



Republic of Namibia

Financial Intelligence Centre

FINANCIAL INTELLIGENCE CENTRE (FIC)

REPUBLIC OF NAMIBIA

P.O.BOX 2882, Windhoek

Tel: + 264 61 2835100, Fax +264 61 2835259

Web address: www.fic.na

E-mail address: helpdesk@fic.na

**REPORT ON GIFT REMITTANCES BY AUTHORISED DEALERS IN FOREIGN EXCHANGE
AND AUTHORISED DEALERS IN FOREIGN EXCHANGE WITH LIMITED AUTHORITY**

FIRST ISSUED: APRIL 2019

Table of Contents

- SECTION A:3**
- INTRODUCTION AND OBJECTIVES3**
 - 1. Introduction.....3
 - 2. Objectives of this report4
 - 3. Methodology4
- SECTION B5**
- SUMMARY OF GIFT REMITTANCES AND REPORTING BEHAVIOR AS PER DATA RECEIVED FROM BANK OF NAMIBIA, EXCHANGE CONTROL DEPARTMENT5**
 - 4. Analysis of Inward Gift Remittances6
 - 4.1 Comments and discrepancies per entity8
 - 5. Analysis of Outward Gift Remittances..... 13
 - 5.1 Comments and discrepancies per entity..... 15
- SECTION C 19**
- ANALYSIS OF INWARD AND OUTWARD GIFT REMITTANCES AS PER DATA ON THE FIC GoAML SYSTEM 19**
 - 6. International Funds Transfer (IFT)..... 20
 - 7. Quarterly Cross Border Remittances 22
 - 8. STRS received from ADLAs and ADs 25
 - 9. The relevance of detecting and reporting 25
 - 10. Summary of major observations 26
 - 11. Conclusion..... 27

SECTION A: INTRODUCTION AND OBJECTIVES

1. Introduction

The Financial Intelligence Act, (FIA) lists Authorized Dealers in Foreign Exchange (ADs) and Authorized Dealers in Foreign Exchange with Limited Authority (ADLAs) as Accountable Institutions (AIs) which are expected to enhance Namibia's Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation (AML/CFT/CPF) framework.

The Financial Intelligence Centre (FIC) is, amongst others, entrusted to coordinate, supervise, monitor and regulate AIs in their efforts to combat Money Laundering, Terrorism and Proliferation Financing (ML/TF/PF) risks. Part of this entails working with other regulatory and supervisory authorities to enhance such risk mitigation. One such significant regulatory agent is the Bank of Namibia which prudentially regulates currency exchange and cross border remittances. The remittance of funds as 'gifts', is inherently vulnerable to ML/TF/PF risks. Despite the inherent high risk, the FIC continues to observe ineffective due diligence controls in certain ADs and ADLAs relating to gift remittances. This report presents a summary of such observed control weaknesses, particularly controls implemented to ensure monitoring, detecting and thus reporting at an institutional level.

In terms of sections 34 of the FIA, AIs have an obligation to report Electronic Funds Transfers (EFTs) and International Funds Transfers (IFTs) to the FIC within the prescribed period, manner and particulars. FIC Circular 03 of 2015 describes reportable transactions and the manner in which such transactions should be reported. This report avails observations pertaining to effective compliance with these and other reporting obligations. Further, AIs are urged to take corrective actions to enhance control in areas highlighted to have controls weaknesses.

The report equally points to areas within the FIA regulatory and supervisory framework which may need improvement. Relevant regulatory and supervisory agents will be engaged in this regard.

The analysis in this report was conducted on eight ADs and eight ADLAs involved in the provision of inward and outward gift remittance services for the period of 01 January 2010 to 31 December 2018.

2. Objectives of this report

The objective of the study was to understand:

- a. the extent of reporting as per the FIA;
- b. reporting shortcomings in the AD and ADLA sectors;
- c. the level of potential attempts (risk exposure) to undermine current controls at institutional level (e.g. potential smurfing and structuring); and
- d. areas within AD and ADLA frameworks that may need improvement.

3. Methodology

Information on gift remittances contained in this report was derived from existing databases of the following:

- a) the Exchange Control Department of the Bank of Namibia;
- b) IFT/STR/SAR data filed by ADs and ADLAs with the FIC; and
- c) Quarterly Cross Border Remittances reports filed by ADs and ADLAs with the FIC.

Such data were analyzed, and the results are summarized herein.

SECTION B
SUMMARY OF GIFT REMITTANCES AND REPORTING BEHAVIOR AS PER DATA
RECEIVED FROM BANK OF NAMIBIA, EXCHANGE CONTROL DEPARTMENT

Currency exchange within the Common Monetary Area (CMA) is regulated by the Currency and Exchanges Act No. 9 of 1933 and supporting Regulations and Rulings. Exchange Control, being a Treasury function entails regulating the financial space to directly control or influence the inflow and outflow of funds over the country's borders.

In terms of Exchange Control Regulation 2(a), ADs may sell foreign currency only for permissible purposes and on such conditions as the Treasury may determine. Persons or organizations purchasing exchange from ADs must state accurately the purpose for which the foreign currency is required and provide any additional information the ADs may request in connection with the concerned transaction. All ADs are required to comply with the reporting requirements set out in the Balance of Payments Reporting System.

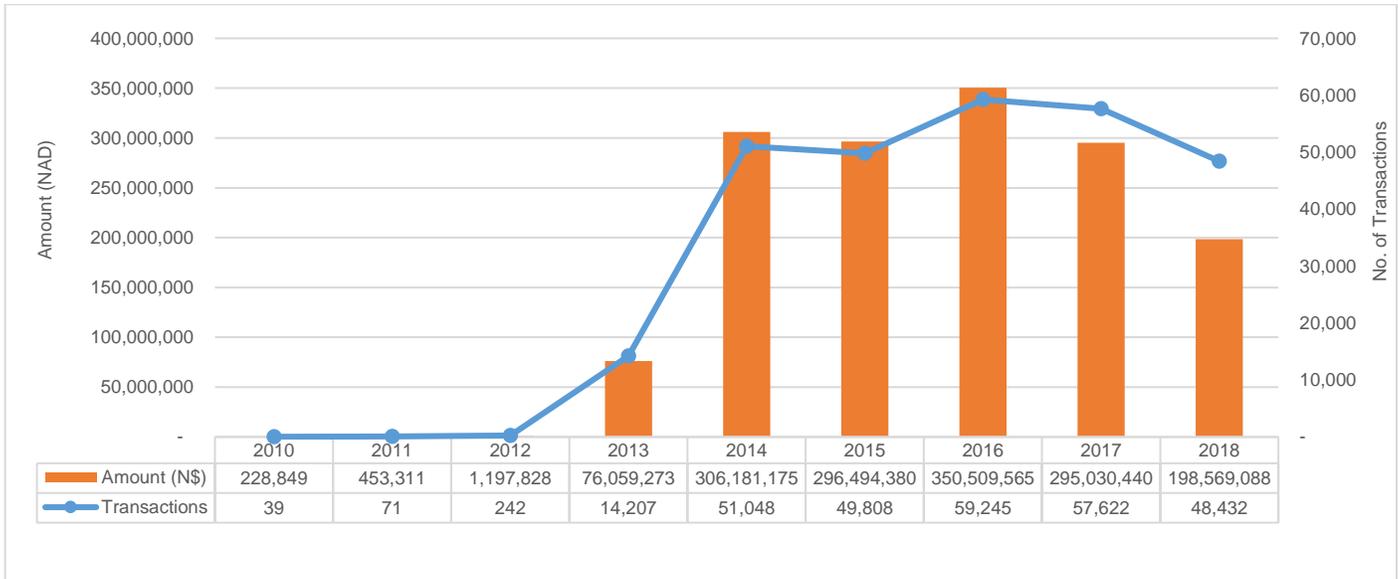
For every sale of exchange, irrespective of the amount involved, ADs and ADLAs are required through the provisions of the Exchange Control Rulings to report to the Bank of Namibia details of cross-border foreign exchange outward payments and foreign exchange inward payments.

Additionally, in terms of Exchange Control Regulation B.7(i) and (v) residents who are over the age of 18 years may be permitted to avail a **Single Discretionary Allowance (SDA)** within an overall limit of NAD 1 million per individual, per calendar year. To ensure accurate and comprehensive reporting of all data on cross-border transactions, ADs and ADLAs must impress upon their clients the need to provide accurate information to enable the accurate reporting of such the same to the Bank of Namibia.

This section is focused on cross border gift remittances (inward and outward) facilitated by ADs and ADLAs, in Namibia, covering the period 01 January 2010 to 31 December 2018. Information in this section emanated from data sourced from the Exchange Control Department.

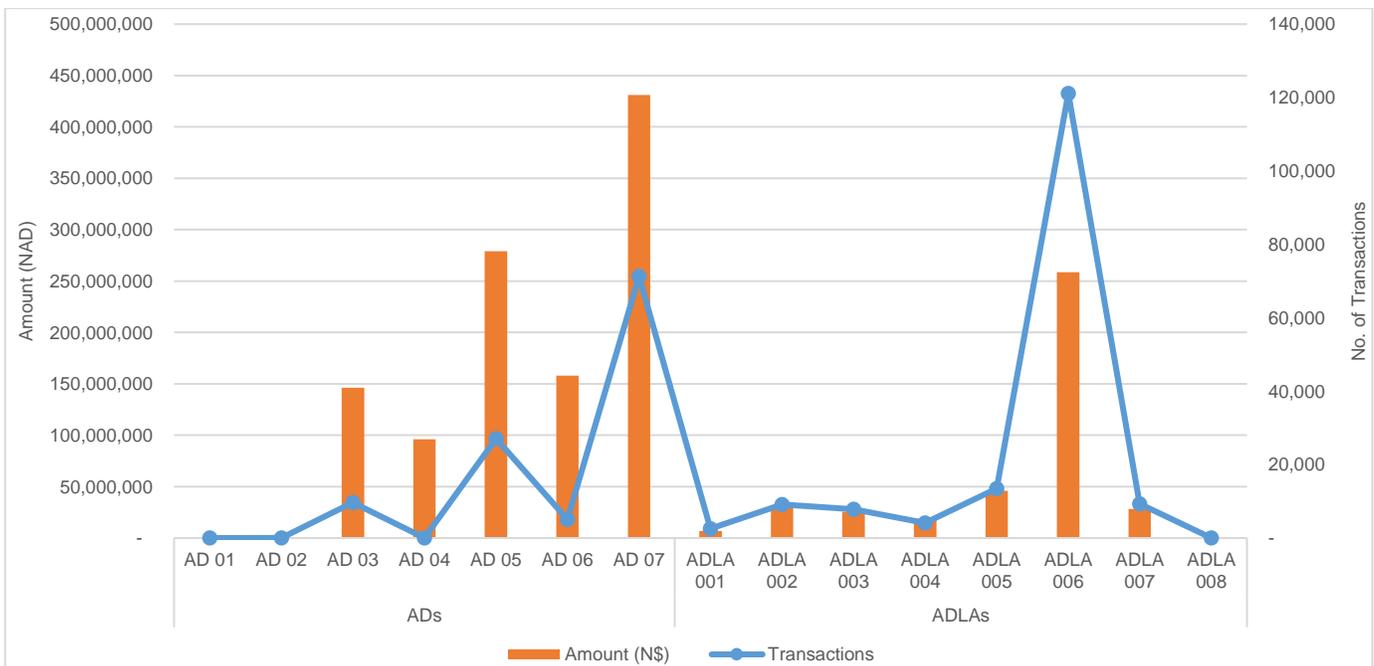
4. Analysis of Inward Gift Remittances

Chart 1 Annual inward gift remittances



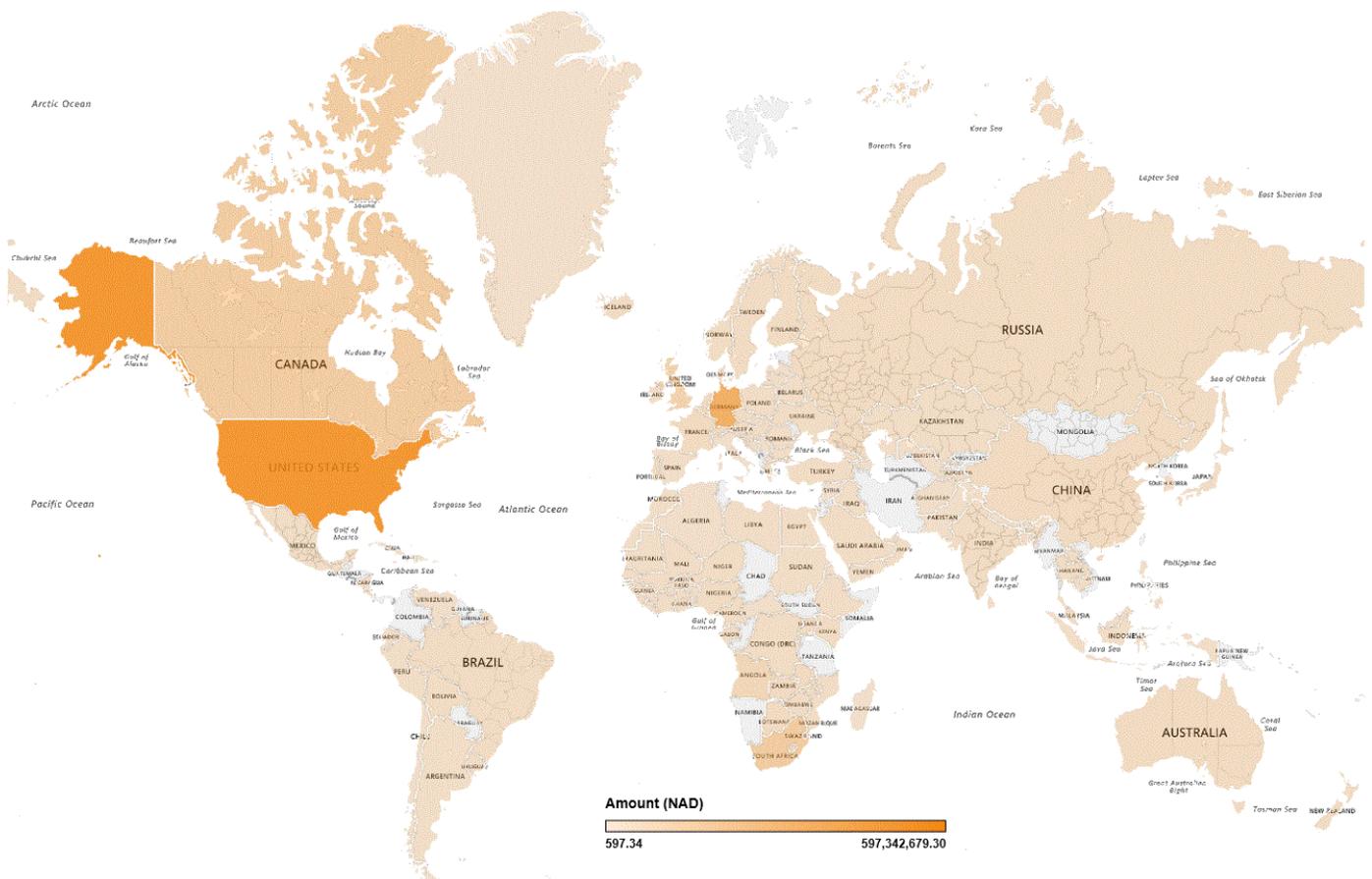
Inward gift remittances over the period of 1 January 2010 to 31 December 2018 amounted to NAD 1,524,723,909 carried out through 280,714 transactions, reaching an all-time high of NAD 350,509,565 in 2016 and a record low of NAD 228,849 in 2010.

Chart 2 Inward gift remittances by ADs and ADLAs



During the period under review, the ADs received 73% of the inward gift remittances, amounting to NAD 1,110,371,645 through 113,145 transactions. AD 07 received the highest amount of NAD 431,090,075 representing 39% of the total amount received by the ADs. The ADLAs received a total of NAD 414,352,264. Worth noting is that 62% of this amount was received by ADLA 006 through 121,158 transactions.

Map 1 Inward gift remittances by country of origin



During the period under review, the Republic of Namibia received gift remittances from 180 countries across the globe. The United States of America, Germany and South Africa emerged as the top three remitters of funds in the form of gifts to Namibia, remitting a total of NAD 597,342,679; NAD 384,110,923; and NAD 133,908,713 respectively.

4.1 Comments and discrepancies per entity

This section of the report presents a summary of the inward gift remittances as per data analysis emanating from information received from the Exchange Control Department. Further, this section avails FIC observations related to due diligence and data quality challenges observed per entity. Overall, a total amount of NAD 1,524,723,909 was received as gifts for the period under review as indicated in Table 2.

Table 2 Summary of inward gift remittances by ADs and ADLAs

Entity Name	No. of Transactions	Total amount (NAD)	Amount>4,999,999.99	Status
AD 01	2	20,416	0	Not operational
AD 02	3	39,878	0	Operational
AD 03	9,655	146,130,963	0	Operational
AD 04	22	95,967,935	4	Not operational
AD 05	27,109	279,006,773	0	Operational
AD 06	5,101	158,115,603	0	Operational
AD 07	71,253	431,090,075	1	Operational
ADLA 001	2,582	7,000,248	0	Operational
ADLA 002	9,153	30,297,089	0	Operational
ADLA 003	7,800	25,436,839	0	Operational
ADLA 004	4,074	18,621,368	0	Operational
ADLA 005	13,488	46,031,726	0	Operational
ADLA 006	121,158	258,595,576	0	Operational
ADLA 007	9,292	28,334,321	0	Operational
ADLA 008	22	35,097	0	Not operational
Total	280,714	1,524,723,909	5	

Several observations and discrepancies were revealed with regards to inward gift remittances per entity as illustrated below:

AD 01:

Only 2 inward gift remittance transactions were carried out by this entity. A total of NAD 20,416 was received through a single transaction. The following is worth noting:

- a) both the source and the local amount provided is “0”; and
- b) the gift recipient’s name was not provided.

AD 02:

A total of NAD 39,878 was received through 3 transactions. Only 3 inward gift remittance transactions were carried out by this entity. In one of the transactions, the gift recipient's name and/or surname is not provided.

AD 03:

A total of NAD 146,130,963 was received through 9,655 transactions. The three single transactions with the highest monetary values of NAD 2,643,553, NAD 1,370,914 million and NAD 1,361,181 million were carried out on 18 February 2015, 19 September 2018 and 6 February 2014, respectively. The following due diligence observations were noted:

- a) 207 transactions in which the local amount is not provided;
- b) 870 transactions in which the gift remitter's name and surname is not provided; and
- c) 70 transactions in which the gift recipient's name and surname or entity name is not provided.

AD 04:

A total of NAD 95,967,935 was received through only 22 transactions. A total of NAD 73 million was remitted from the United States through 8 transactions. The top three single transactions with the highest monetary values were carried out as follows: NAD 33,994,608; NAD 28,914,738 and NAD 10,156,357 on 16 February 2017, 8 April 2016 and 21 April 2016 respectively. These are the highest amounts remitted in terms of individual remittances (single transactions) during the above-cited dates. These transactions do not have the remitters and recipients' names provided, however, the receiving entity's name was provided as "Giraffe Conservation Foundation Trust". The following observations are worth noting:

- a) 8 transactions in which the gift remitter's name and surname is not provided;
- b) a certain individual "subject 001" received a total of NAD 10,424,575.54 from Germany in two payments; and
- c) a certain entity "Entity 001" received a collective amount of NAD 74,787,329.49 in five payments.

AD 05:

A total of NAD 279,006,773 was received through 27,109 transactions. The three single transactions with the highest monetary values are as follows: NAD 3,034,425, NAD 2,321,393 and NAD 1,205,975 which were carried out on 1 October 2013, 2 October 2013 and 3 May 2018, respectively. The following were observed within the data of AD 05:

- a) 1,225 transactions in which the local amount is not provided;
- b) 9,657 transactions in which the gift remitter's name and surname is not provided; and
- c) 110 transactions in which the gift recipient's name and surname, or entity name is not provided.

AD 06:

A total of NAD 158,115,603 was received through 5,101 transactions. Single transactions with the highest monetary values are (top three): NAD 2,541,819; NAD 2,341,670 and NAD 2,258,318 which were carried out on 6 August 2015, 2 December 2014 and 7 July 2016, respectively. The following were observed from the reported data:

- a) 223 transactions in which the local amount is not provided;
- b) 5,324 transactions in which the gift remitter's name and surname is not provided; and
- c) 391 transactions in which the gift recipient's name and surname, or entity name is not provided.

AD 07:

A total of NAD 431,090,075 was received through 71,253 transactions. Single transactions with the highest amounts are as follows (top three): NAD 8,392,650; NAD 4,713,919 and NAD 3,128,423 which were carried out on 15 January 2016, 2 August 2016 and 31 December 2015, respectively. The following observations came to the fore:

- a) 2,184 transactions in which the local amount is not provided;
- b) 657 transactions in which the gift remitter's name and surname is not provided; and
- c) 11 transactions in which the gift recipient's name and surname, or entity name is not provided.

ADLA 001:

A total of NAD 7,000,248 was received through 2,582 transactions. The three single transactions with the highest monetary values are as follows: NAD 79,310 NAD 55,667; and NAD 52,722 thousand. The FIC further found that the local amount remitted was not provided in 251 transactions.

ADLA 002:

A total of NAD 30,297,089 was received through 9,153 transactions. The three single transactions with the highest monetary values are as follows: NAD 198,649; NAD 155,860 and NAD 151,107. The following are further observations which indicate due diligence challenges:

- a) 509 transactions in which the local amount is not provided;
- b) 6,815 transactions in which the gift remitter's name and/surname is not provided; and
- c) 887 transactions in which the gift recipient's name and surname, or entity name is not provided.

ADLA 003:

A total of NAD 25,436,839 was received through 4,315 transactions. The three single transactions with the highest monetary values are as follows: NAD 93,472; NAD 67,693 and NAD 63,980. Further, the following due diligence control weaknesses were observed:

- a) 1,477 transactions in which the local amount is not provided; and
- b) 1 transaction in which the gift remitter's name and surname are not provided.

ADLA 004:

A total of NAD 18,621,368 was received through 4,074 transactions. The three single transactions with the highest monetary values are as follows: NAD 95,546; NAD 90,337 and NAD 77,191. The following due diligence control weaknesses were observed:

- a) 434 transactions in which the gift remitter's name and surname are not provided; and
- b) 20 transactions in which the gift recipient's name and surname, or entity name is not provided.

ADLA 005:

A total of NAD 46,031,726 was received through 13,488 transactions. The three single transactions with the highest monetary values are as follows: NAD 250,669; NAD 148,077 and NAD 137,094. The following reflects due diligence challenges:

- a) 5,190 transactions in which the gift remitter's name and surname are not provided; and
- b) 903 transactions in which the gift recipient's name and surname, or entity name is not provided.

ADLA 006:

A total of NAD 258,595,576 was received through 121,158 transactions. The three single transactions with the highest monetary values are as follows: NAD 278,231; NAD 275,001 and NAD 252,590. The following further shows due diligence challenges:

- a) 9,661 transactions in which the local amount is not provided;
- b) 96,506 transactions in which the gift remitter's name and surname is not provided; and
- c) 4,027 transactions were the gift recipient's name and surname, or entity name is not provided.

ADLA 007:

A total of NAD 28,334,321 was received through 9,292 transactions. The three single transactions with the highest monetary values are as follows: NAD 121,584, NAD 90,956 and NAD 76,109. Note the following observations reflecting potential shortcomings:

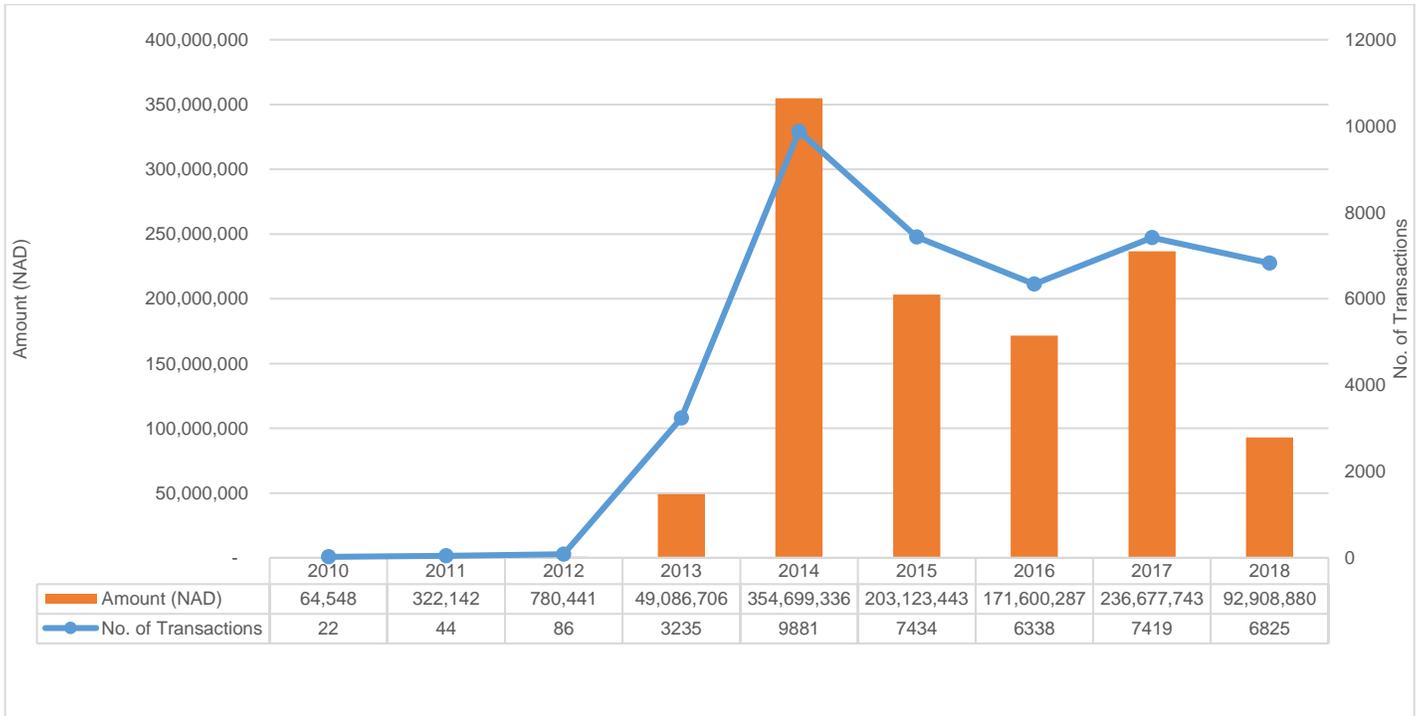
- a) 905 transactions in which the local amount is not provided;
- b) 7,594 transactions in which the gift remitter's name and surname is not provided; and
- c) 706 transactions were the gift recipient's name and surname, or entity name is not provided.

ADLA 008:

A total of NAD 35,097 was received through 22 transactions. The three single transactions with the highest monetary values each NAD 5,000. The FIC observed that the gift remitter's name and the surname were only provided in one of the 22 transactions.

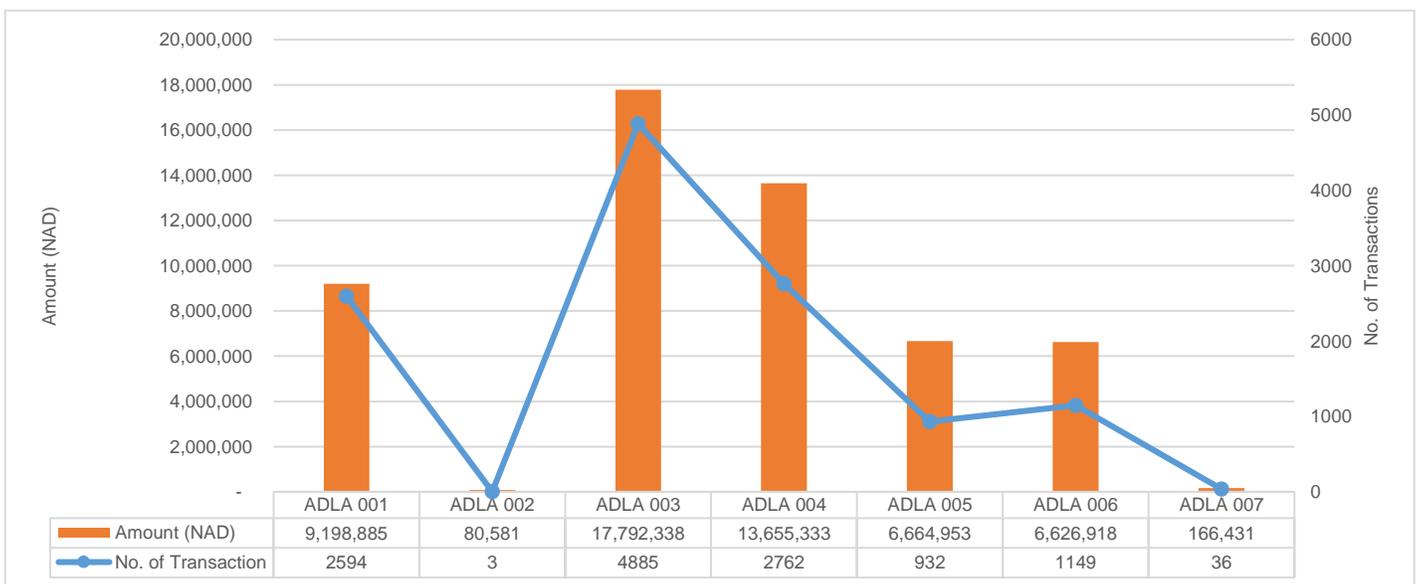
5. Analysis of Outward Gift Remittances

Chart 3 Annual outward gift remittances by ADLAs and ADs:



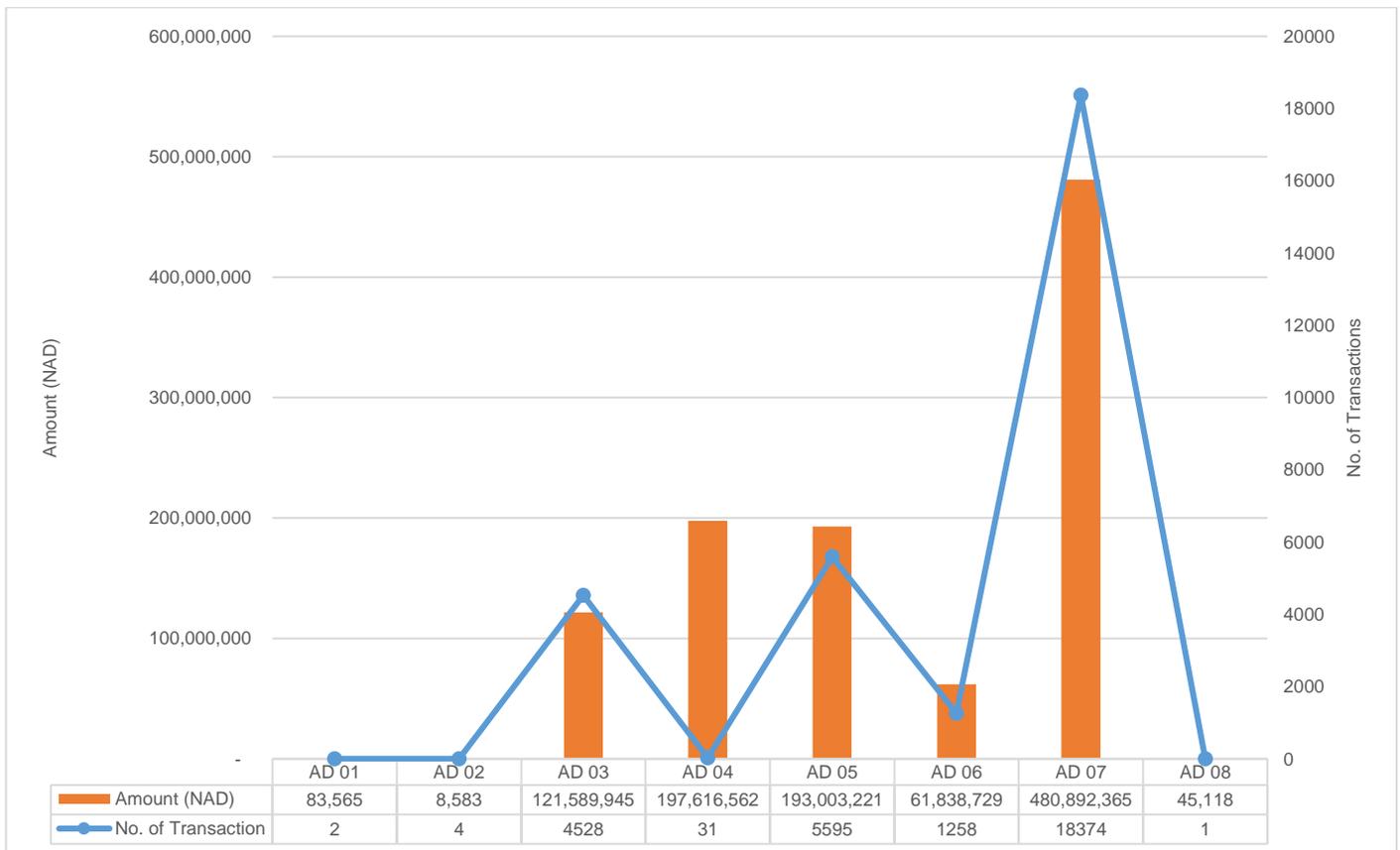
The chart above shows annual outward gift remittance values and volumes. The highest total amount remitted annually is NAD 354,699,336 (in the year 2014), through 9,881 transactions.

Chart 4 Outward gift remittances by ADLAs



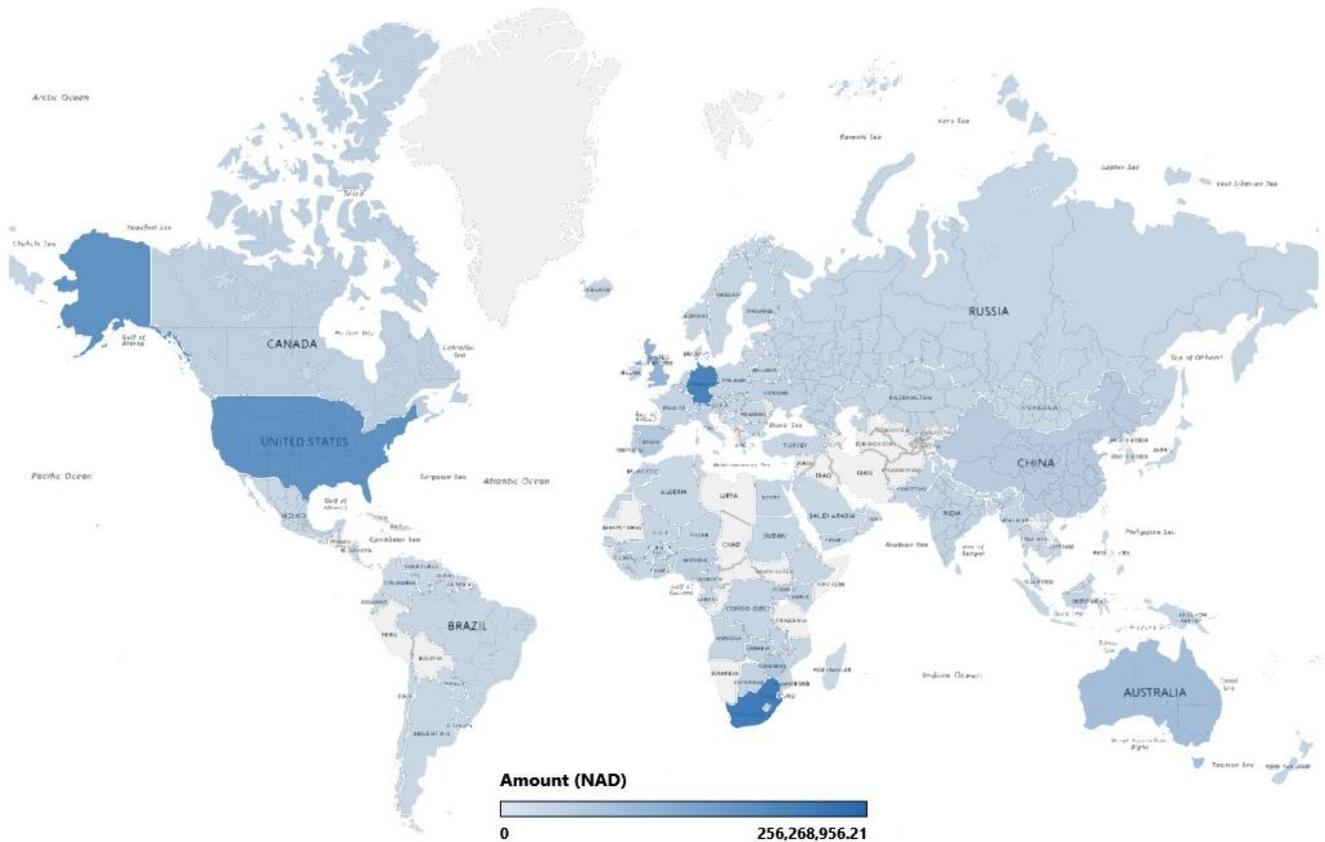
The graph above presents a summary of outward gift remittances by seven ADLAs authorized to facilitate such transactions. The highest amount of NAD 17,792,338 was remitted by ADLA 003 through 4,885 transactions. Overall, a total amount of NAD 54,185,439 was remitted by ADLAs during the period under review.

Chart 5 Outward gift remittances by ADs



During the period under review, outward gift remittances were facilitated by eight ADs as summarized and presented in this section. A total of NAD 480,892,365 was remitted through AD 07 in 18,374 transactions, followed by AD 04 and AD 05 which remitted NAD 197,616,562 and NAD 193,003,221 respectively. Overall, a total amount of NAD 1,055,078,087 was facilitated and remitted outwards by ADs.

Map 2 Outward gift remittances by country of destination



The map above presents an overview of outward gift remittances from Namibia to other countries. The highest amount remitted by ADs and ADLAs was to South Africa (NAD 256,268,956 through 1,231 transactions) over the period 1 January 2010 to 31 December 2018. Germany was the second highest with a total of NAD 236,530,872 through 3,531 transactions followed by the United States of America with NAD 197,279,500 remitted through 16,910 transactions.

5.1 Comments and discrepancies per entity

This section of the report presents a summary of outward gift remittances as per data analysis emanating from information received from the Exchange Control Department. It also presents observations on data irregularities which may point to customer due diligence challenges. As per Table 1 below, 23 (transactions) of amounts greater than NAD 1 million were remitted outwards as gifts via AD 04. Overall, a total amount of NAD 1,109,263,527 was remitted by these entities as gifts. Note that AD 01 and AD 04 are no longer in operation.

Table 2 Summary of outward gift remittances by ADs and ADLAs

Entity Name	No. of Transactions	Total amount (NAD)	Amount > 1,000,000	Status
AD 01	2	83,565	0	Not operational
AD 02	4	8,583	0	Operational
AD 03	4,528	121,589,945	2	Operational
AD 04	31	197,616,562	23	Not operational
AD 05	5,595	193,003,221	5	Operational
AD 06	1,258	61,838,729	5	Operational
AD 07	18,374	480,892,365	5	Operational
AD 08	1	45,118	0	Operational
ADLA 001	2594	9,198,885	0	Operational
ADLA 002	3	80,581	0	Operational
ADLA 003	4885	17,792,338	0	Operational
ADLA 004	2762	13,655,333	0	Operational
ADLA 005	932	6,664,953	0	Operational
ADLA 006	1149	6,626,918	0	Operational
ADLA 007	36	166,431	0	Operational
Total	42,154	1,109,263,527	40	

This part presents FIC observations related to outward gift remittances per entity.

AD 01:

- a. The entity is no longer in operation. However, it had facilitated two gift remittances totaling NAD 83,565 when it was operational.

AD 02:

- a. Only four single transactions involving a total of NAD 8,583 were remitted through this entity; and
- b. No local amount was availed for the third transaction recorded under this entity.

AD 03:

Two single transactions to the total value of NAD 2,083,227 were facilitated by AD 03. A transaction of NAD 1,083,227 and 1,000,000. These two transactions exceed the NAD 1 million annual threshold.

AD 04:

The FIC noted 23 single transactions with a combined monetary value of NAD 194,758,002. All such 23 single transactions were in excess of the NAD 1 million annual threshold. One such transaction was facilitated in 2015; eight financial transactions in 2016 and fourteen financial transactions in 2017. This appears to be in conflict with Exchange Control Regulations. However, for all such transactions exceeding the threshold, no STRs/SARs were filed with FIC. These transactions are illustrated below:

- a. A single financial transaction amounting to NAD 17,210,423 was remitted to Germany by an individual bearing the name "subject 002";
- b. The analysis further found that on the 05th April 2017, potential structured financial transactions in excess of the threshold NAD 1 million may have been facilitated by AD 04. These multiple financial transactions to the total value of NAD 44,128,956 was remitted to Germany in three equal instalments of NAD 14,709,652. These transactions appear to have been remitted and received by an individual bearing a name "subject 003". The name of the sender and receiver is the same;
- c. On the 11th January 2017, another two potentially structured financial transactions amounted to NAD 29,078,969. They were facilitated and received by an individual bearing the name "subject 004" in Spain;
- d. On the 14th February 2017, two potentially structured financial transactions amounted to NAD 27,701,498. They were facilitated and received by an individual bearing the name "subject 005" in Germany; and
- e. It is noted that this entity is no longer in operation.

AD 05:

- a. 5 single transactions involved a total amount of NAD 16,307,817 remitted outwards as gifts. All such 5 single financial transactions were in excess of the NAD 1 million annual threshold.
- b. A single financial transaction to the value of NAD 12,000,000 was remitted to South Africa by an individual bearing the name “subject 006”; and
- c. Another single transaction to the value of NAD 1,081,527 was facilitated as an outward gift remittance to South Africa. The names of the sender/conductor and receiver were not indicated.

AD 06:

- a. A total of 5 single transactions amounting to NAD 5,075,345 for outward gift remittances was facilitated via this entity; and
- b. A single transaction to the value of NAD 1,045,485 was facilitated as an outward gift remittance to South Africa. The names of the sender/conductor and receiver were not indicated.

AD 07:

- a. A single financial transaction amounted to NAD 217,545,551 destined to South Africa and another NAD 55,965,851 destined to Australia were facilitated and remitted by AD 07. These figures overall present the highest amount remitted by this institution during the period under consideration.

ADLA 002:

- a. Records indicate that during the period under review, only 3 financial transactions were facilitated via ADLA 002 in 2014, 2015 and 2017, which involved a total amount of NAD 80,581. Further, the source revealed that from GoAML a total of 16 STRs

were reported by this entity during the period under review. The FIC is concerned that there could be more reportable transactions related to outward remittances facilitated via this entity which should have been reported as STRs or SARs. This may thus point to control weaknesses in the monitoring system.

ADLA 007:

- a. 36 single transactions were facilitated via ADLA 007 and as at 31 December 2018, there were only 5 STRs filed with the FIC by this entity since the reporting obligation commenced. It is worth noting that there was no outward gift remittance suspicious activity related report filed.

SECTION C

ANALYSIS OF INWARD AND OUTWARD GIFT REMITTANCES AS PER DATA ON THE FIC GoAML SYSTEM

GoAML is a data collection and intelligence analysis system used by Financial Intelligence Units around the world to help combat ML/TF/PF related activities. This system houses a database which is used for data mining, amongst other uses. The data sent by the reporting institutions form part of a highly confidential database accessed by FIC staff in furtherance of FIA objectives.

The Bank of Namibia has licensed ADs and ADLAs to facilitate cross border remittances of 'gifts', amongst others, on behalf of their clients, as part of their authorized remittance authority. Such ADs and ADLAs are equally required in terms of the FIA to:

- register with the FIC;
- ensure effective record keeping;
- ensure effective customer identification and related customer due diligence;
- report all reportable transactions as prescribed in Circular 03 of 2015 (EFTs, IFTs etc); and
- report all suspicious transactions or activities to the FIC.

The above are key expectations which enhance the national AML/CFT/CPF regime. It is against this background that the FIC has undertaken this study to ascertain the level of control effectiveness surrounding inward and outward gift remittances. The FIC analysed gift remittance data from reports submitted via the GoAML portal by ADs and ADLAs during the period 01 January 2015 to 31 December 2018 to gain reasonable assurance on the effective functioning of such controls.

For the period under review, 5 ADs and 3 ADLAs have submitted inward and outward gift remittances via the GoAML portal to the FIC. These are:

- a) AD 02;
- b) AD 03;
- c) AD 05;
- d) AD 06;
- e) AD 07;
- f) ADLA 002;
- g) ADLA 004; and
- h) ADLA 005.

6. International Funds Transfer (IFT)

IFTs refers to the inward and outwards remittance of fund electronically from one jurisdiction to another. Below is a summary of funds transferred across the globe as gifts, per entity. This part further, presents general observations and potential irregularities regarding gift remittances submitted to the FIC.

AD 03:

A total of 142 single financial transactions amounting to NAD 681,519 was facilitated by this entity from Namibia to South Africa. Further, a total of NAD 108,319 was received as inward gift remittances from South Africa through 28 single transactions. The following is worth noting:

- a. source of funds information for both outward and inward gift remittances is not provided in reports by this entity.

ADLA 002:

IFT reports show that a total amount of NAD 12,961,025 was received by ADLA 002 as inward gift remittance from several jurisdictions as at 31 December 2018. The highest inward single financial transaction to the total monetary value of NAD 249,045 was received from Uganda. On the other hand, the IFT reports reflect that the highest amount in terms of outward gift remittances over the period under analysis was remitted to China amounting to NAD 4,093,540. This is followed by Zimbabwe and then United States of America with NAD 2,540,689 and NAD 1,174,317 respectively. The following is worth noting:

- a. 1,006 transactions with a total monetary value of NAD 5,362,435 in the form of gift remittances facilitated by ADLA 002. Both the source and destination country was wrongly indicated as “Namibia”; and
- b. 5 single financial transactions to the total monetary value of NAD 779,372 were facilitated and remitted to China by this entity. It is worth noting that the said figure was remitted on the same date (26 January 2016) by several individuals.

ADLA 004:

A total of NAD 6,198 was remitted out of Namibia as gifts through 30 single transactions. And a total of NAD 36,450 was received through 155 single transactions as inward gift remittances. Note the following observations reflecting potential shortcomings:

- a. Two gift remittances amounting to NAD 4,817 were facilitated by ADLA 004 wherein the source and destination country is indicated as “Namibia”. Inward and outward gift remittances are cross border transactions. Both source and destination country cannot be the same;

- b. A single outward gift remittance transaction with a monetary value of NAD 2,685 had the source country indicated as “United States” and destination country as “Congo” however the transaction location is indicated as “Swakopmund”. Inward and outward gift remittances are cross border transactions between Namibia and other jurisdictions. It is not clear how Namibia was not reflected as a source country (for outward remittance); and
- c. the source of funds information is not provided for both inward and outward gift remittances.

ADLA 005:

Only one single transaction to the value of NAD 36,962 was remitted outward to Angola by this institution.

7. Quarterly Cross Border Remittances

ADs and ADLAs are obliged to report inward and outward cross border remittances to the FIC as outlined in the Revised Directive 01 of 2016. All single discretionary allowances above NAD 99,999.99 and NAD 499,999.99, quarterly, per client (natural persons only) for outward and inward remittances, must be reported via the goAML web portal. This part presents general observations and potential irregularities observed from reported inward and outward gift remittances per entity.

AD 02:

A total of NAD 1,262,708 was remitted as outward gift remittances through 4 single financial transactions. Further, an amount of NAD 1,455,714 was received through 3 single financial transactions by this institution. The single financial transaction with the highest monetary value of outward and inward gift remittance is NAD 518,604 and NAD 962,584 respectively. The following observations (inward and outward) reflect potential shortcomings:

- a. the source of funds information was not provided;
- b. source and destination country were not provided; and
- c. the information about the gift remitter/recipient's name and surname is not provided.

AD 03:

According to the reports received, only 5 single financial transactions to the total value of NAD 1,753,488 were facilitated as outward gift remittance. Similarly, 5 single financial transactions amounting to NAD 1,022,585 were also received as inward gift remittances. In view of the above, the following challenges were noted:

- a. for both outward and inward transactions, the source of funds information was not provided;
- b. there are 5 outward transactions in which the source and the destination country is the same (Namibia); and
- c. there are 2 inward transactions in which the source and the destination country is the same (Namibia).

AD 05:

A total of NAD 86,114,060 was remitted as outward gift remittances through 303 single financial transactions. A total of NAD 9,576.506 was received through 14 financial transactions as inward gift remittances. Note the following observations indicating potential shortcomings for both inward and outward remittances:

- a. 129 transactions in which the source and destination country is the same (Namibia);
- b. 167 transactions in which the source and destination country was not provided;
- c. 179 transactions in which the gift remitter's name and the surname were not provided; and
- d. 9 transactions were the gift recipient's name and surname, or entity name was not provided.

AD 06:

261 single financial transactions with a total monetary value of NAD 136,344,250 in the form of outward gift remittances were facilitated by AD 06. The analysis further found that 13 out of 261 single financial transactions were in excess of the annual threshold of NAD 1 million. The single financial transaction with the highest monetary values are as follows NAD 35,293,215; NAD 27,023,018; NAD 6,412,781; NAD 2,000,000.

In contrast, a total of NAD 45,090,061 was received as inward gift remittances through 40 transactions.

It is worth noting that of all the single financial transactions filed, the following information was not provided:

- a. the source of funds information;
- b. source and destination country; and
- c. the information about the gift remitter/recipient's name and surname.

AD 07:

A total of NAD 32,468,784 was remitted as outward gift remittances through 53 single financial transactions. The analysis further found that 7 out of 53 single financial transactions were in excess of the annual threshold of NAD 1 million which has been facilitated by the institution. The single financial transaction with the highest monetary value is NAD 14,490,000 followed by NAD 2,000,000 and then 5 single financial transactions amounting to NAD 1,000,000 per transaction. There was no inward gift remittance facilitated during the period under review. The following observations reflect potential shortcomings:

- a. the source of funds information was not provided;
- b. source and destination country were not provided; and
- c. information about the gift remitter/recipient's name and the surname was not provided.

8. STRS received from ADLAs and ADs

Table 1 and 2 below depict the number of STRs filed by ADs and ADLAs related to gift remittances since the reporting obligation commenced to 31 December 2018. There were 68 STRs filed by the ADLAs and 48 STRs filed by the ADs. Annually, the highest number being 40 STRs were received from the ADLAs during the year 2015.

Table 3: STRs filed by ADLAs per year

ADLA's Name	2009	2010	2011	2013	2015	2016	2017	2018	Total
ADLA 003	-	-	-	-	1	2	6	1	10
ADLA 004	-	-	-	4	38	4	-	-	46
ADLA 005	2	1	1	4	-	-	-	-	8
ADLA 006	-	-	-	-	1	-	-	3	4
Total	2	1	1	8	40	6	6	4	68

Table 4: STRs filed by ADs per year

AD's Name	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
AD 03	-	-	-	-	-	2	-	2	1	-	5
AD 05	-	-	2	2	2	1	3	3	5	3	21
AD 06	1	-	-	1	-	1	1	-	3	2	9
AD 07	1	2	2	1	2	-	-	3	2	-	13
Total	2	2	4	4	4	4	4	8	11	5	48

9. The relevance of detecting and reporting

The primary object of all controls implemented is to ensure the effective functioning of AML/CFT/CPF regimes at an institutional, sectoral and national level. Such effectiveness is primarily reflected in an institution's ability to detect and report all reportable transactions or activities. This is the most prudent demonstration of effective compliance with the FIA. As stated herein, the ADs naturally remit much higher volumes of transactions, with significantly higher financial values compared to ADLAs. On face value, it is alarming that the ADLAs are reporting much higher STR volumes than ADs. All ADs and ADLAs are encouraged to comply with the FIA, Revised Directive 01 of 2016 and the Regulations to cause the necessary improvements.

The Strategic Analysis Division will work with the Compliance Division within the FIC to ensure relevant interventions, including enforcement referrals are considered where non-compliance, particularly poor reporting behavior is observed.

10. Summary of major observations

The FIC noted with concern that implementation of monitoring mechanisms to enhance compliance with Revised Directive 01 of 2016 is far below expectations. In summary, the following major inconsistencies were observed:

- a. ADs and ADLAs in this regard provide the same services. When it comes to compliance however, some are reporting such cross border transactions with missing or irrelevant information and some are not reporting at all. It can be assumed that ADs and ADLAs fail to identify the remitters of funds, including their financial profiles or source of income information;
- b. Potential failure to demonstrate an accurate understanding of the nature/purpose of most remittance(s) owing to missing information;
- c. Failure to understand the relationship between the sending and receiving parties;
- d. Failure to detect individuals remitting funds in excess of NAD 99,999.99 and NAD 499,999.99 inwards quarterly as per Revised Directive 01 of 2016;
- e. The larger sector (ADs) facilitating more transactions than ADLAs appear to be reporting much lesser STRs (48) than the ADLAs (68). The reporting behavior of ADs, when compared to ADLAs worries the FIC; and
- f. Failure to include relevant information when filing IFTs and quarterly cross border remittances.

11. Conclusion

The information contained in this report is essentially intended to provide a general overview of analysis and a summary to ADs and ADLAs with regard to reports related to cross border remittances. The ADs and ADLAs' reporting patterns show that there are inconsistencies in the sectoral reporting behavior. The majority of institutions in the AD and ADLA sector are simply not demonstrating compliance with the Revised Directive 01 of 2016 at all.

The said Revised Directive avails detailed directives and guidance on how to further enhance mitigating controls relating to gift remittances. Further, it is reiterated that the names of all clients remitting more than NAD 99,999.99 as Single Discretionary Allowances (SDAs) and NAD 499,999.99 inwards quarterly, should be submitted to the FIC within 15 working days of the end of a quarter. The first quarterly reporting commenced on 01 January 2018 via GoAML. Prior to that, ADs and ADLAs were expected to submit such reports manually.

In furtherance of implementing controls to enhance reporting behavior (STRs/SARs), ADs and ADLAs are further urged to consider reading the FIC's Trends and Typologies Report on ML Trends related to Gift Remittances (No. 03 of 2017). The said report is available on the FIC website.

Further, Directive 01 of 2018 directs Accountable and Reporting Institutions to ensure adhering to the new set of business rules regulating the reporting expectations in terms of FIA Sections 32, 33 and 34. The reporting business rules are essential for ensuring reports meet quality expectations. This in turn enhances the FIC datamining database. All institutions have been requested to ensure compliance with effect from 01 July 2018, but it appears there are still reporting challenges.