion as per SARs filed

No of SARs	Reason for reporting SARs
1	Client behaviour not in line with client profile
5	Suspicion relating to potential tax evasion
1	Reported in the newspapers to be under investigation
1	Suspicious enquiries

Notably, 63% (5/8) of SARs were reported based on the suspicion of potential Tax Evasion.

Table 6: Number of Institutions that reported SARs

Entity	No of SARs reported
Institution A	6
Institution B	1
Institution C	1

Similar to the STRs, less than 1 % (3/704) of the registered Real Estate Agents reported SARs as per above table.

6. Areas that need improvements: STR and SAR Reporting

- a) When filing STRs and SARs, institutions should always avail as much information about the grounds for suspicion as possible. This helps with analysis and furtherance of reporting objectives;
- b) Most of the STRs reported do not have supporting documents attached. Institutions should always attach transactional, identification or such related information which supports the reports filed. It stands to reason that if adequate customer due diligence

was carried out, most required information would be at hand and can thus be timely availed upon reporting;

- c) Filing reports technically requires institutions to complete fields in the given templates. Institutions are requested to complete as many of the available fields as possible on all report types. Most required information can only be availed in reports if adequate customer due diligence was carried out;
- d) All Real Estate Agents are encouraged to comply with the provisions of the FIA and ensure that controls are implemented to enable the detection and/or identification, monitoring and reporting of suspicious activities.

7. Cash Threshold Reports (CTRs)

Real Estate Agents have an obligation to report within five (5) 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 Accountable Institution in excess of the threshold amount of NAD 99,999.99, with effect from 28 January 2015.

Table 7: CTRs reported per year

Years	NAD	No of CTRs
2016	203,007.00	1
2017	1,030,650.00	4
Grand Total	1,233,657.00	5

Only five CTRs were received from the Real Estate Agents since the reporting obligation came into effect. There is an improvement in the number of CTRs reported from the years 2016 to 2017. However, having regard to the number of potential CTR transactions which should have been reported as per findings in FIA compliance assessment reports, the FIC is concerned that the sector of 704 registered institutions is severely under reporting.

Table 8: Number of CTRs reported per Real Estate Agent

Entity	No of CTRs reported
Institution A	1
Institution B	1
Institution C	1
Institution D	1
Institution E	1

The review noted that one Real Estate Agent reported a transaction below the NAD 99,999.99 threshold as a CTR. This, together with the underreporting could suggest that agents do not fully understand the characteristics of transactions that are reportable as CTRs. Equally, by reporting transactions which should not have been reported, may indicate that the limited number of reported CTRs as documented herein could have been lesser.

7.1 Areas that need improvements: CTR reporting

- a) Reporting of CTRs is observed to be generally low considering the size of this sector in Namibia. The FIC takes note of the fact that most of the estate agents are no longer receiving funds directly from their clients. It has been observed that funds are directly paid to conveyancing attorneys, who in turn pay all stakeholders, including the Agent's commission. This may partly support the observation of reduced CTR reporting;
- b) Real Estate Agents should ensure that all required fields are completed when CTR templates are populated for submission on the GoAML Portal;
- c) Real Estate Agents should ensure that the amount to be reported is above the threshold of NAD 99,999.99 before submitting same to the FIC on the GoAML Portal.

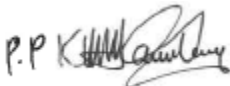
8. Conclusion

The FIC urges Real Estate Agents to pay particular attention to customer's transactions and behaviour, especially when such does not correspond to the client financial profiles.

The information obtained for client identification purposes should be used as the basis for monitoring client behaviour in order to detect reportable transactions (STRs/SARs). It is safe to say that when adequate and relevant customer due diligence information is obtained (during identification or customer due diligence phase), an Accountable Institution will most likely have adequate information needed for STR, SAR and CTR reporting purposes. Therefore, adequate customer identification and due diligence impacts the quality of reporting.

Real Estate Agents are further encouraged to ensure that they only report CTRs which are above the set threshold of NAD 99,999.99.

In conclusion, judging from observations and findings of the FIA compliance assessment, it is obvious that not all Accountable Institutions are reporting CTRs and STRs in this sector. There are thus reportable transactions within records of institutions which have not yet reached the FIC. Institutions are hereby directed to review their records and ensure prudent reporting of all reportable transactions (whether such are STRs, SARs or CTRs).

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

L. DUNN
DIRECTOR: FIC