



## **FINANCIAL INTELLIGENCE CENTRE**

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### **SUMMARY OF OBSERVATIONS FROM THE STAKEHOLDERS' SATISFACTION SURVEY:**

**THE BANKING 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 nationally 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/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, consideration of stakeholder feedback and inputs 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 Anti-Money Laundering, Combatting Financing of Terrorism and Proliferation 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, create a platform for corrective actions and avail clarity on certain 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 impacting 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 framework.

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

### **3. Executive Summary**

Amongst others, Banks are gatekeepers to our financial systems. Persons making use of various banking services can introduce funds from illicit activities into the banking sector and move such funds through various financial services in the financial system, thus distancing them from their illicit origin. The banking sector, by virtue of the services provided is at the center of all financial services. Effective ML/TF/PF supervision, resulting in effective risk management in the banking sector is therefore paramount. It was thus of outmost importance to the FIC that the banking sector avails feedback on the FIC's supervisory and compliance monitoring framework. Such feedback will assist the FIC, in its efforts to enhance supervisory processes better. This can lead to enhanced risk management and thus FIA compliance.

In summary, feedback provided by the banking sector indicates that the Banks have a general understanding of the FIC's mandate and their FIA obligations. Most of the Banks find the FIC's publication and industry specific guidelines helpful and useful.

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 at institutional level. The majority of institutions in the banking 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 outcomes from such survey and provides clarity on some pertinent observations.

#### **4. Methodology**

A questionnaire was sent out to all ten Banks. Nine Banks responded to the questionnaire, reflecting a 90% response rate.

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.

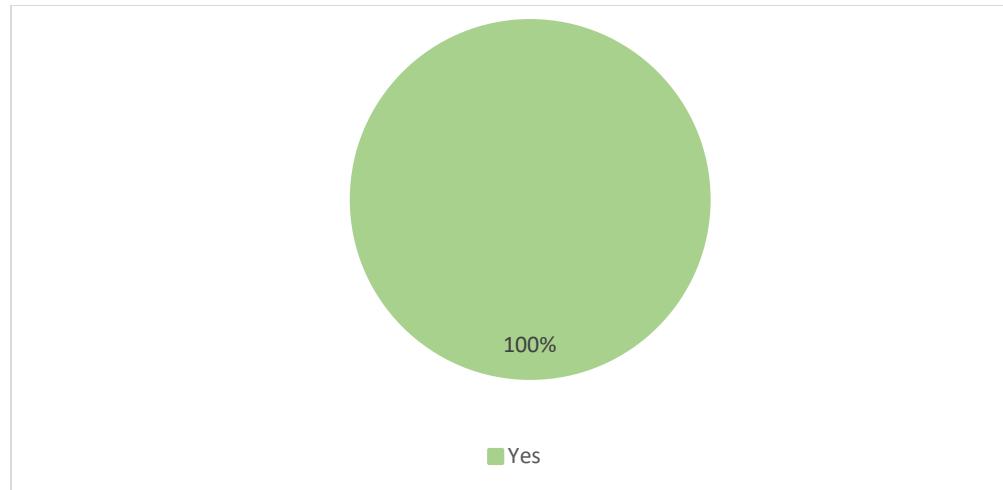
Responses from the questionnaire were collated, analyzed and this report presents a summary of the output thereof in terms of such sections.

#### **OUTCOMES OF SURVEY:**

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

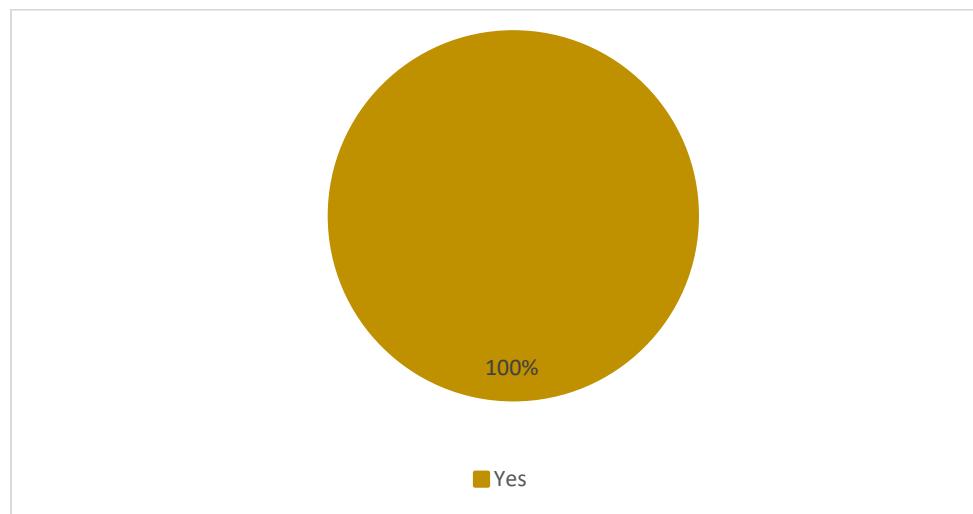
Section 1 of the questionnaire focused on the banking sector's general understanding of the FIC and its mandate. On average, 95 percent of the respondents indicated to have a general understanding of the FIA and the FIC's mandate.

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



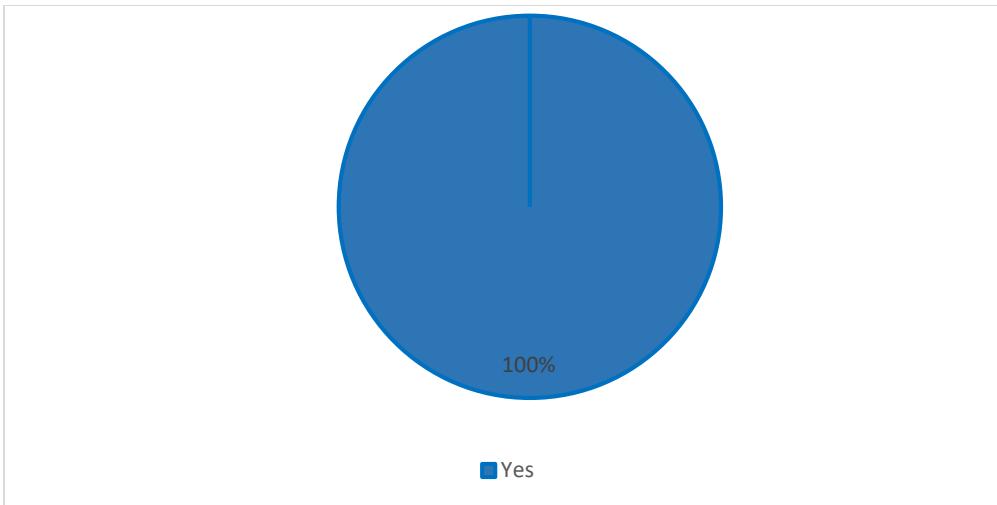
100 percent of the respondents indicated that they are aware of the existence of the FIC.

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



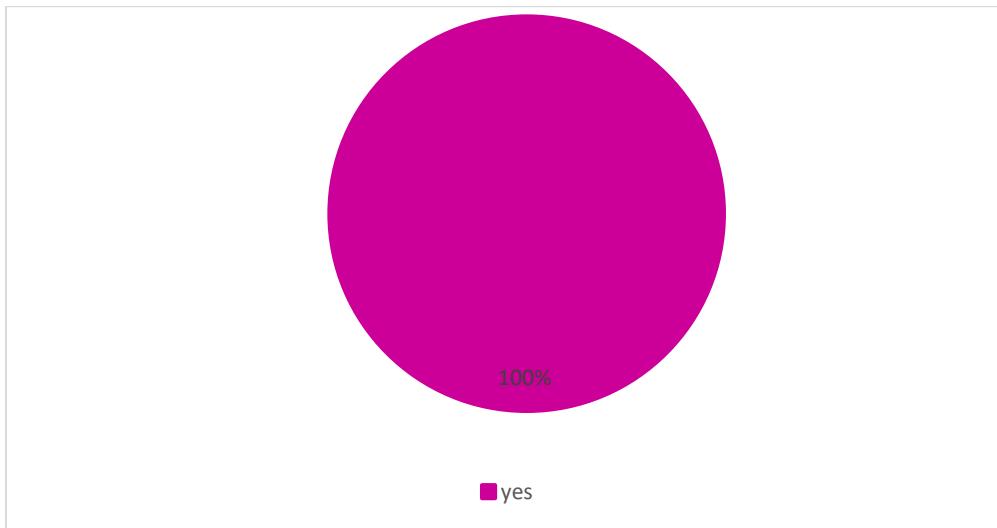
100 percent of the respondents indicated that they are aware of the functions and mandate of the FIC.

#### **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)]**



100 percent of respondents indicated that they have received or attended an AML/CFT/CPF training of some kind.

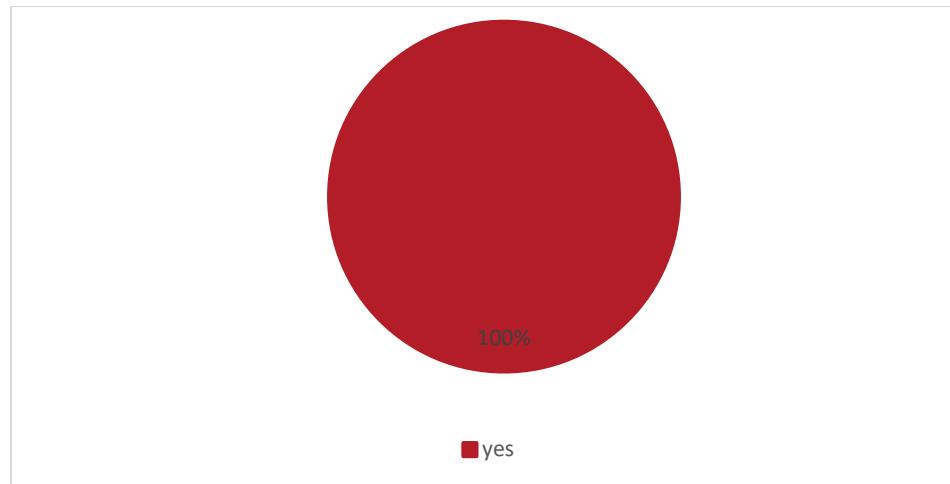
#### 4.1.4 Graph 4: Accessing the FIC website



100 percent of the respondents indicated that they have accessed the FIC website. Most FIC guidance and other formal communications are shared via the website, amongst other mechanisms. It is therefore appreciated that the sector appears to have been making use of the website.

#### 4.1.5 Graph 5: Awareness of all FIA obligations pertinent to an AI

100 percent of the respondents indicated to be aware of their FIA obligations. From engagements with sectors under the FIC's supervision, it has always been evident that the banking sector understands their AML/CFT/CPF responsibilities better than most other sectors.

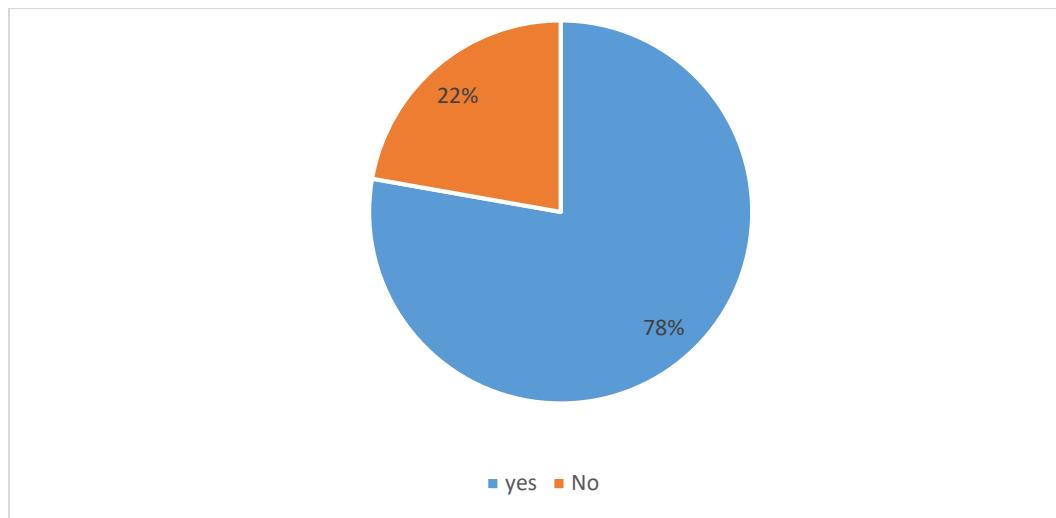


#### **4.1.6 Reporting Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs) to the FIC**

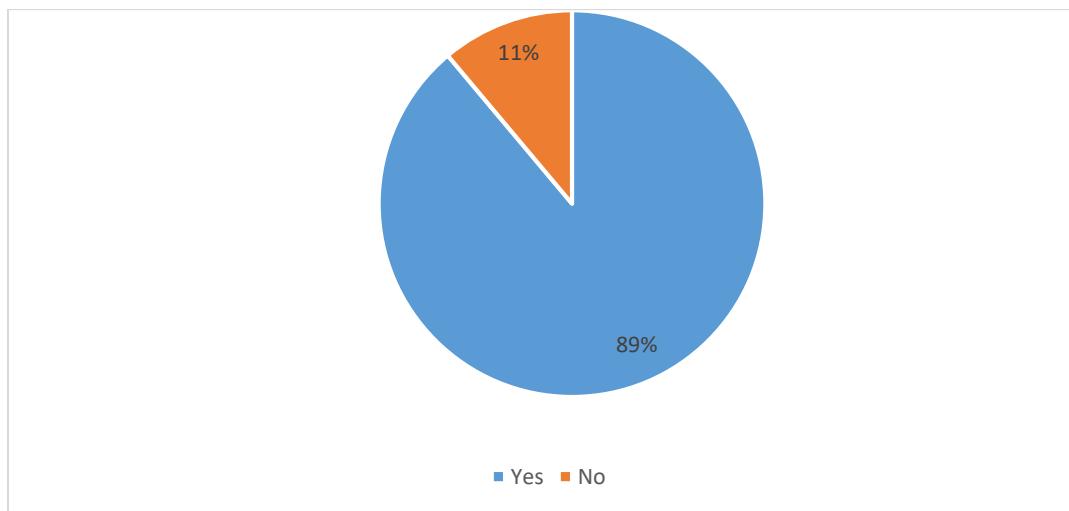
A major objective of ML/TF/PF risk management and thus compliance with the FIA is contribution to national combatting efforts. For Accountable Institutions, enabling implementation of controls that ensures suspicious transactions or activities are detected and reported to the FIC is central to all efforts. 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.

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.

The banking sector has over the years been reporting the highest number of STRs and SARs. In this survey, 78 percent of the respondents indicated that they have reported STRs and SARs to the FIC, while 22 percent indicated to have never reported any of the said reports.



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



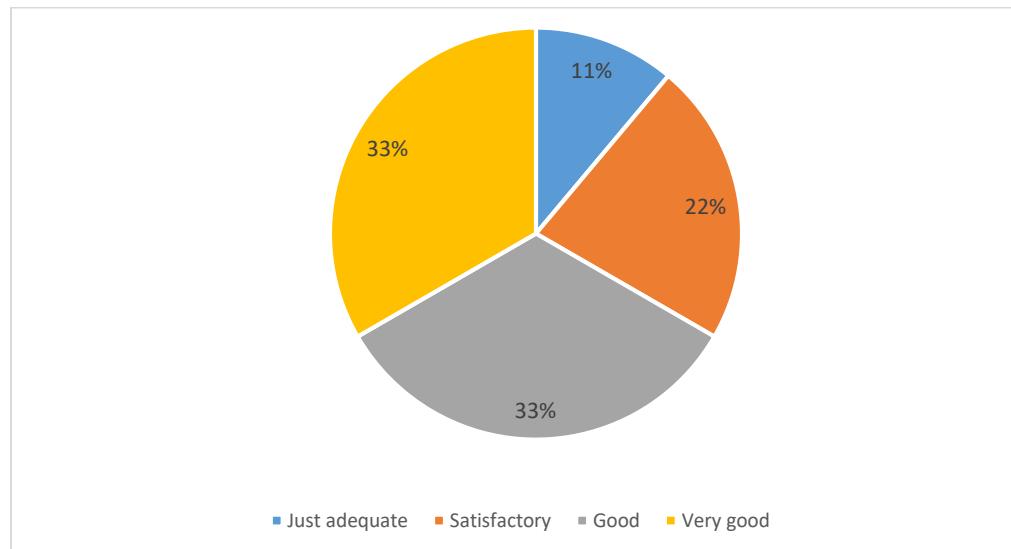
Since 28 January 2015, relevant institutions are expected to report cash transactions that exceed NAD 99 999.00 to the FIC. Such reports are not necessarily suspicious in nature and mainly reported to form part of the database of records used in ML/TF/PF combatting

activities. In this sector, 89 percent of the respondents indicated to have reported CTRs to the FIC. The remaining 11 percent stated to have never reported a CTR.

## **4.2 FIC Publication and industry specific guidelines**

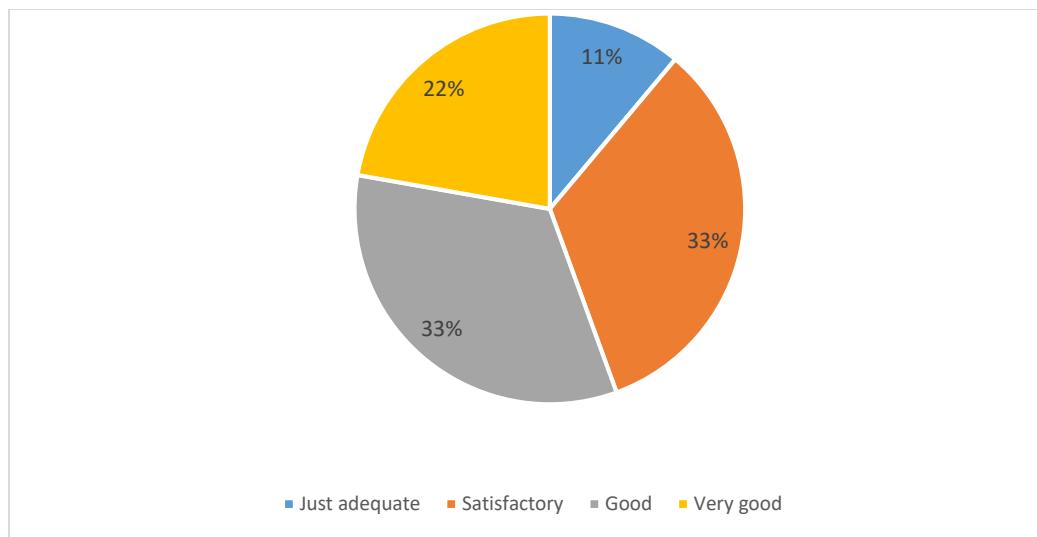
This section of the questionnaire focused on the FIC publications and guidance provided to the banking sector. On average, the respondents rated the usefulness of FIC publications and guidance provided as 'Good'. Below is a presentation of the various responses in this regard:

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



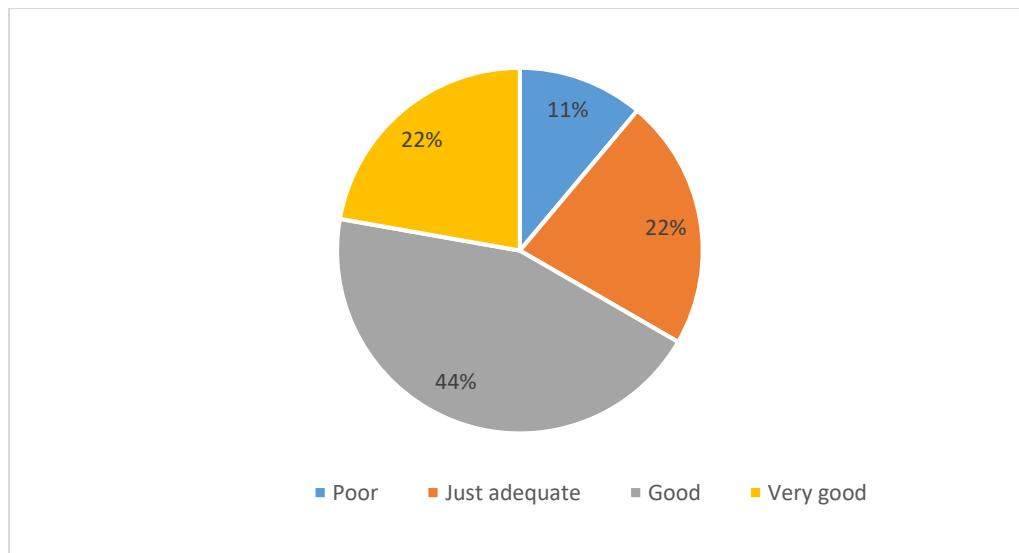
The above summarizes the banking sector's ratings of the FIC website's usefulness. As indicated above, the website is a significant communication tool of the FIC and efforts will be made to enhance the usefulness thereof as per inputs from various sectors.

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



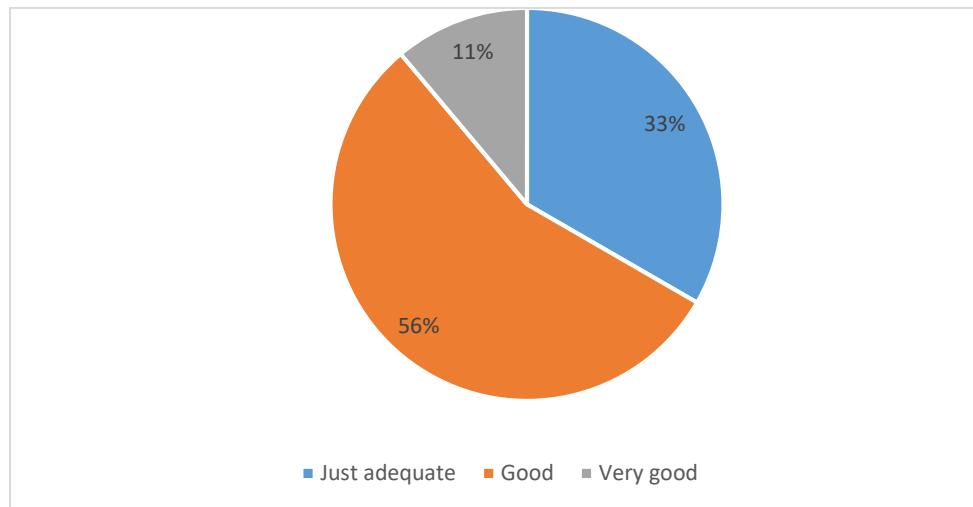
Generally, it appears that most (88 percent) respondents felt that the FIC's publications and industry specific guidance are either satisfactory, good or very good. This reflects on the helpfulness of such.

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



A significant number of respondents (66%) felt that the FIC's level of consultations before issuing circulars, guidance or typology reports is Good. However, 11 percent of the respondents felt that the level of consultation in this regard is Poor.

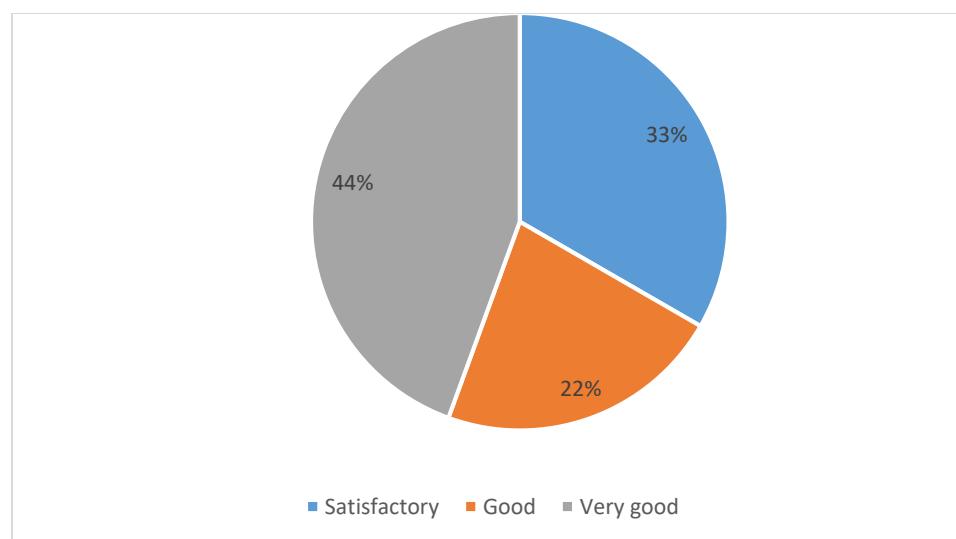
#### **4.2.4 Graph 9: The FIC publishes up-to-date guidance and technical reference material on its website in a format which is user friendly**



It is essential that supervisory guidance and related forms of communications are user friendly to the targeted audience. This enhances the helpfulness thereof.

As per above, the majority of respondents felt that the FIC publishes up-to-date guidance and technical reference material on its website in a user friendly format.

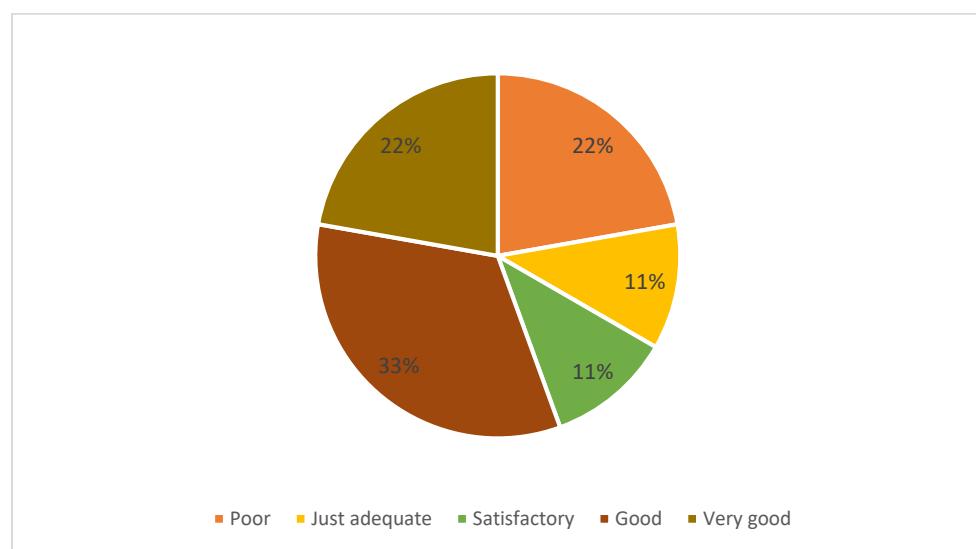
#### **4.2.5 Graph 10: Assessing the FIC's web registration process for AIs/RIs**



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.

66 percent rated the registration process ‘very good and good, and 22 percent rated the same as satisfactory.

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



The ease with which AIs and RIs experience the process of reporting STRs and SARs is essential in encouraging further reporting. This has a bearing on overall quality of reports submitted and thus overall combatting efforts. This is the object of all efforts driven towards enhancing reporting behavior, especially under reporting.

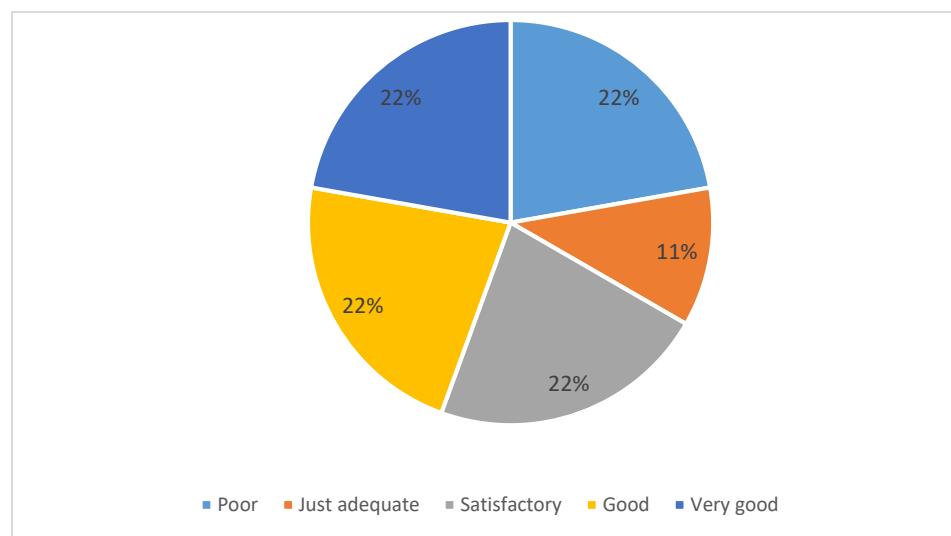
Having said that, the FIC recognizes that there is no standard worldwide used to determine the volume of STRs that an entity should be reporting. The nature of behavior which may lead to eventual flagging and further reporting of a particular transaction or in a particular Accountable Institution may 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), the FIC included,

rely on comparing sectoral reporting behavior to make assessments on areas which may need improvement in reporting behavior.

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 this regard, the majority of the respondents felt that the process of reporting STRs and SARs to the FIC is easy. As depicted in the chart above, only 22 percent of the respondents felt that the reporting of STRs and SARs is poor or needs improvement. The following were the comments received from the respondents for the poor rating: the FIC's reporting platform should be improved to enable storage of clientele profiles. This will ease the reporting of STRs and SARs when such clients are reported more than once. It is time consuming to enter data in all the reporting fields with each reporting interval.

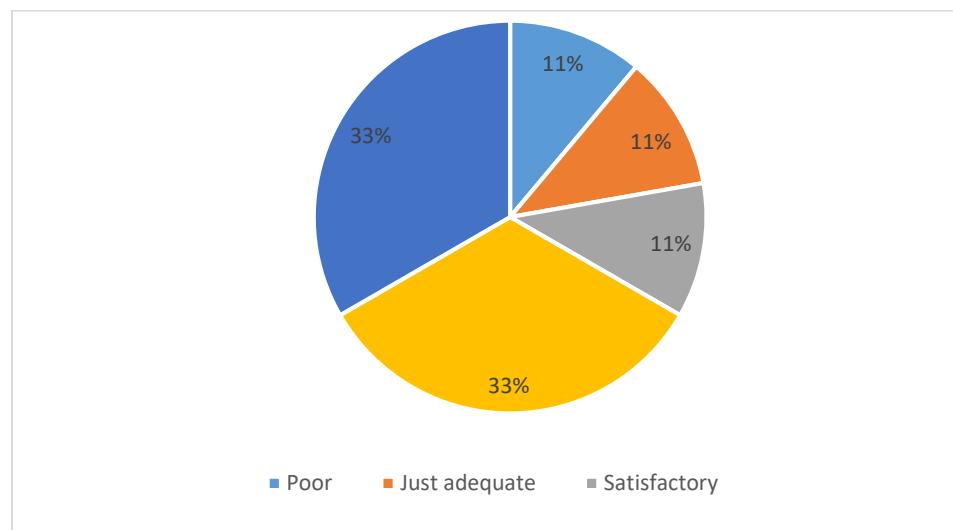
#### 4.2.7 Graph 12: The ease with which CTRs are reported to the FIC



Similar to the reporting of STRs and SARs, most of the respondents indicated that the reporting of CTRs is quite easy while 22 percent are of the view that the process is

not easy. It was also indicated that more training needs to be availed to the industry in this regard. Similar to recommendations made for STR/SAR reporting, the sector also felt that the FIC website should be improved to enable the storage of clientele profiles when clients are reported more than once. This will ease the reporting of CTRs as it is time consuming to enter data in all the fields with each reporting interval for previously reported clients.

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

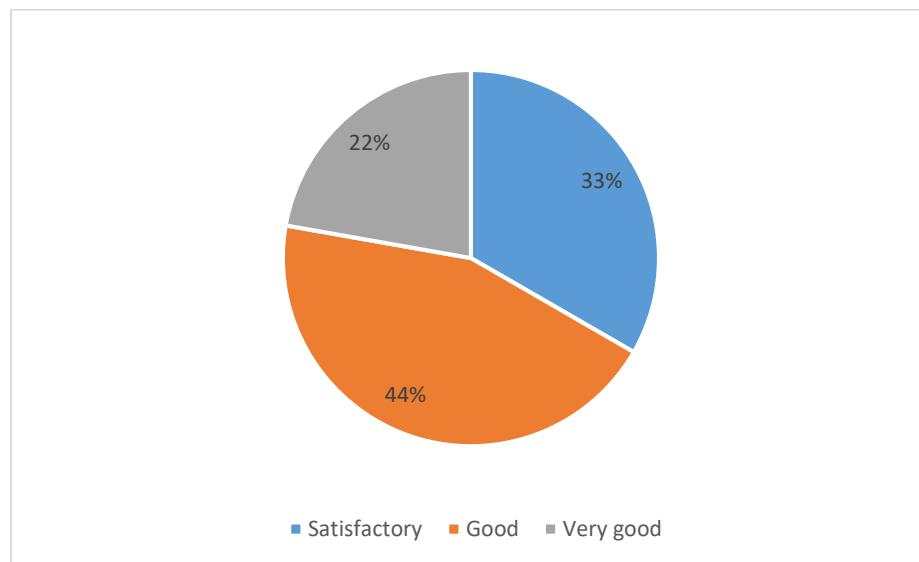


The majority of respondents have received training from the FIC and have rated the helpfulness of the training received as 'Good'. On the other hand, 11 percent of respondents felt that the training provided by the FIC is Poor in terms of helpfulness, as a need was expressed for the FIC to create more "public awareness". One bank indicated that it has never been trained on reporting obligations.

The FIC agrees with the need for public awareness as such would help the banking public understand the object of the FIA. This would in turn enhance the ease with which banks engage clients to source information in terms of the FIA or other due diligence measures. This can therefore enhance overall risk management. The training referred to herein was however directed at the training activities availed by the FIC to sectors under its supervision and not the general public. Public awareness

activities, although essential and needs to be improved on, was not the object of the question. The FIC however notes this concern and agrees that could be done to enhance general public awareness as far as the FIA is concerned.

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



The FIC avails feedback and recommendations to help enhance ML/TF/PF risk mitigation. Such are primarily shared on an ad-hoc basis as and when needed or via FIA compliance assessment reports.

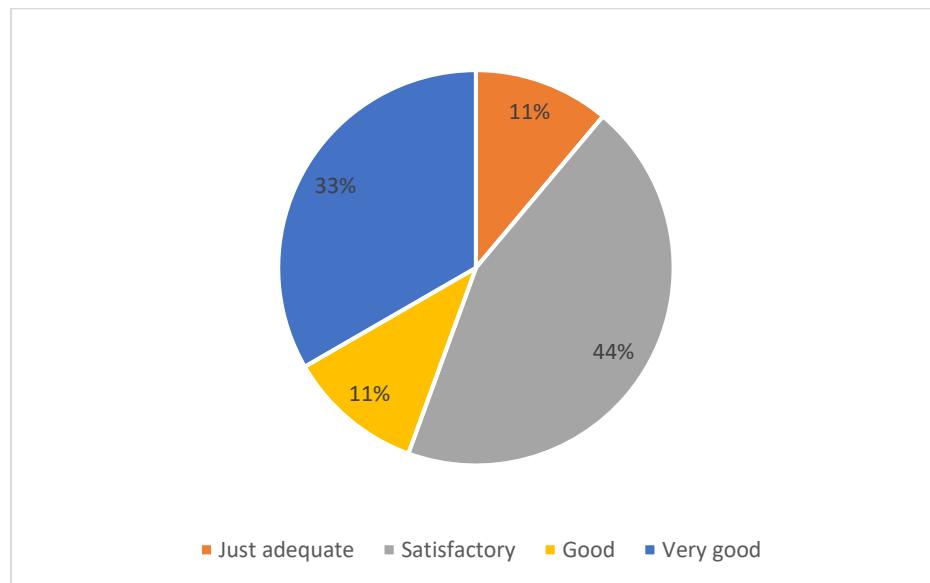
Overall, most respondents appear to be relatively satisfied with FIC feedback and recommendations as per graph above.

### **4.3 FIC Compliance Assessments**

This section of the questionnaire focused on 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 and Reporting Institutions. Observations

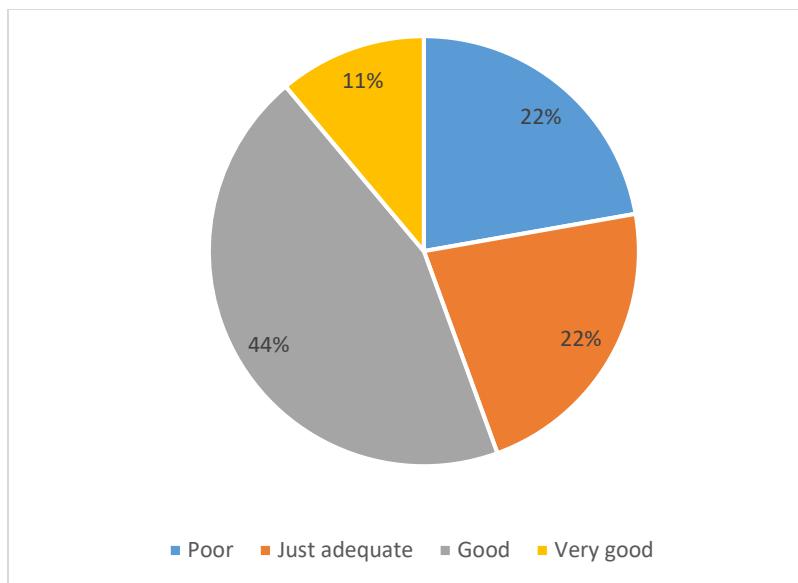
indicate that on average, the respondents are happy with the way FIA compliance assessments are conducted. Below is a summary of responses in this regard:

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



Overall, it can be summarized that the respondents are generally satisfied or happy with the period of notice given to prepare for FIA compliance assessment activities.

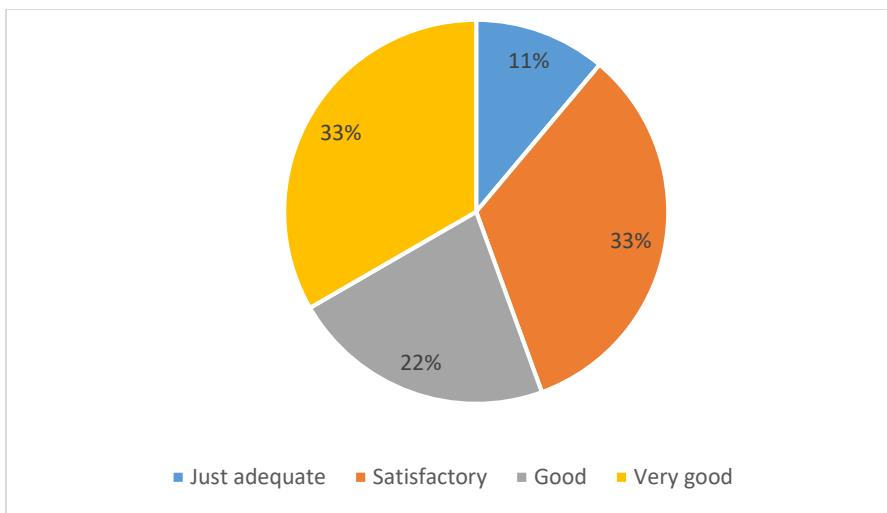
#### **4.3.2 Graph 16: The compliance analysts' understanding of AI's systems and operational activities**



The essence of assessing effectiveness of controls lies in understanding the operational environment in which such controls function. Efforts are thus always made to first understand the nature of relevant operations before control assessments commence. Consideration of the nature of services and operations in assessments help present opportunities for relevant observations and thus recommendations and guidance.

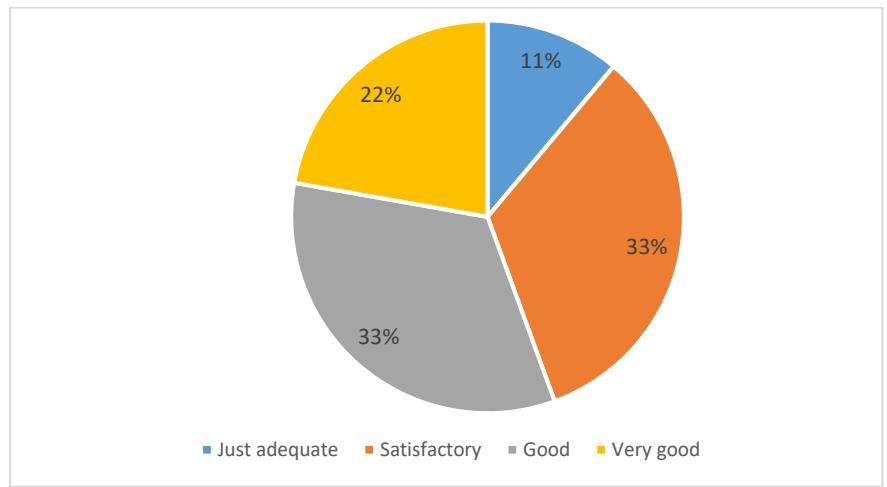
Overall, the majority of respondents indicated that the compliance analysts have either a 'Good' or 'Very Good' understanding of the banks' systems and operational activities. On the other hand, 22 percent perceive the compliance analysts' understanding to be 'Poor'. Reasons for such poor ratings or factors which may have informed such were not availed.

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



This aspect of the survey was aimed at understanding 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 within AIs.

#### 4.3.4 Graph 18: The level of consultation during the assessment

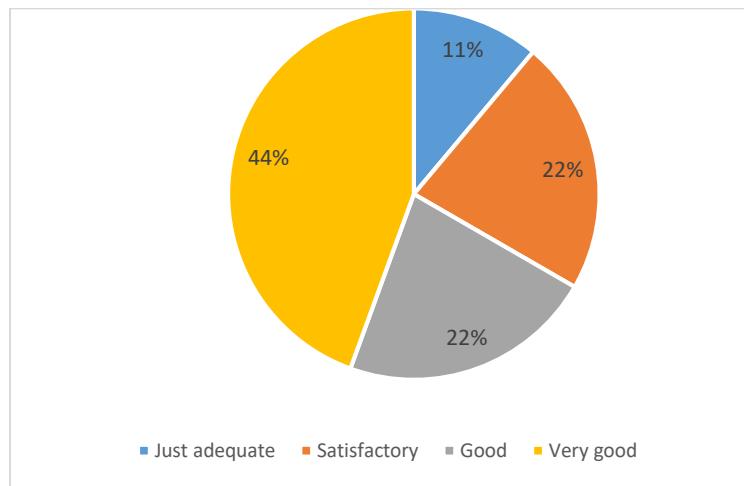


FIA compliance assessments are conducted by the FIC but the relevant inputs and involvement of the assessed institution is vital. During assessments, it is always helpful when assessed institutions play their part in demonstrating how they have mitigated risks

in terms of the FIA. This enhances assessed entities' buy-in of the assessment end-product (report).

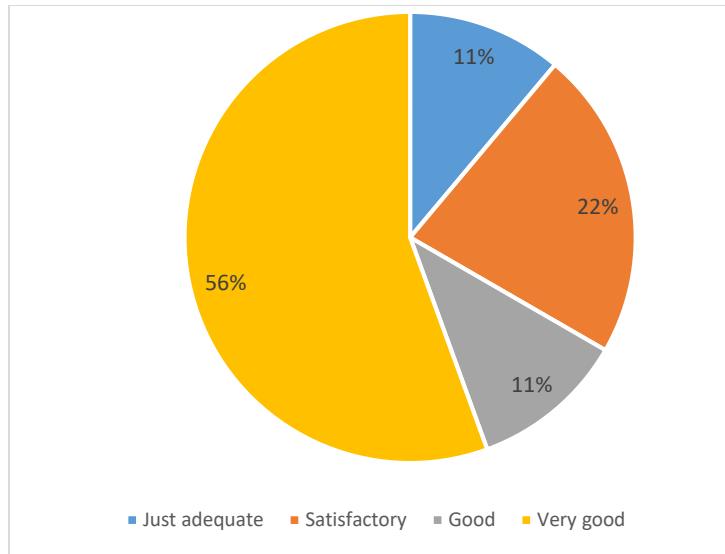
The level of consultations between the Compliance Analysts from the FIC and the relevant Bank staff, in as far as the assessment is concerned was generally perceived to be good or satisfactory, if the ratings above are anything to go by.

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



This reflects the assessed institution's perception of the FIC's level of professionalism and objectivity as far as compliance assessments are concerned. In this regard, 44 percent of the respondents rated the professionalism and objectivity of the compliance assessments as 'Very good', while 22 percent rated same as 'Good'.

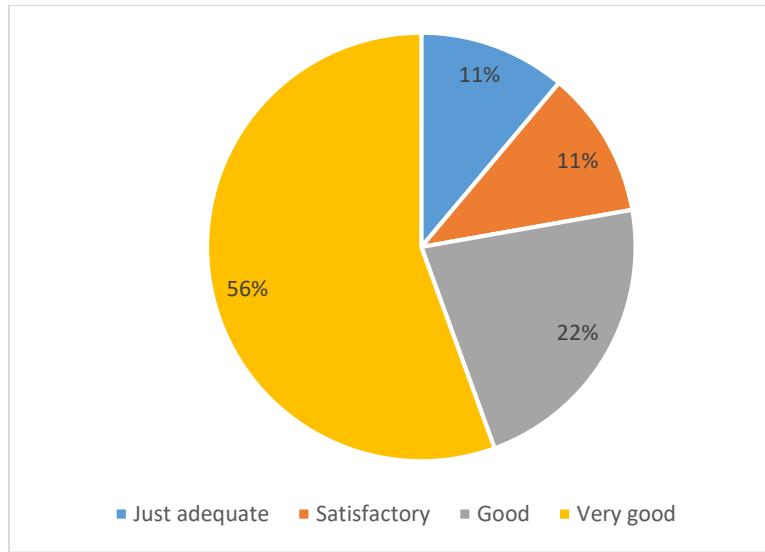
#### **4.3.6 Graph 20: The draft report and/or exit meeting addresses the key issues and is usually relevant**



Exit meetings conducted after assessment activities are used to discuss assessment observations before the assessment reports are finalized. Importantly, the exit meetings enable 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.

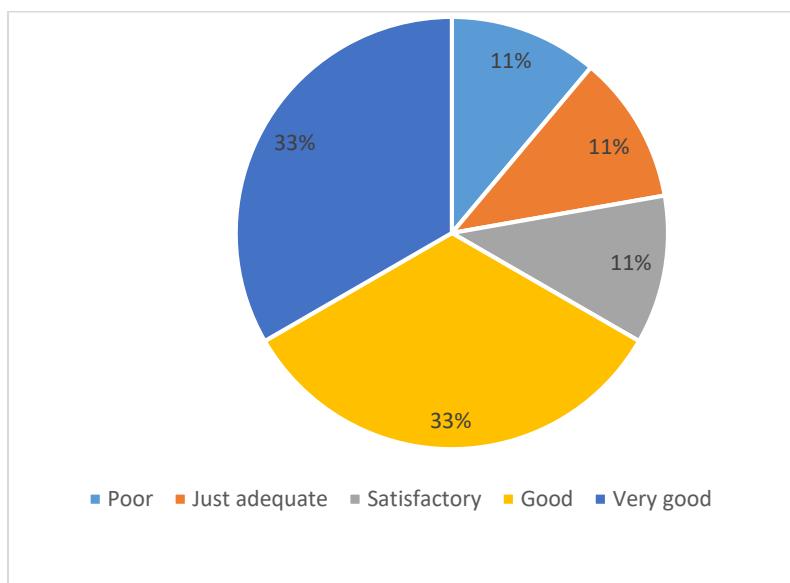
Overall, most of the respondents indicated that the draft reports and exit meetings always address the key issues and such meetings are relevant. The majority of the respondents rated the exit meetings as 'Very Good'.

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



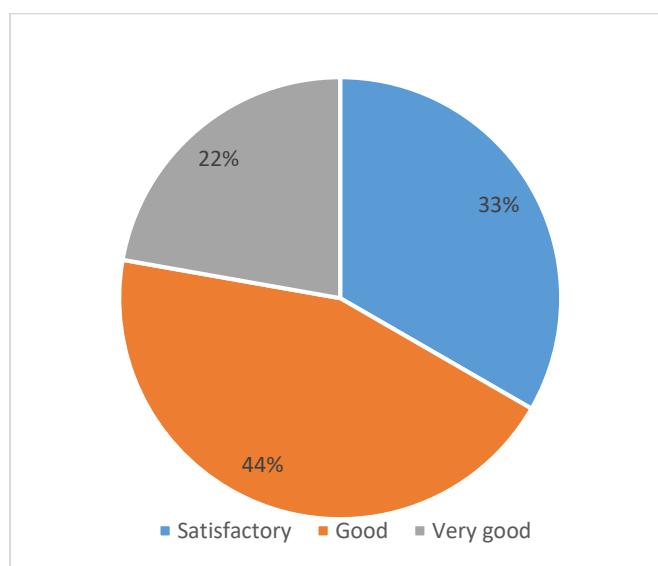
Apart from exceptional circumstances as may be determined by the FIC, before assessment reports are finalized, FIC compliance assessment procedures dictate that assessed institutions be afforded an opportunity to avail inputs, correct inconsistencies and avail relevant comments or guidance. Overall,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

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



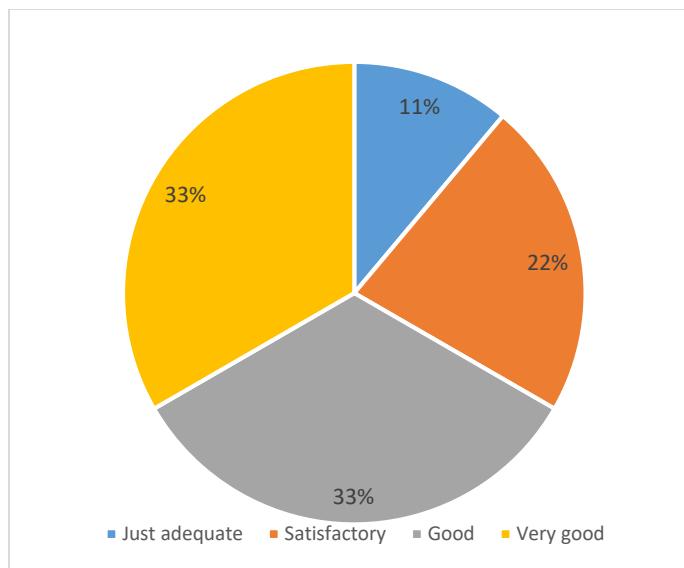
As per the graph above, most of the respondents appear satisfied with the level of clarity and conciseness of the FIA compliance assessment reports. Only 11 percent of the respondents rated the level of clarity and conciseness of the final FIA compliance assessment reports as 'Poor'. In support of this view, the banks indicated that the findings raised in such reports are too generic. Equally, it was also indicated that the methodology used to assess controls need to be more transparent in order to explain when FIC will consider a control "adequate" and/or "effective". Transparency will also allow for more targeted recommendations, remedial actions and facilitate measurement of progress.

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



It is essential that reports are finalized timely to ensure assessed institutions can, in a timely manner take remedial actions if need be. Overall, most of the respondents are satisfied with the timeliness of the issuance of the FIA compliance assessment reports, as per graph above.

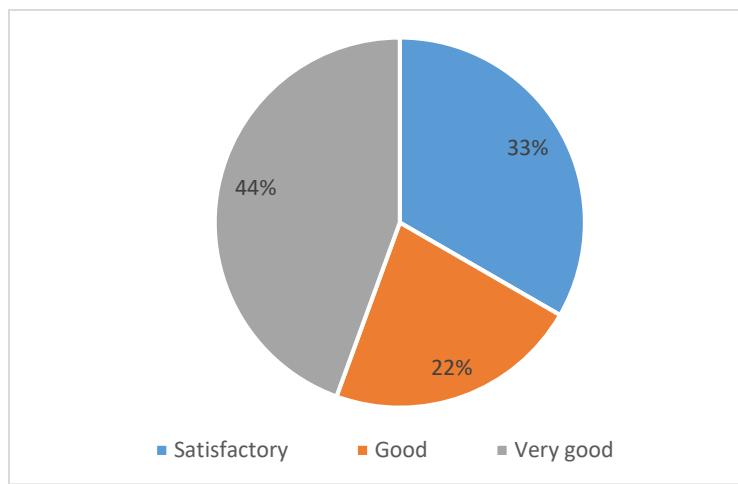
#### **4.3.10 Graph 24: The recommendations in the final report will/have improved AI controls and/or effectiveness**



The object 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.

From responses as per the graph above, most of the respondents felt that recommendations provided by the FIC have improved their controls and risk mitigation effectiveness. 33 percent of the respondents rated this element as 'Very Good' and another 33 percent rated same as 'Good'.

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



The graph above sums up the banking sector's view with regards to the period they are granted within which to respond to the FIA compliance assessment observations and findings. Generally, 44 percent rated such period to be 'Very Good', while 22 percent rated same as 'Good'.

## 5. General observations

### 5.1 Summary of areas that need improvements

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

- a. There are still some banking institutions that are not reporting suspicious transactions, whilst others report hundreds of transactions monthly and annually;
- b. There are still some banking institutions that have never reported CTRs. This is worrying as it could reflect significant control weaknesses;
- c. 11 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;
- d. 22 percent of the respondents indicated that the reporting of CTRs is not easy;
- e. 11 percent of the respondents still find the FIC trainings unhelpful;
- f. 11 percent felt that the FIA compliance assessment reports are not concise and clear enough; and
- g. 22 percent of the respondents felt that the compliance analysts do not understand their systems and operations.

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

The FIC organized a feedback session to enhance understanding of the low rated aspects in the survey. Such discussion took place at the Bank of Namibia head offices on the 19<sup>th</sup> October 2018. During the session, the sector shed light on some areas within the FIC's

supervisory activities which need improvement. The following is a summary of the points raised in the meeting with the sector:

- 5.2.1 Some respondents have indicated that they have never been trained on reporting obligations, thus contributing to poor reporting behavior;
- 5.2.2 Some of the banks indicated that the reason for their lower reporting or non-reporting is due to their low customer base and transactions;
- 5.2.3 The sector feels that the documents on the FIC website are misfiled and are not easy to locate;
- 5.2.4 The sector felt that sometimes the timeframes allocated to banks to provide inputs to publications is very limited. They further proposed that a period of at least a month be considered;
- 5.2.5 The banks requested the FIC to consider having scheduled trainings for technical subjects in AML like Trade Based Money Laundering (TBML) for each bank at different occasions.

The FIC clarified that it always avails training when such is requested. It should be noted that over the last two years, all banks were trained on TBML risks at FIC premises and were informed that they may request such training if need be, for other staff members. To date, only one bank has requested such training on multiple occasions (more than 3 times) and such was availed by the FIC as requested;

- 5.2.6 The banks further advised that before assessments are conducted, it would help if the banks organize a walkthrough session for the Compliance Analysts to understand their operations, procedures, control environment before starting with the testing or assessment.

The FIC finds this recommendation helpful and commendable. The FIC will consider this going forward. Many a times, assessment teams are taken through the processes by respective business units prior to or during compliance assessments. Also, most areas tested by the FIC are areas that have been tested before (follow-ups). It is thus a given that assessment teams have a reasonable understanding of areas they are testing. In addition, during the planning and pre-

engagement phase, assessors conduct familiarization exercises of areas to be assessed;

- 5.2.7 The banks further requested that in future, a satisfactory survey should include FIAD's operations as it was capture in the current survey. This was duly noted and will be considered;
- 5.2.8 Respondents felt that generally, more AML/CFT/CPF public awareness needs to be conducted. This was duly noted and will be considered;
- 5.2.9 The recommendations provided by the FIC need to improve and be based on the proper understanding of the practicalities within the systems and their operation;
- 5.2.10 Findings raised are too generic. The FIC must develop a methodology used to assess controls and it has to be shared with the AIs/RIs. The methodology should explain when does the FIC consider a control "adequate", "inadequate", "Ineffective" and/or "effective". This is duly noted. BAN has formally written to the FIC in this regard and a response was availed accordingly by the FIC in November 2018. Further, such methodology is being revised and updated. The final version will be published before 31 January 2019;
- 5.2.11 The GoAML portal should be improved to enable storage of clientele information if the client was previously reported. This enables the ease of reporting of STRs and CTRs as it is time consuming to enter data in all required fields every time a report is submitted.

## **6. Conclusion**

The FIC would like to thank all banking institutions for responding timely and adequately to the survey questionnaire. Although the majority of respondents are satisfied with most of the activities conducted by the FIC, it is clear that there is room for improvement in some areas of FIA compliance monitoring and supervision, with specific emphasis on AML/CFT/CPF compliance assessments, 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 "L. DUNN".

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