



## **FINANCIAL INTELLIGENCE CENTRE**

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

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## **1. Introduction**

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

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

As part of its supervisory efforts, the FIC values and encourages an open exchange of ideas with relevant stakeholders. Constant feedback and stakeholder 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 with the FIC's performance as the (AML/CFTP) supervisor. Part of the object 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 thus to reflect on the outcomes of such survey and where need be, avail some guidance on issues raised by stakeholders and find ways to enhance supervisory activities.

## **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 effective and proportionate to identified risk exposure;
- e. compliance and monitoring methods are streamlined and coordinated; and
- f. monitoring and supervision actively contributes to the continuous improvement of Namibia's AML/CFTP regulatory and complementing frameworks.

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

### **3. Executive Summary**

Lending institutions borrow funds to borrowers. Borrowers of such funds are expected to repay such loans in the form of periodic instalments. The activity of receiving funds from borrowers as loan repayments exposes Lending institutions to ML risks.

In furtherance of the mandate to prevent ML/TF/PF risk exposure, the FIC has a need to walk 'hand-in-hand' with the lending sector to enhance relevant AML/CFTP controls. This study is another avenue for the FIC to seek stakeholder inputs. This will assist the FIC, as AML/CFP supervisor to guide and facilitate supervisory activities processes better. Such efforts would hopefully assist the sector to manage its risk exposure effectively and efficiently.

From the study observations, feedback provided by the Lending sector indicates that lending institutions have a general understanding of the FIC's mandate and their FIA obligations. Most of the lending institutions find the FIC's guidance publications and industry specific guidelines helpful and useful. Equally, this study found that there are still some Lenders that are not aware of the FIC's mandate and their FIA obligations.

FIA compliance assessments are a major compliance monitoring and supervision tool which the FIC uses to gain reasonable assurance on the level of AML/CFTP control effectiveness. The majority of institutions in the lending 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 the survey and provides clarity on some pertinent observations.

#### **4. Methodology**

The survey was carried out through soliciting data in the form of responses qualitatively. A survey questionnaire was sent out to all five (5) Lending institutions. Four (4) lending institutions responded to the questionnaire and one did not respond, resulting in a response rate of 80%. The analysis herein therefore needs to be considered with this limitation in mind.

All questions were answered, availing the FIC with adequate information for further analysis.

The survey's focus areas were as follows:

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

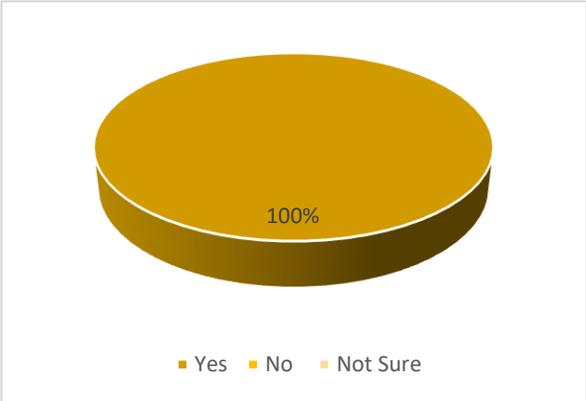
Responses from the questionnaire were collated, analysed and the sections below present a summary of the output thereof.

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

This section deals with the lending sector's general understanding of the FIC and its mandate. It gives an indication of the extent to which the sector understands the presence

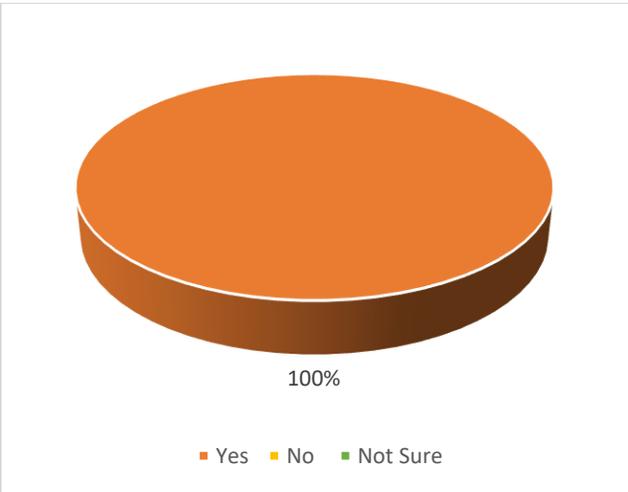
and role of the AML/CFTP supervisor. All respondents indicated to have a general understanding of the FIA and the FIC’s mandate. Below is a presentation of responses in this regard:

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



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

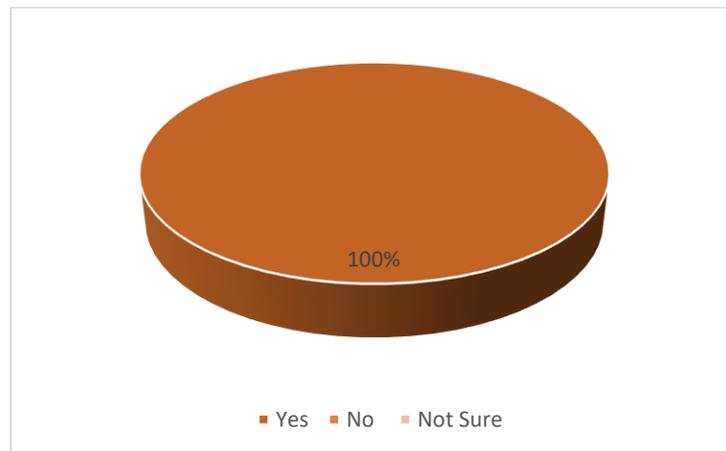
**4.1.3 Graph 3: Exposure to some form of AML/CFTP training [e-training, telephonic guidance, internal or external AML capacity building session(s)]**



In an effort to enhance compliance, the FIC offers training, usually upon request or when a need is noted. In terms of the FIA, all Accountable Institutions have an obligation to ensure that relevant staff members involved in mitigating ML/TF/PF risks are trained or have the necessary capacity to assist in risk mitigation.

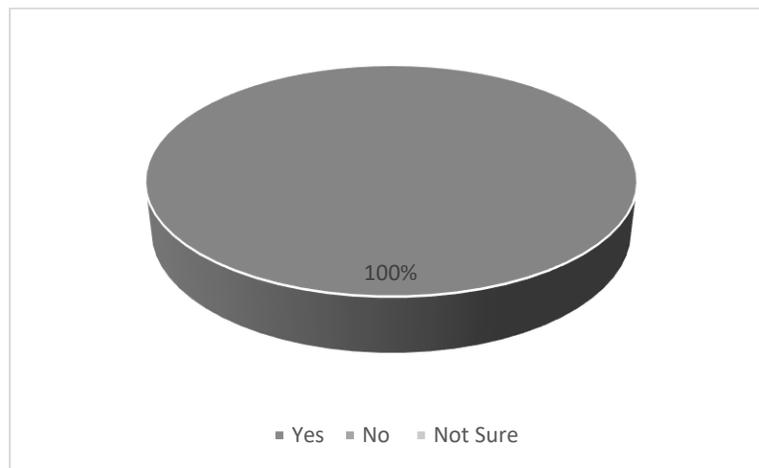
In terms of this study, 100 percent of respondents indicated that they have received or attended AML training or similar guidance and capacity building activities.

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



Most of the FIC's formal communications, Guidance and Directives are published on the FIC website. The aim of evaluating the stakeholder experience on their usage of such website is to understand satisfactory levels and if need be, implement measures to enhance the usefulness thereof. The survey indicates that 100 percent of the respondents have accessed the FIC website.

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



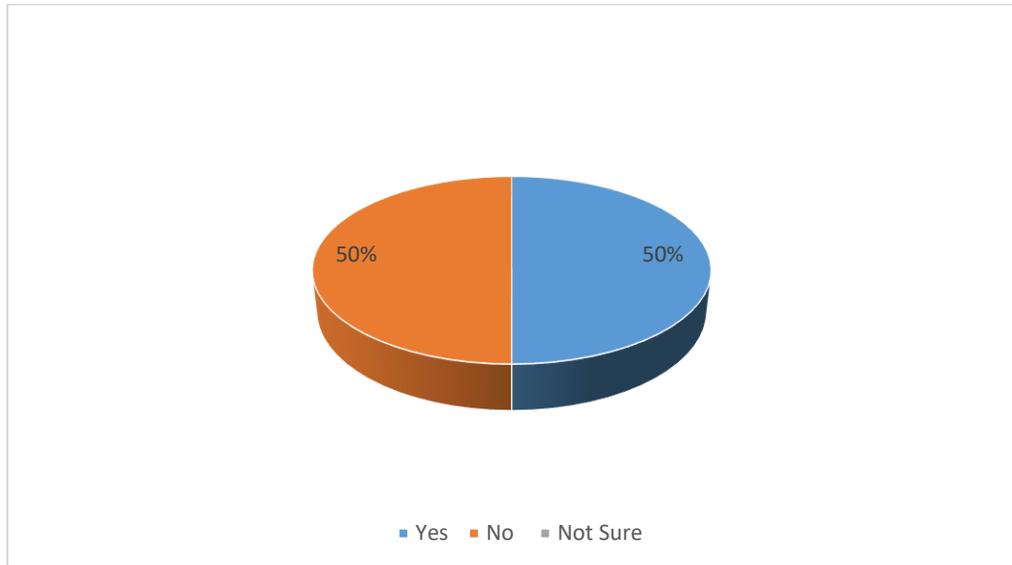
100 percent of the respondents indicated to be aware of their FIA obligations.

#### **4.1.6 Graph 6: Reporting Suspicious Transaction Reports (STRs) or Suspicious Activity Reports (SARs) to the FIC**

AML/CFTP systems are generally designed and implemented to enable the detection of reportable transactions in the form of STRs and SARs. The level of an institution's AML/CFTP effectiveness can thus be said to be premised on its ability to detect and ensure reporting of such STRs and SARs to the FIC.

As per above, 50 percent of the respondents indicated that they have reported STRs and SARs to the FIC, while 50 percent have never reported any of the two report types. The failure to report is a concern for the FIC if there were reportable transactions that occurred within such Accountable Institutions. These reports are essential for the effective functioning of the entire ML/TF/PF combatting system.

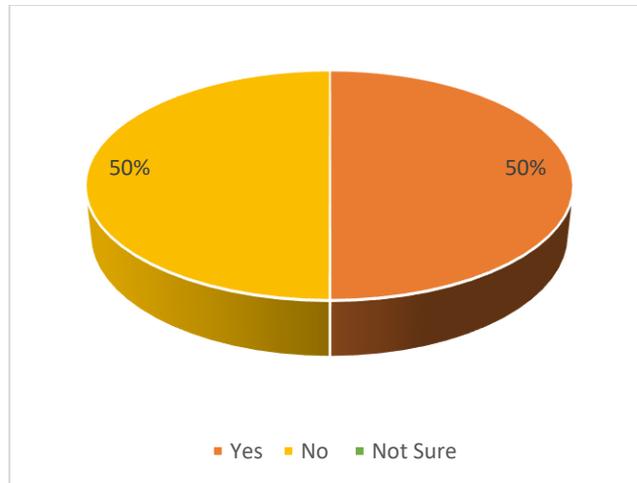
Reasons availed during the feedback sessions held in October 2018 suggest that reporting failures could be attributed to AIs not having fully functioning compliance departments, which resulted in non-reporting. Equally, there was a lack of understanding of suspicious transactions which also contributed to non-reporting of SARs and STRs. Training on STRs and SARs had accordingly been provided by the FIC prior to the feedback session to those AIs that indicated a need thereof.



#### **4.1.7 Graph 7: Reporting Cash Transaction Reports (CTRs) (on cash transactions above NAD 99 999.99) to the FIC**

The expectation, which came into effect in January 2015 is that all Accountable Institutions should report to the FIC all transactions in which cash amounts involved exceed the threshold of NAD 99 999.99.

The survey responses indicate that 50 percent of the respondents indicated to have reported CTRs to the FIC. The remaining 50 percent have never reported a CTR. The reason availed during the feedback session is that they have low customer volumes and most customers pay via EFT as opposed to cash payments.

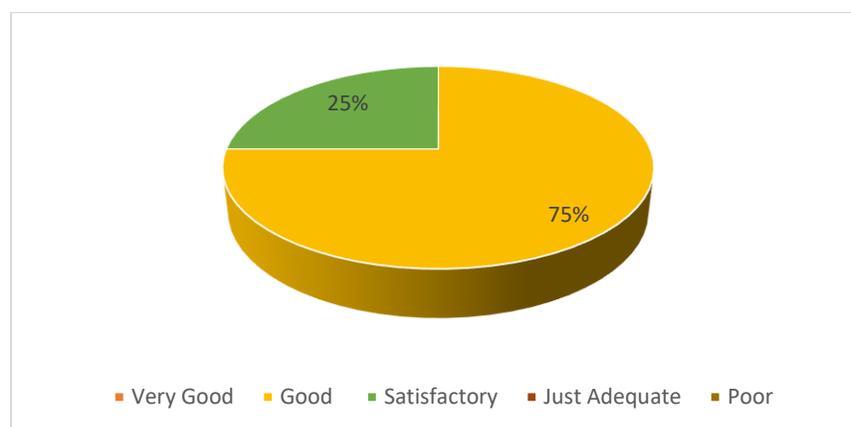


## 4.2 FIC publications and industry specific guidelines

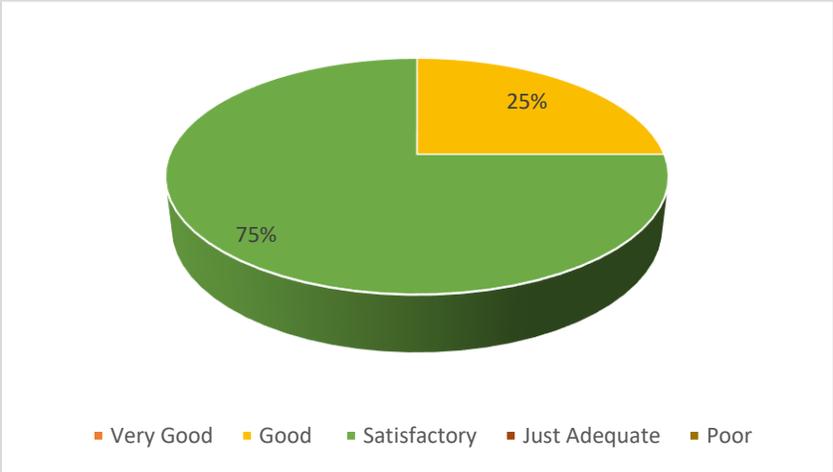
This section deals with the Lender's view on the helpfulness of FIC publications and guidance provided mostly via the FIC website and directly via email communications. Generally, the FIC avails guidance to enhance compliance behavior and overall AML/CTFP in various publications and guidance documents.

Most respondents rated the usefulness of the FIC publications and guidance provided as 'Good'. Below is a summary of the various responses in this regard:

### 4.2.1 Graph 8: Helpfulness of the FIC website

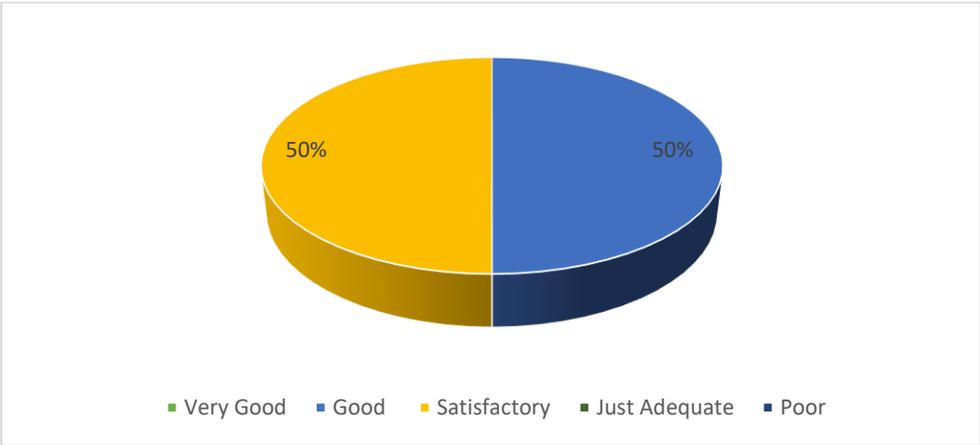


**4.2.2 Graph 9: Helpfulness (clarity and conciseness) of the publications and industry specific guidelines issued by the FIC**



75 percent of the respondents rated the FIC’s publications and industry specific guidance as satisfactory. The remaining 25 percent find such to be good.

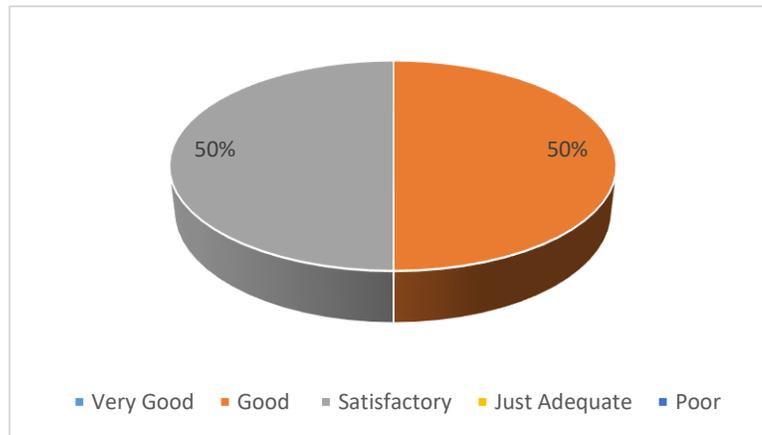
**4.2.3 Graph 10: The level of consultation by the FIC before issuing Circulars, formal guidance or typology reports**



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 in turn enable inputs and views of the affected stakeholders. Consequently, the quality of such guidance notes are enhanced.

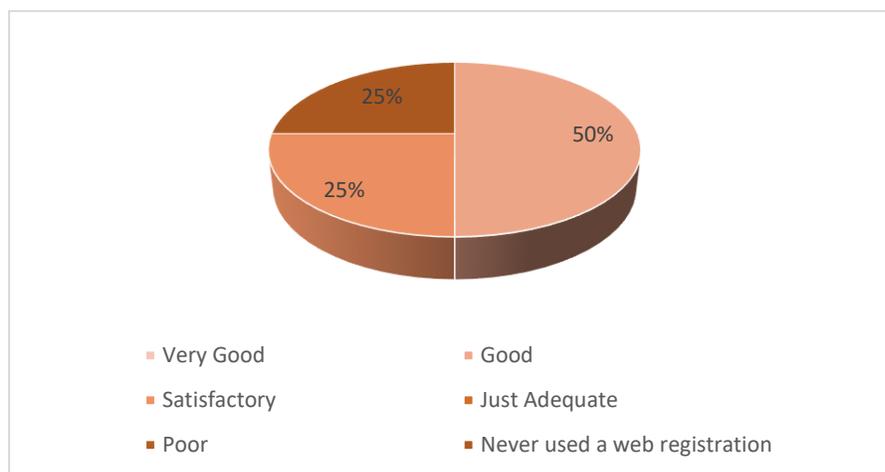
50 percent of the respondents felt that the FIC’s level of consultations before issuing circulars, guidance or typology reports is ‘Good’.

**4.2.4 Graph 11: The FIC publishes up-to-date guidance and technical reference material on its website in a format which is user friendly**



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

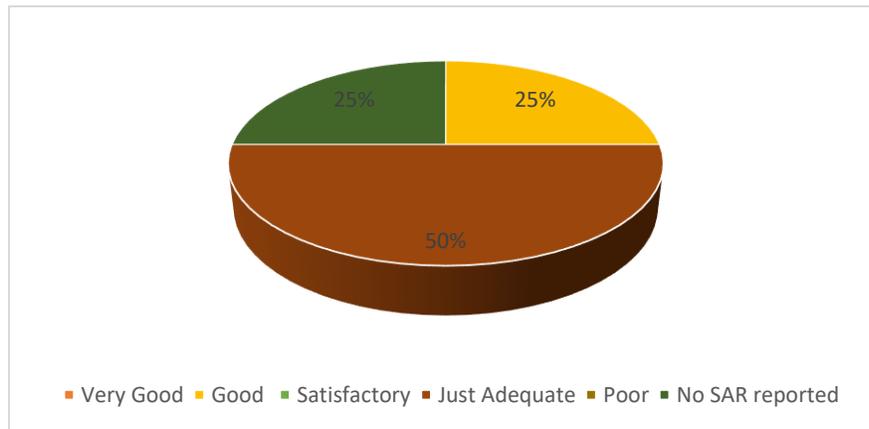
**4.2.5 Graph 12: Assessing the FIC’s web registration process for AIs/RIs**



In order to enhance effective supervision, the supervised institutions are expected to register and thus avail relevant information via the GoAML platform. The ease with which such registration process is undertaken is rated herein. 50 percent of the

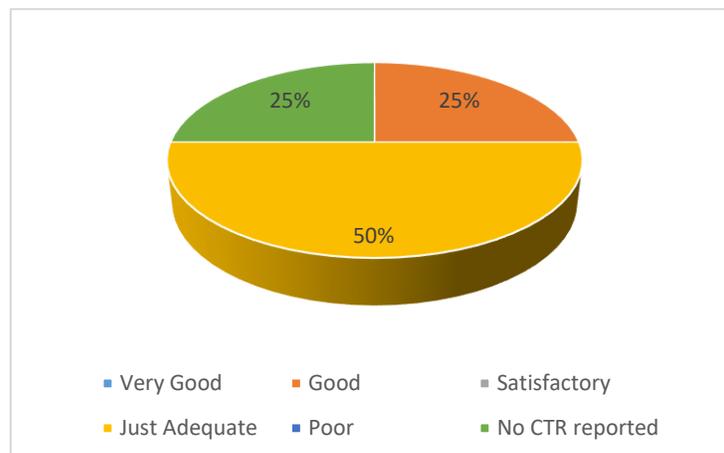
respondents rated the process 'Good'. On the other hand, 25 percent rated the registration process as 'Satisfactory', and 25 percent as 'Never used a web registration'.

#### 4.2.6 Graph 13: The ease of reporting STRs or SARs to the FIC



50 percent of the respondents rated the reporting of STRs and SARs to the FIC as "Just adequate", as depicted in the chart above.

#### 4.2.7 Graph 14: The ease with which CTRs are reported to the FIC



The ease with which AIs find the process of filing an STR/SAR with the FIC can have a bearing on the quality of STRs/SARs received. It is therefore important that such experience is appreciated by those who make use of it. Similar to the reporting of

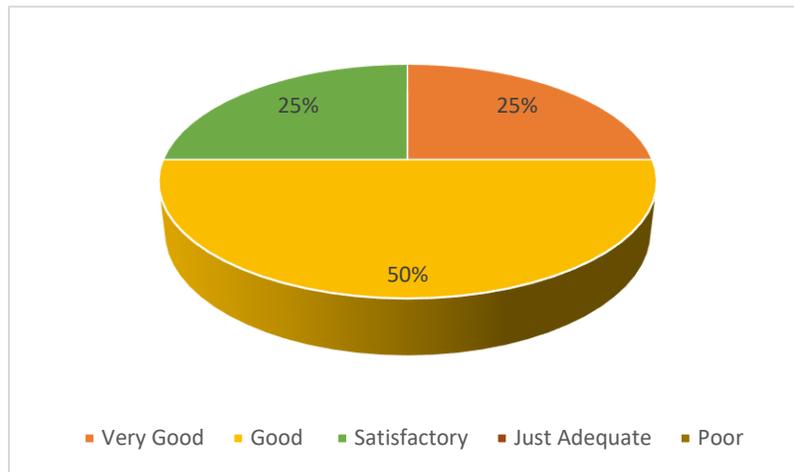
STRs and SARs, half of the respondents (50 percent) indicated that the reporting of CTRs is “Just adequate” as per graph above. The reason for the “just adequate” rating was that there were system challenges from some of the AI’s to enable them to report. This reason was only availed during the feedback sessions held in October 2018.

#### 4.2.8 Graph 15: Helpfulness of training you had with the FIC



50 percent of the respondents have received training from the FIC, and have rated the helpfulness of such training received to be ‘Very Good’. On the other hand, 25 percent of respondents felt that the training provided by the FIC is satisfactory in terms of helpfulness. 25 percent of the sector indicated to have never received training from the FIC. Reasons for the poor ratings are that the general public needs public awareness on FIA obligations. The sector suggested that the FIC conducts public awareness in order to sensitize the public of the FIA requirements. This will in turn make it easier for the sector to comply.

**4.2.9 Graph 16: Whether the feedback and recommendations given by the FIC are transparent, consistent and in a timely manner**

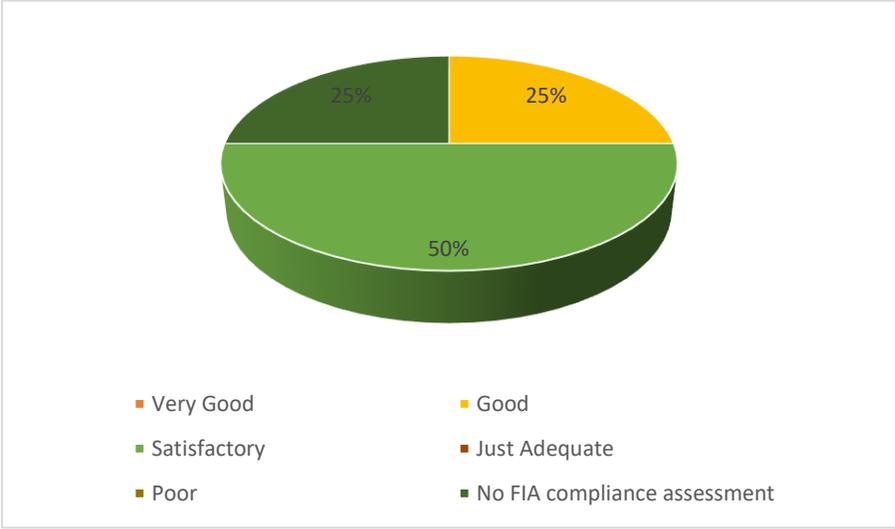


A significant aspect of the FIC's FIA compliance monitoring and supervision activities entails availing feedback and recommendations during and especially after a compliance assessment (inspection). This is mostly contained in the FIA compliance assessment reports. Overall, the respondents were satisfied with the level of transparency, consistency and timeliness of advice and recommendations provided by the FIC, as per graph above.

**4.3 FIA Compliance Assessments**

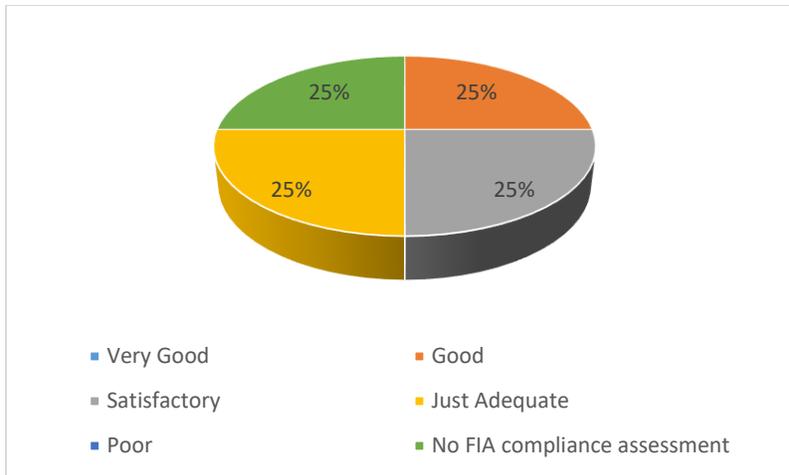
This section deals with the FIA compliance assessments conducted by the FIC in an effort to gain reasonable assurance on the level of effectiveness of AML/CFTP controls within Accountable Institutions. Observations indicate that on average, the respondents are satisfied with the way the FIA compliance assessments are conducted. Below is a summary of responses in this regard:

**4.3.1 Graph 17: The period of notice given to arrange the compliance assessment  
(Notice before onsite activities commence)**



25 percent of the respondents indicated that the period of notice given to Lending institutions to prepare for FIA compliance assessment is sufficient. 50 percent of the respondents indicated that the notice period given is satisfactory while the other 25 percent indicated that no FIA compliance assessments were performed at their institutions. It should be noted that the FIC’s supervisory approach is premised on the Risk Based Approach which most likely explains the exclusion of certain entities from FIA compliance assessments. Constant evaluations are made which informs the selections of institutions to undergo such assessment exercises in all sectors under FIC supervision.

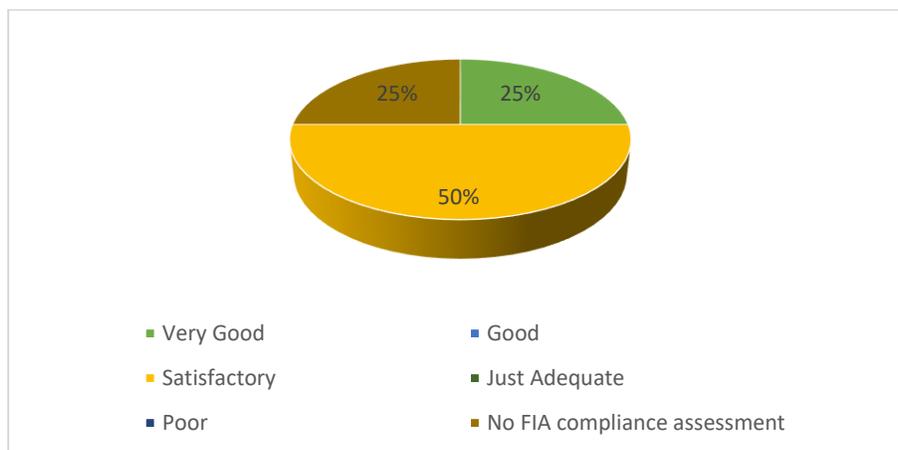
**4.3.2 Graph 18: The compliance analysts’ understanding of AI systems and operational activities**



Analysts are expected to adequately understand the relevant aspects of operations that are exposed to ML/TF/PF risks in order to best assess the control effectiveness in same. This is important in compliance assessments as it also enables the presentation of practical and effective guidance or recommendations.

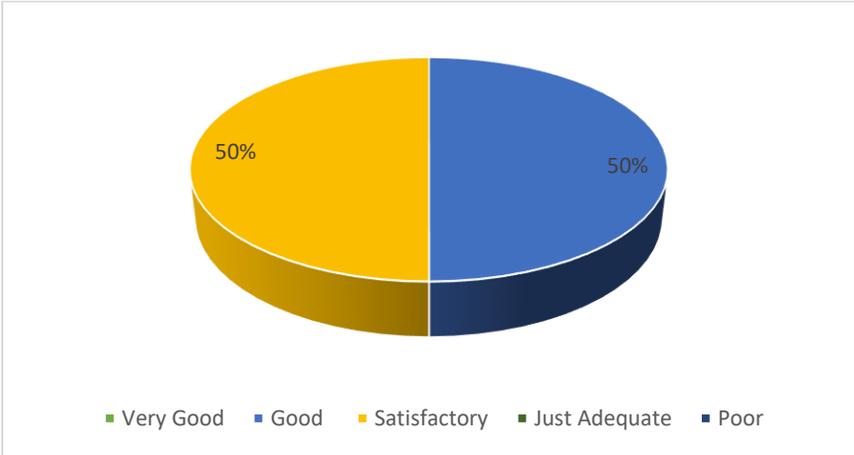
Overall, 25 percent of respondents indicated that the compliance analysts have a ‘Good’ understanding of the lending institutions’ systems and operational activities. On the other hand, 25 percent perceive the compliance analysts’ understanding to be ‘Satisfactory’ and another 25 percent rated the analysts’ understanding to be ‘Just adequate’. The remaining 25 percent never had any interactions with compliance analysts.

#### 4.3.3 Graph 19: Efficient execution of the assessments with minimum disruptions



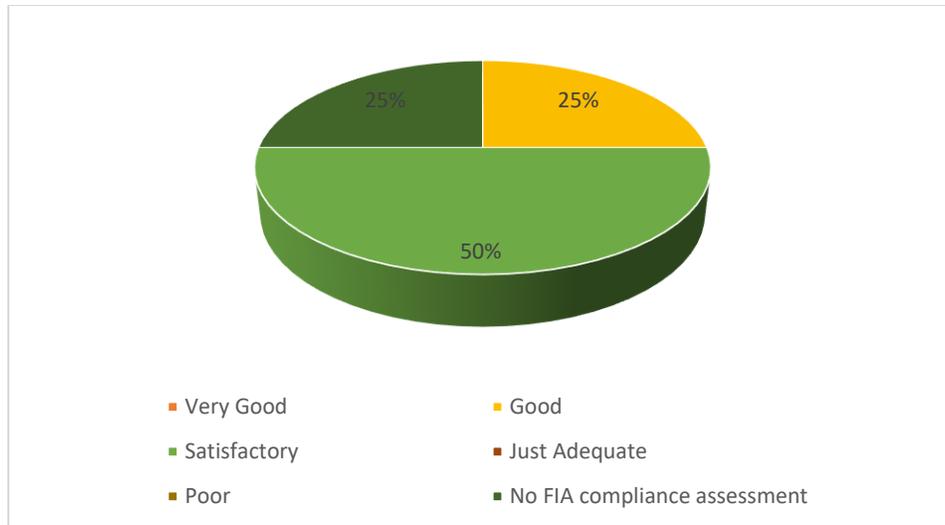
This was to understand whether the execution of FIA compliance assessments create operational disruptions within business units subjected to such exercises. It is not the objective of the FIA to disrupt or undermine efficiency of operations in institutions but to rather add value to such operations through creating avenues for control enhancement. 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 disruptions of operational activities in the sector.

**4.3.4 Graph 20: The level of consultation during the assessment**



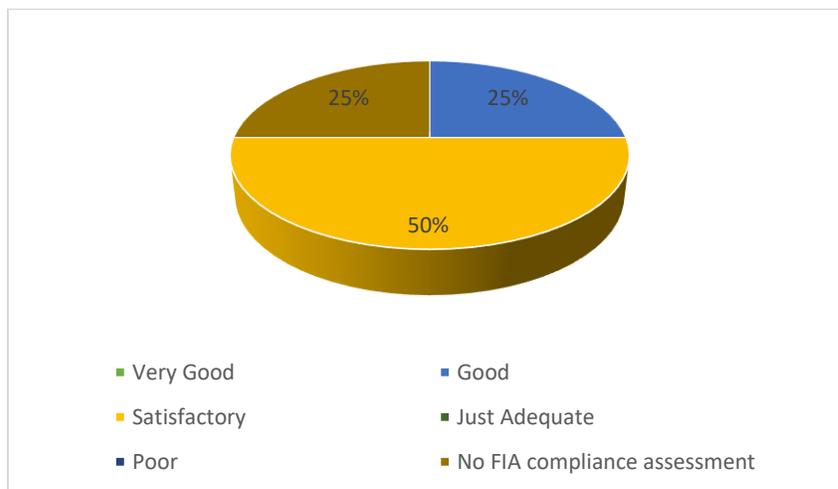
Effectiveness of FIA compliance assessments are shaped by effective consultations between the Compliance Analysts and the assessed institutions. 50 percent of the respondents rated the level of such consultations as ‘Good’.

**4.3.5 Graph 21: The assessments are carried out professionally and objectively**



25 percent of the respondents rated the professionalism and objectivity of the compliance assessments as 'Good'. The other 25 percent indicated that there was no FIA compliance assessment conducted in their institutions.

**4.3.6 Graph 22: The draft report and/or exit meeting addresses the key issues and is usually relevant**

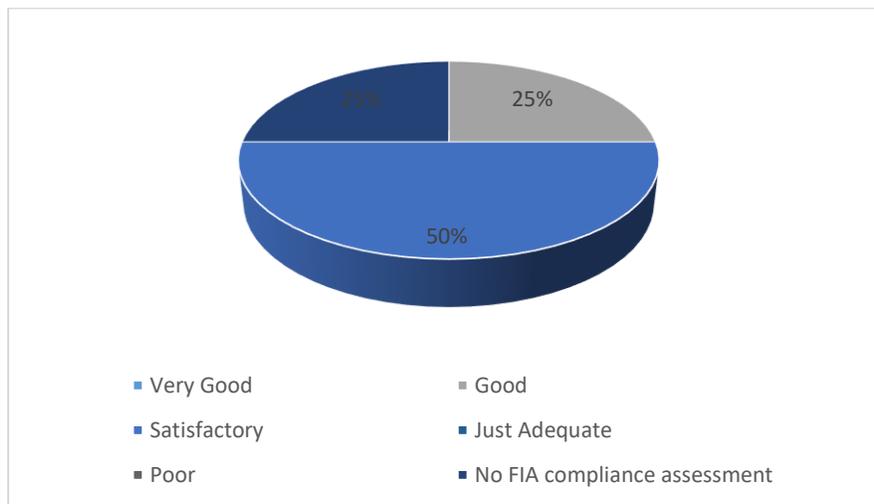


At the end of every compliance assessment, the FIC presents major observations or findings to the assessed entity. This presentation takes place in an exit meeting. Exit meetings enable a meeting of the minds on major compliance issues raised. Usually, these discussions are guided by a draft report or similar guidance. This enables the

discussion and agreement of positions to be adopted in the final FIA compliance assessment reports.

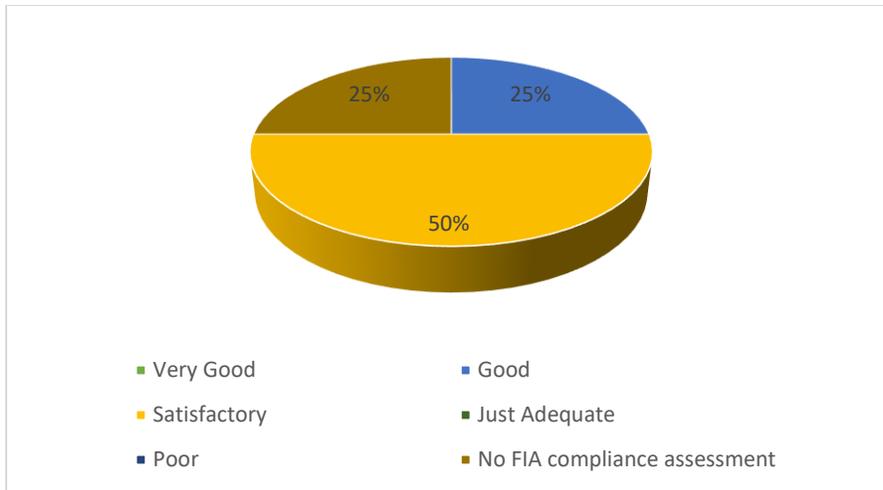
Overall, most of the respondents indicated that the draft reports and exit meetings always address the key issues and such meetings are relevant, as per graph above.

#### 4.3.7 Graph 23: Whether AIs/RIs are granted an opportunity to comment on findings made



In line with the FIC' assessment methodology, assessed institutions must be afforded an opportunity to avail inputs to the draft reports, correct any inconsistencies and 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. 25 percent of the respondents rated this aspect as 'Good' and the other 50 percent rated same to be "Satisfactory". 25 percent indicated that there was no FIA compliance assessments conducted in their institutions.

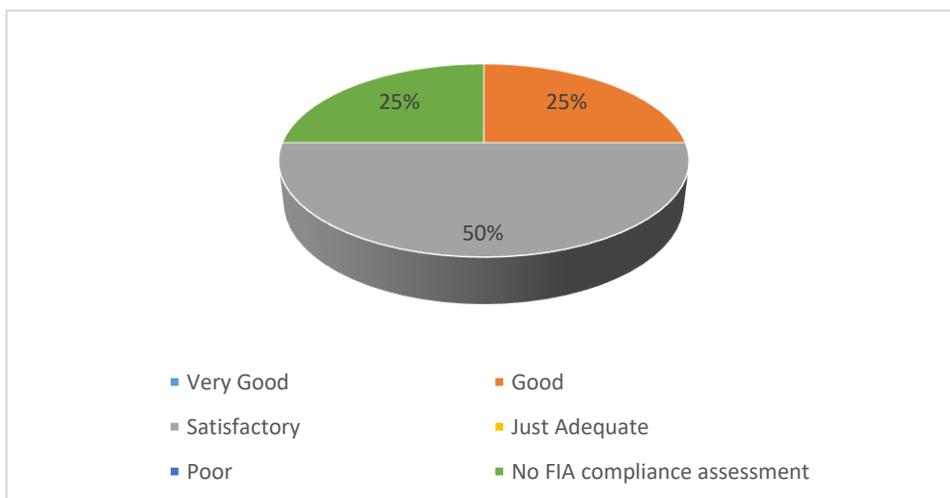
#### 4.3.8 Graph 24: Clarity and conciseness of the final report



The issuing of clear and concise FIA compliance assessment reports is essential as it details not only findings but essential guidance on how the institutions should go about implementing remedial controls.

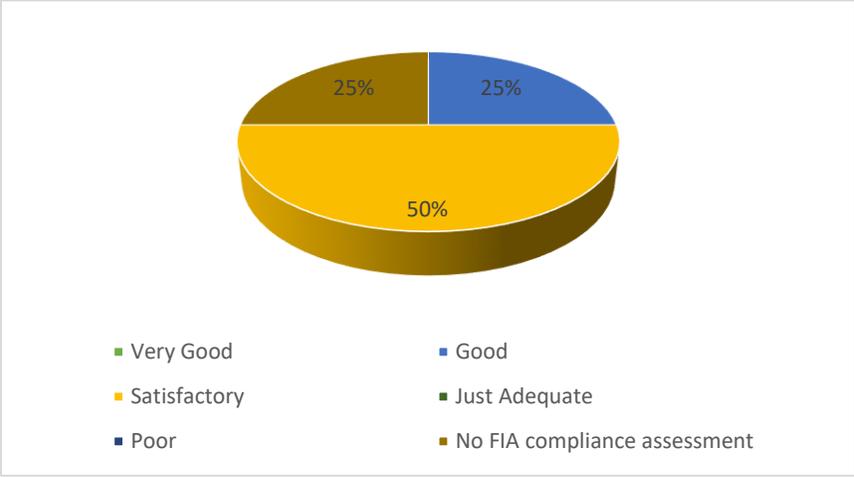
As per the graph above, most of the respondents are satisfied with the level of clarity and conciseness of the FIA compliance assessment reports issued. 25 percent of the respondents rated the level of such clarity and conciseness as ‘Good’ and 50 percent rated same as ‘Satisfactory’.

**4.3.9 Graph 25: The timeliness within which the final report is issued**



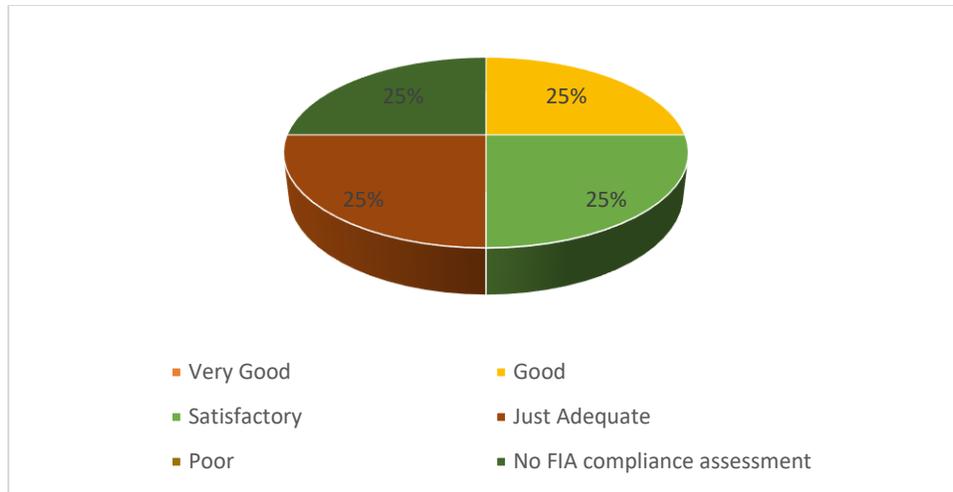
Overall, the respondents are satisfied with the timeliness of the issuance of the FIA compliance assessment reports with 25 percent of respondents rating same as 'Good'. 50 percent rated same as 'Satisfactory' and 25 percent indicated that there was no FIA compliance assessment conducted in their institutions.

**4.3.10 Graph 26: The recommendations in the final report will/have improved AI controls and/or effectiveness**



The objective was to understand if recommendations provided by the FIC to Lending institutions have improved their controls and risk mitigation effectiveness. 25 percent of the respondents rated this element as 'Good' and another 50 percent rated same as 'Satisfactory'.

**4.3.11 Graph 27: The period availed to AIs to respond to the compliance assessment findings and to supply periodic progress reports**



The graph above sums up the lending sector's view with regards to the period they are granted within which to respond to the FIA compliance assessment observations and findings. Generally, 25 percent rated such period to be 'Good', while 25 percent rated same to be 'Satisfactory'.

## 5. General observations

### 5.1 Summary of areas that may need improvements

The following general observations were noted as areas that may need improvements (poor ratings from survey):

- a. There are still some lending institutions that are not reporting suspicious transactions, whilst others report many reports annually;
- b. 50 percent of the lending institutions have never reported CTRs;
- c. 50 percent of the respondents indicated that the process of reporting CTRs is not easy;
- d. 25 percent of respondents felt that the FIC's Compliance Analysts do not understand their systems and operations; and
- e. 25 percent of the respondents indicated that timelines to respond to the findings and to provide progress quarterly report is not adequate.

### 5.2 Respondents' position in terms areas that requires improvements

Based on the outcomes of the survey, the FIC held a feedback session to enhance the understanding on some of the low rated aspects in the survey. During the session, the sector explained contributing factors to some of the low ratings in their responses. The following is a summary of the points raised in the meeting with the sector.

- 5.2.1 Some participants indicated that they did not have fully functioning compliance departments, which resulted in non-reporting;
- 5.2.2 Systems challenges were observed to be some of the factors contributing to poor reporting behaviour. Some AIs find the fields for the reports on the portal to be too many to complete, thus making the reporting process too long;
- 5.2.3 Participants also indicated lack of understanding of suspicious transactions as a contributing factor to non-reporting of SARs and STRs;
- 5.2.4 The reason why some AIs were not reporting was because they have low customer volumes and most of them pay via EFT;
- 5.2.5 The sector feels that public awareness is needed to sensitize the public of the FIA requirements;
- 5.2.6 AIs further indicated that the FIC must provide training on their reporting obligations;
- 5.2.7 Timelines given for quarterly progress reports is sometimes too short to implement a control that requires board approvals;
- 5.2.8 Sometimes quality reports are send to the FIC but no feedback is given or acknowledgment of receipts;
- 5.2.9 FIC compliance analysts should gain a good understanding of the business before they start with the compliance assessments.

The meeting equally came up with the following suggestions to enhance sectoral FIA compliance levels:

- 5.2.10 The sector requested that FIC the has a yearly engagement with the sector;

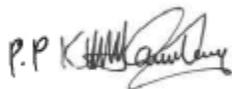
5.2.11 The sector equally felt that guidance notes provided by the FIC should be specific to the industry;

5.2.12 The sector further suggested that the FIC must request AIs to present an overview of their business processes and procedures during the pre-inspection or opening meetings before the assessments commence in order to assist the compliance Analysts understand the AI's business.

## **6. Conclusion**

The FIC would like to thank all Lending institutions for responding timely and adequately to the survey questionnaire and by attending the feedback session. Although the majority of respondents are satisfied with most of the supervisory activities conducted by the FIC, it is clear that there remains room for improvements in some areas of FIC supervision. The FIC is studying these areas and will come up with an action plan to positively impact on same. Specifically, emphasis on AML/CFTP training and awareness as well as training on reporting procedures and obligations were highlighted. The FIC is studying these areas in order to better understand the root causes of such shortcomings and will employ an action plan to positively impact on supervisory activities in such areas.

The working relationship between the FIC as regulator and Lending institutions as supervised entities has enabled the building of a FIA compliance framework within the sector. This exercise was a stepping stone towards understanding challenges in this framework, in our continued efforts to improve same.



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