



TYOLOGY REPORT ON THE ABUSE OF TRUSTS IN THE ADVANCEMENT OF TF AND ML



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1. DEFINITIONS

Anti-Money Laundering, Combatting the Financing of Terrorism and Proliferation framework (AML/CFT/CPF): Refers to the national (or international) framework which combats and prevents money laundering, terrorism and proliferation financing activities;

Money laundering (ML): Generally, refers to the act of disguising the true source of proceeds generated from unlawful activities and presenting such in the financial system as sourced from legitimate activities. However, in terms of the Prevention of Organized Crime Act, 2004, as amended (POCA), the definition of ML is broad enough to include engagement, acquisition and concealment of proceeds of crime whether directly or indirectly;

Proliferation financing (PF): “the act of providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations”¹;

Terrorist financing (TF): includes “acts which are aimed at directly or indirectly providing or collecting funds with the intention that such funds should be used, or with the knowledge that such funds are to be used, in full or in part, to carry out any act of terrorism as defined in the Organization for African Unity (OAU) Convention on the Prevention and Combating of Terrorism of 1999, irrespective of whether or not the funds are actually used for such purpose or to carry out such acts”;

Law Enforcement Authorities (LEAs): Refers to law enforcement bodies like the Namibian Police;

Legal Persons (LP): This refers to any entities other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. These can include companies, bodies corporate, foundations, partnerships, or associations and other similar entities;

¹ FATF Recommendation 7

2. EXECUTIVE SUMMARY

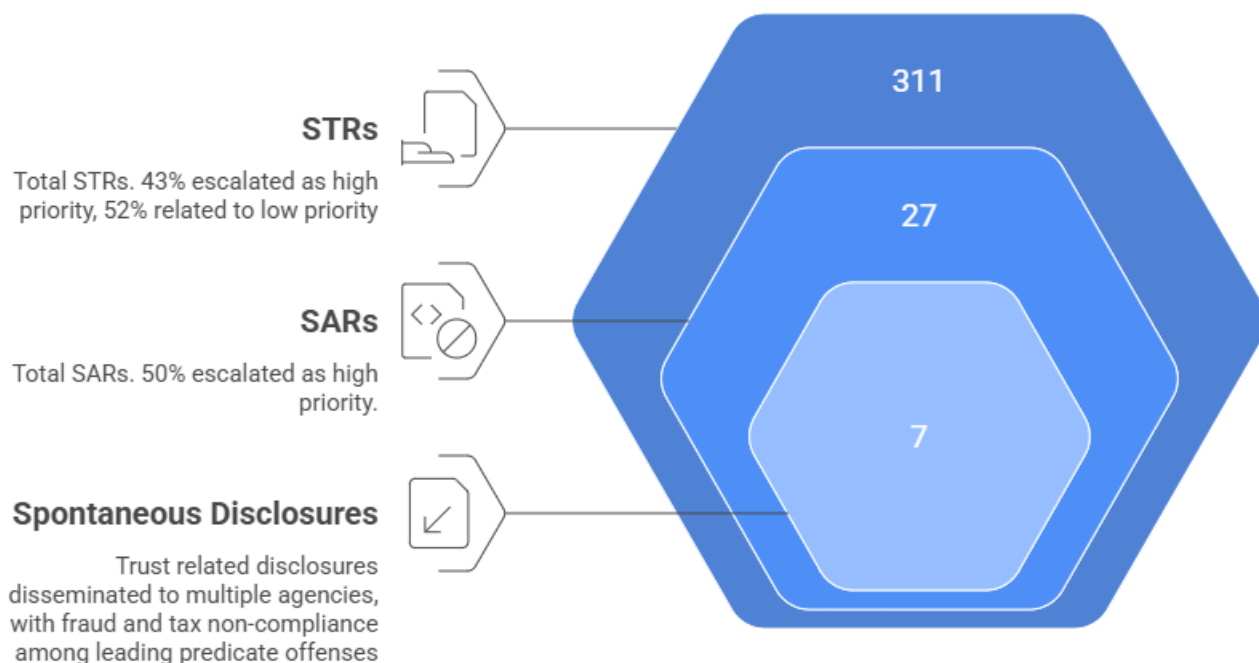
Trusts are legitimate legal arrangements commonly used for estate planning, asset protection, and charitable or philanthropic purposes in Namibia. However, the same features that make trusts flexible and effective for lawful purposes such as the separation of legal ownership from beneficial ownership and the ability to structure complex arrangements can also make them vulnerable to abuse. This typology report examines how trusts can be misused for money laundering and terrorist financing, highlights available evidence and trends relevant to Namibia, and identifies key measures and actions required to mitigate these risks and strengthen transparency within the financial system.

Headline insights

- Misuse of trusts follows consistent patterns across the laundering cycle: placement through gifts, loans, and asset transfers; layering via inter-trust transactions, offshore structures, and control changes; integration through distributions and trust-owned assets presented as legitimate. Charitable and discretionary trusts are especially vulnerable to terrorist financing schemes.
- Banking and legal sectors represent the primary reporting channels. From 311 STRs filed with the FIC which involved trusts, banks filed 66% and legal practitioners 23%, indicating an upward trend in 2024. From these, Bank-A, Bank-B and Bank-C submitted the majority. A total of 27 SARs were filed since reporting obligations began, mostly from banks.
- Law-firm trust accounts and charitable fronts pose acute risks. A major fisheries corruption scandal demonstrated the misuse of a law firm trust account to obscure beneficial ownership and conceal politically connected payments. Similarly, a separate case involving a Namibian charitable trust illustrated how a trust structure can be captured when trustees fail to exercise proper oversight and governance.

- Structural and systemic gaps persist, specifically fragmented beneficial ownership information, weak enforcement of DNFBP obligations, uneven cross-border cooperation, and limited capacity to freeze or confiscate trust-controlled assets.

Key data points: Trust-related Suspicious Transaction (STRs) and Suspicious Activity Reports (SARs)



Priority Recommendations:

1. **Beneficial ownership transparency:** Establish verified, accessible BO records with timely access for competent authorities; require trustees and professional gatekeepers to update BO data routinely.
2. **Trustee and DNFBP licensing:** Apply mandatory licensing and fit-and-proper criteria; conduct risk-based inspections of high-risk trust types (charitable, discretionary, offshore-linked, law-firm administered).
3. **Customer due diligence:** Require financial institutions to perform enhanced checks on settlors, protectors, and beneficiaries; implement event-driven reviews where control changes occur.

4. **Cross-border cooperation:** Standardise BO queries and MLA templates; strengthen Egmont Group cooperation with defined turnaround times.
5. **Legal and enforcement powers:** Criminalise concealment of BO information and trustee non-compliance; extend freezing/confiscation powers to assets under trust control regardless of title.
6. **Awareness and training:** Issue red-flag guidance, promote post-case “lessons learned,” and integrate typology scenarios into professional training programmes.

What success looks like:

- Verified, accessible BO records for trusts and timely access for competent authorities.
- Higher share of trust-related STRs resulting in case files and asset actions.
- Measurable reduction in high-risk trust patterns in bank monitoring alerts.
- Trustees and DNFBPs meeting licensing and reporting obligations, with visible sanctions for non-compliance.

3. INTRODUCTION AND BACKGROUND

A trust is a structure to which property is transferred by the founder or third party to beneficiaries nominated in a trust deed. The trust property is administered by trustees appointed in the trust deed or will for the benefit of one or more beneficiaries. The trustees manage the affairs of the trust for the benefit of the nominated beneficiaries. These legal arrangements that separate ownership and management of assets, commonly used for estate planning, wealth protection, and charitable purposes. These arrangements provide benefits for legitimate financial planning but also create opacity that enables concealment of beneficial ownership and complicates regulatory oversight.

Internationally, the Financial Action Task Force (FATF) and regional bodies such as ESAAMLG have identified the misuse of trusts as a significant risk. Global standards emphasise transparency of beneficial ownership, regulation of trust service providers, and cross-border

cooperation. Many jurisdictions have aligned legal frameworks with these standards, but implementation gaps persist worldwide.

Namibia has introduced relevant measures through the Financial Intelligence Act and related laws. However, enforcement challenges remain, including limited access to beneficial ownership data, uneven oversight of trustees and DNFBPs, and resource constraints for investigations. Criminal actors continue to exploit these weaknesses to obscure illicit funds and channel resources through trusts.

The Financial Intelligence Centre (FIC) is mandated to combat financial crimes in Namibia, including the abuse of trusts. Despite existing, fragmented information, weak enforcement, and evolving laundering methods, limit effectiveness. Strengthening oversight and international collaboration remains essential.

This report examines vulnerabilities in the use of trusts within Namibia's financial system, illustrates patterns of abuse for money laundering and terrorist financing, and identifies reforms required to enhance resilience.

4. OBJECTIVES OF THE REPORT

The primary objectives of this report are:

- a) To examine how trusts are misused for money laundering and terrorist financing in Namibia.
- b) To analyze the effectiveness of the regulatory and supervisory framework governing trusts and financial crimes in Namibia.
- c) To assess the role of the FIU in detecting, investigating, and preventing the misuse of trusts.
- d) To illustrate real-world examples of trust misuse in Namibia and comparable jurisdictions, providing insights into patterns and methodologies used by criminals.
- e) To identify the limitations faced by Namibian authorities, including gaps, oversight weaknesses, and constraints in international cooperation. To propose strategic actions

for strengthening AML/CTF measures, with focus on transparency, enforcement, international collaboration, and capacity building.

- f) To inform policymakers, law enforcement agencies, financial institutions, and other stakeholders about trust-related risks and encourage proactive mitigation.

By achieving these objectives, this report aims to contribute to Namibia's efforts to combat financial crime and align its regulatory framework with international best practices.

5. METHODOLOGY

To ensure a comprehensive understanding of how trusts may be exploited for money laundering and terrorist financing in Namibia, this report employs a multi-faceted research approach that includes:

- a) Review of financial intelligence reports on suspicious trust-related transactions from 2009 to 2024;
- b) Structured interviews with compliance officers from financial institutions, trust service providers, and legal practitioners specializing in trust structures;
- c) Analysis of case studies from Namibia and comparable jurisdictions;
- d) Assessment of Namibia's AML/CTF framework, focusing on the Financial Intelligence Act (FIA) and the Trusts and Estates Act; and
- e) Identification of regulatory gaps and comparison with international standards.

The methodology combines quantitative analysis of STRs and SARs with qualitative insight drawn from case studies. Findings are synthesised through triangulation of data sources to ensure validity and reliability.

This report relies primarily on data derived from reports filed with the FIC. While these sources provide valuable insights into possible misuse of trusts and related financial activities, they may not fully capture unreported, undetected, or informal transactions that fall outside the reporting framework. Despite these limitations, the information analyzed remains highly indicative of prevailing trends, typologies, and risks. Therefore, the findings and insights presented offer

substantial value in understanding and addressing the misuse of trusts for money laundering and related offences.

6. UNDERSTANDING THE ESTABLISHMENT AND FUNCTIONING OF TRUSTS

Trusts are legal arrangements in which assets are transferred by the settlor to a trustee, who manages them for the benefit of one or more beneficiaries. In Namibia, trusts are commonly used for estate planning, wealth management, asset protection, business structuring, and charitable purposes. Trusts are legal persons but are recognised as separate entities for tax and legal purposes. Key components of a trust:

- **Settlor:** Creates the trust and transfers assets into the trust.
- **Trustee:** Manages trust assets in line with the trust deed.
- **Beneficiary:** The person(s) or entity who receives the benefit from the trust.
- **Trust Deed:** A governing instrument defining the terms, purpose, duration, and governance.
- **Protector (Optional):** Oversees trustee actions to safeguard settlor's intent.

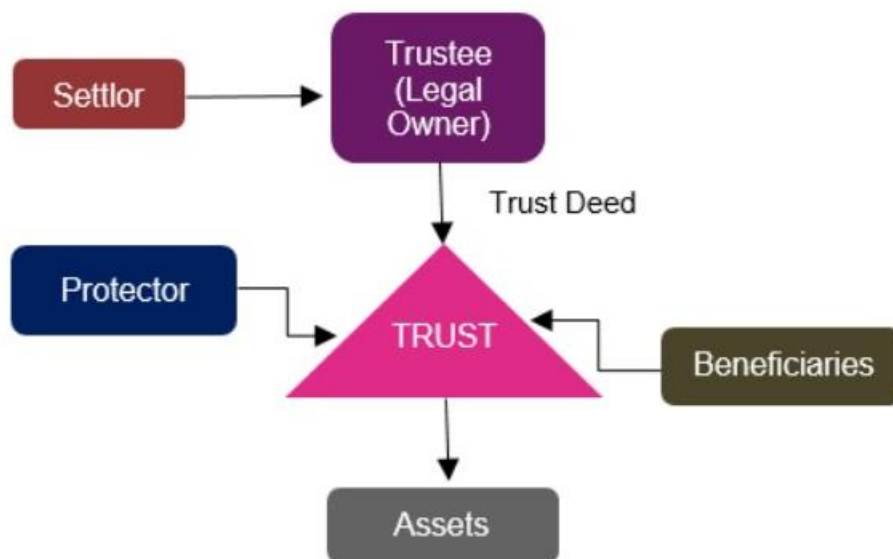


Figure 1: Key components of a trust

Trusts can be established in various ways, depending on the extent of control the person creating the trust (the settlor) wishes to retain and on how the assets will be managed or distributed.

A **revocable trust** allows the settlor to make changes or even cancel the trust at any time during their lifetime. This gives them flexibility and control. In contrast, an **irrevocable trust** cannot easily be changed or terminated once it has been created. The settlor gives up control, and the trust’s terms become final.

Trusts can also be **discretionary** or **fixed** in nature. In a **discretionary trust**, the trustees decide how and when to distribute the trust’s income or assets to the beneficiaries, based on their judgment and the trust’s purpose. On the other hand, a **fixed trust** clearly states how much each beneficiary will receive and when, leaving no room for trustee discretion.

Table 1: Legal and Institutional Framework for Trusts in Namibia

Act	Role / Mandate	Responsible Institution
Trust Moneys Protection Act 34 of 1934	<ul style="list-style-type: none"> • The principal statute regulating trusts in Namibia; • Requires trustees to lodge the trust instrument with the Master of the High Court; • Provides for security by trustees; and • governs the protection of trust moneys 	Master of the High Court (Ministry of Justice)
Trust Administration Act, 2023 (Act 11 of 2023)	<ul style="list-style-type: none"> • This Act regulates the creation, control and administration of trusts; • Regulates trustees & trust practitioners; • Mandates beneficial-ownership registers; • Enhances transparency and accountability of trusts. 	Master of the High Court (Ministry of Justice)
Financial Intelligence Act 13 of 2012	<ul style="list-style-type: none"> • Although not exclusively a trusts Act, it places obligations on trustees/trust administrators regarding beneficial ownership, • Record-keeping and reporting due to ML/TF risk posed by trusts • Requires reporting entities (including trustees and trust service providers where applicable) to identify and verify beneficial owners, • Receives and analyses suspicious transactions and activities reports; • Shares intelligence reports with LEAs on the abuse of trusts to prevent ML/TF/PF 	Financial Intelligence Centre

In Namibia, trusts can take various forms depending on their purpose, structure, and the level of control retained by the settlor or exercised by the trustees. The **Trust Administration Act, 2023**, together with common law principles, provides the legal foundation governing these trust arrangements. Below are the main types of Trusts in Namibia.

Table 2: Main types of Trusts in Namibia

	Definition	Purpose	Key Features
Inter Vivo Trust	Created by a living person during their lifetime	Estate planning, asset protection, business structuring	Effective immediately Can be revocable or irrevocable Flexible use
Testamentary Trust	Created through a will, effective upon the founder's death	Managing inheritance, especially for minors or dependents	Activated after death Trustees named in the will Delays inheritance

7. THE ROLE OF TRUSTS IN ML AND TF

Trusts can be exploited at all stages of money laundering and terrorist financing. The very features that make them useful for legitimate asset protection, such as the separation of ownership, discretionary management, and cross-border flexibility, can also create opportunities for concealment and misuse.

7.1 Money Laundering Through Trusts

Although trusts are legitimate legal arrangements, they are also vulnerable to abuse. Features such as anonymity, flexibility, privacy, cross-border reach, and complex ownership structures can be exploited by criminals through:

- concealing the illicit origin of funds,
- obscuring beneficial ownership, and
- integrating unlawful proceeds into the financial system without detection.

The analysis below illustrates how trusts are misused across the three classic stages of money laundering.

7.1.1 Placement Stage:

The first stage of laundering, where illicit funds enter the financial system. Trusts can act as entry points, helping obscure the true source of assets.

- ✦ The criminal (as settlor or through a front) injects illicit funds into a newly formed or existing trust. This may be done as an apparent gift, inheritance, or legitimate capital injection.
- ✦ Real estate, luxury vehicles, cryptocurrencies, or valuable commodities bought with illicit funds are placed in the name of a trust.
- ✦ Criminal proceeds are masked as "private loans" to the trust, often without clear repayment terms, thus allowing capital infusion without immediate scrutiny.
- ✦ Use of Intermediaries or third parties such as lawyers, fiduciaries and company service providers, may act on behalf of the criminal to establish the trust and conduct financial transactions, distancing the criminal from the origin of the funds.

Indicators/Red Flags:

🚩	Trusts receiving large or irregular one-time deposits without a clear source of funds.
🚩	Newly formed trusts that are immediately funded with high-value assets.
🚩	Trusts funded in cash-intensive sectors (e.g., casinos, real estate).
🚩	Frequent use of gatekeepers to form and manage the trust.

Example:

A trust is established in an offshore jurisdiction and funded with a \$2 million "gift" from a foreign settlor. No verifiable source of wealth is provided, and the assets are quickly used to purchase high-value artworks.

7.1.2 Layering Stage: Obscuring the Trail of Illicit Funds

Layering is the process of creating complex financial transactions to disguise the illicit origin of the funds. Trusts are particularly effective in this stage due to their inherent legal opacity and flexibility. Methods include:

- ✦ **Use of Multiple Trusts and Structures:** A network of interrelated trusts (sometimes in different jurisdictions) can be used to circulate funds, create confusion, and obscure the paper trail.

- ✦ **Discretionary Trusts:** Beneficiaries are not fixed, giving the trustee the authority to make or withhold distributions. This makes it difficult for authorities to trace the true recipient of the funds.
- ✦ **Inter-trust Loans and Transfers:** Trusts may lend money to one another, or transfer funds to related offshore entities, making detection of layering harder.
- ✦ **Complex Investment Strategies:** Trusts may invest in private equity funds, hedge funds, shell companies, or cryptocurrency platforms where transparency is limited.
- ✦ **Frequent Changes in Control:** Trustees, protectors, or beneficiaries may be changed frequently, making the tracing of beneficial ownership difficult.

Indicators/Red Flags:

🚩	Trusts engaging in multiple, rapid cross-border transactions without economic rationale.
🚩	Use of corporate trustees or nominee directors from secrecy jurisdictions.
🚩	Trusts that invest heavily in non-transparent or volatile assets (e.g., cryptocurrencies, offshore real estate).
🚩	Frequent amendments to trust deeds or sudden changes in trustees and beneficiaries.

Example:

A trust in the British Virgin Islands receives a series of wire transfers from shell companies in Hong Kong and the United Arab Emirates (UAE). The trust then "invests" in a start-up in Namibia, which is owned by the settlor's relative. No commercial rationale is evident for the investment path.

7.1.3 Integration Stage: Reintroducing Funds as Legitimate Wealth

In this final stage, laundered funds are integrated into the economy as ostensibly legitimate wealth. Trusts allow criminals to enjoy the benefits of illicit funds without directly linking themselves to the assets. Methods include:

- ✦ **Beneficiary Distributions:** Trusts may distribute income or capital gains to beneficiaries, making the funds appear as legitimate inheritance, trust income, or returns on investment.

- ✦ **Real Estate and Luxury Asset Ownership:** Assets held in the name of the trust may be used or enjoyed by the criminal or their associates without triggering ownership scrutiny.
- ✦ **Business Investment and Loans:** The trust may invest in legitimate businesses, laundered funds becoming part of the capital base or used for expansion, giving the criminal access to profits or control.
- ✦ **Tax Minimization as a Cover:** Criminals may cite tax efficiency or estate planning as reasons for the trust's structure, masking the illicit intent.

Indicators/Red Flags:

🚩	Distributions made to individuals with no clear relationship to the trust.
🚩	Trusts owning personal assets (cars, yachts, homes, planes, etc.) that are used exclusively by known criminals or their associates.
🚩	Trust beneficiaries with no declared income or wealth receiving substantial payouts.
🚩	Lack of trust activity for extended periods, followed by sudden financial transactions.

Example:

A discretionary trust based in Guernsey begins distributing quarterly payments to a university student in London, who has no visible employment or family wealth. The funds are used to purchase a luxury apartment and high-end vehicles.

Table 3: Summary of how trusts are misused for ML

Technique	Description	Example
Obscuring Beneficial Ownership	Trusts can hide the identity of the true owner of assets by placing them under the control of trustees.	A criminal transfers illicit funds into a trust where the beneficiary is unnamed or a shell entity.
Layering Through Multiple Trusts	Funds are moved through several trusts in different jurisdictions to make tracing difficult.	Money is transferred from a Namibian trust to an offshore trust, then to another investment vehicle.
Use of Discretionary Trusts	These trusts allow trustees to choose beneficiaries, making it hard to identify who ultimately benefits.	A discretionary trust is used to distribute funds to various individuals without a clear pattern.
Real Estate Transactions	Trusts are used to buy and sell property, masking the source of funds.	A trust buys property with illicit funds, then sells it to a third party, laundering the proceeds.
Charitable Trust Abuse	Fake or poorly regulated charitable trusts are used to funnel illicit money under the guise of donations.	A trust claims to support education but is used to move money to offshore accounts.

7.2 Terrorist Financing Through Trusts

Terrorist organizations require financing for various activities, from operational costs such as recruitment, training, propaganda, etc., to actual terror attacks. While amounts involved in terrorist financing are often smaller than typical money laundering schemes, trusts provide a perfect legal cover due to their opacity, flexibility, and cross-border nature. Trusts can legitimize the movement of funds by presenting themselves as charitable, familial, or investment activities, thereby complicating detection and disruption by authorities.

7.2.1 Raising (collection/receipt)

The stage where funds are collected or solicited for terrorist activities. Trusts are used as collection vehicles to solicit or receive funds under legitimate-sounding purposes (charitable projects, empowerment schemes, business activities). Because trusts can appear formal and tax-efficient, they provide a credible front to attract donations or investments from sympathetic donors, unwitting contributors, or complicit sponsors.

7.2.2 Moving (layering/concealment)

The stage where the raised funds are moved and hidden to avoid detection. Once funds are inside a trust, they can be moved, split, re-routed and commingled across multiple trusts, trustees and jurisdictions. Discretionary, blind and offshore trusts are especially useful here as they break the audit trail and obscure beneficial ownership, making it hard for investigators to trace where the money came from and where it's going.

7.2.3 Using (distribution / operational support)

The final stage where the funds are used to support terrorist activities or integrate into the legal economy. Trusts provide controlled ways to release value via cash distributions, contract payments, or in-kind support (property, vehicles, equipment). These distributions can fund travel, logistics, weapons procurement, or sustain front businesses, while appearing as legitimate trust activity or family/charitable support.

Table 4: Summary of methods, examples and red flags

Method	How TF is Conducted	Example	Red Flags / Indicators
Charitable Trust	Terrorist groups establish or infiltrate charities and use them to raise funds under the guise of legitimate humanitarian, religious, or social projects. Funds are later diverted to terrorist activities.	A charitable trust collects donations locally and abroad for “refugee relief” in a conflict zone. While a portion goes to aid, a significant share is routed to an affiliate NGO abroad that is actually a front for a terrorist group.	Transfers to conflict or sanctioned jurisdictions
			Vague or generic project descriptions (“aid to refugees”)
			Heavy reliance on cash donations
			Mismatch between reported activities and financial flows
			Charities with links to foreign “partners” lacking transparency
Offshore Trust	Exploits secrecy laws in offshore jurisdictions to collect, layer, and move funds internationally without transparency. Offshore trustees obscure beneficial owners.	A wealthy donor sets up an offshore trust in a secrecy haven (e.g., BVI). The trust receives donations from multiple jurisdictions. The trustee then wires the funds in small tranches to intermediaries who support logistics for a terrorist cell.	Offshore trust domiciles with poor AML/CFT oversight
			Use of complex layering structures (trusts owning companies)
			Multiple cross-border transfers in quick succession
			Trustees not subject to supervision
Discretionary / Blind Trust	Trustee has broad discretion to decide on distributions without fixed beneficiary entitlements, making it easy to disguise support for operatives/front groups.	A discretionary trust claims to support “local community partners.” The trustee makes irregular cash grants to groups that are in fact terror recruiters. Since no fixed beneficiary list exists, tracing beneficiaries is nearly impossible.	Irregular or unexplained distributions
			Beneficiaries described only vaguely (e.g., “community support”)
			Trustees with limited oversight or weak reporting duties
			Sudden spikes in payments
Trust-Owned Business (Business Trust / Shell)	Trust owns or controls businesses that generate income or disguise terrorist financing through fake invoices, over-invoicing, or shell structures.	A trust in Namibia owns a logistics company. The company issues inflated invoices to a foreign “supplier,” which is actually a terror-linked front. Funds are siphoned abroad under the guise of business expenses.	Companies owned by trusts with no real business activity
			Round-tripping of funds (money leaves and quickly re-enters)
			Related-party transactions without justification
			Payments to suppliers in high-risk regions
Family / Testamentary Trust	Used to pass funds from estates or family wealth to relatives/associates, who later channel resources to terrorist groups. Exploits legitimacy of inheritance.	A deceased donor’s family trust pays regular allowances to a nephew who, while appearing legitimate, directs part of the funds to extremist contacts abroad.	Family members with sudden unexplained wealth
			Beneficiaries linked to conflict travel
			Payments inconsistent with trust deed
			Relatives located in or linked to high-risk jurisdictions
Asset-Protection Trust	Designed to shield assets from seizure/freezing by law enforcement. Terrorist financiers use these to protect funds for future operations.	A terrorist financier sets up an offshore asset-protection trust with clauses preventing seizure or forced distribution, making funds untouchable even if the person is investigated.	Use of trusts in secrecy havens
			Clauses blocking law enforcement access
			Trust structures resisting legal processes
			Sudden transfers of wealth before investigation
Unit / Pooled Trust	Terrorist financiers invest illicit funds alongside legitimate investors in pooled funds, later	A pooled investment trust receives investments from a mix of legitimate investors and a terror financier. The	Large opaque investments without source-of-funds
			Frequent or irregular redemptions

(Investment Fund)	redeeming profits as “clean” returns.	financier later redeems his share, disguising it as investment returns.	<ul style="list-style-type: none"> 🚩 Investors from high-risk jurisdictions 🚩 Sudden injections of capital into small funds
Employment / Empowerment Trust (Abuse)	Used to disguise payments to operatives as “salaries,” stipends, or empowerment benefits.	A trust set up for empowerment pays stipends to “employees,” but some are terror operatives who use the funds for travel and logistics.	<ul style="list-style-type: none"> 🚩 Payroll includes ghost employees 🚩 Stipends to persons who frequently travel to conflict zones 🚩 No evidence of actual work performed 🚩 Payments disproportionate to size of company/project
In-Kind Distributions via Trusts	Instead of cash, trusts provide assets (houses, cars, equipment) for terrorist operations.	A trust-owned house is provided rent-free to a group that uses it as a safe house and logistics hub. A vehicle purchased by a trust is used to transport operatives.	<ul style="list-style-type: none"> 🚩 Trust-owned assets used by high-risk individuals 🚩 Preferential lease/rent terms 🚩 Property visited frequently by unrelated groups 🚩 No economic return for trust assets

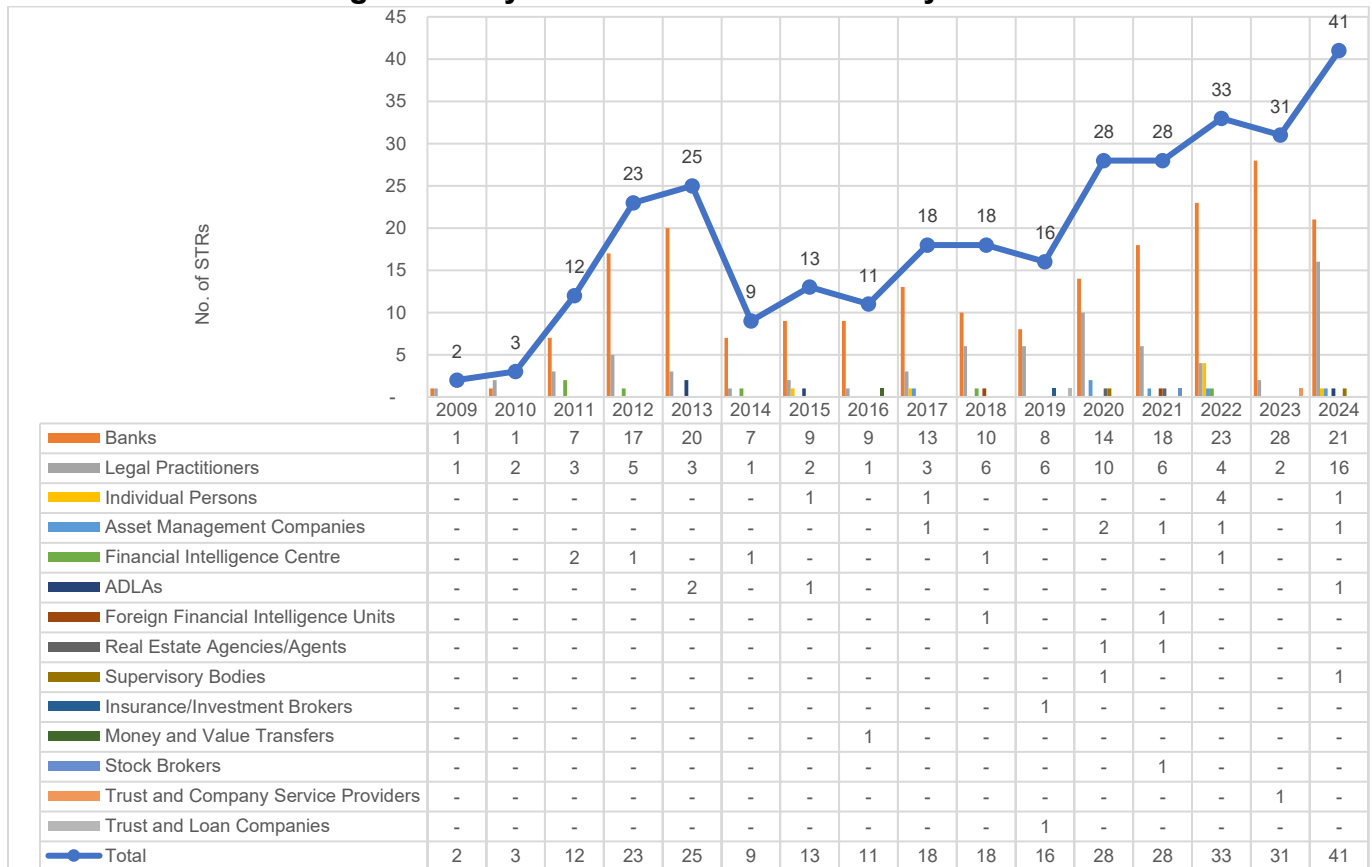
8. FINDINGS AND ANALYSIS

The detailed analysis and findings presented in this section draw upon multiple sources of intelligence, including Suspicious Transaction Reports (STRs), Suspicious Activity Reports (SARs), Cases and Spontaneous disclosures issued by the FIC.

Table 5: Findings Matrix – Trusts and AML/CFT Risk

Finding	Evidence	Implication for AML/CFT
Concentration of reporting in banks	66% of STRs were filed by banks and 23% by legal practitioners (Chart 1: STRs Involving Trusts by Sector).	Banks remain the primary detectors of suspicious activity, while other sectors may be under-reporting, indicating gaps in awareness, monitoring, and compliance.
Quality versus quantity challenge	311 STRs were filed, but only 43% were high priority and 52% low priority (Table 4: Status of STRs).	High reporting volumes but low prioritization suggest weaknesses in report quality. Enhanced training, feedback, and supervisory engagement with reporting entities are needed.
Low SAR utilisation	Only 27 SARs have been filed since the reporting obligation commenced (Chart 3 and Table 5: SARs).	Limited use of SARs indicates weak proactive detection and an overreliance on STRs, reducing early warning and intervention opportunities.
Diverse predicate offenses	Seven spontaneous disclosures were linked to fraud, tax evasion, and due diligence breaches (Table 6: Predicate Offenses & Recipient Agency).	Misuse of trusts is associated with multiple predicate offenses, necessitating stronger coordination among FIC, NamRA, the Police, OPG, and BoN.
Rising trend in STRs	STR submissions have steadily increased, peaking in 2024 (Charts 1 and 2).	The increase may reflect improved vigilance by reporting entities, but also signals growing misuse of trusts as criminals adapt to stricter oversight.

Chart 1: STRs Involving Trusts by Sectors Received Annually

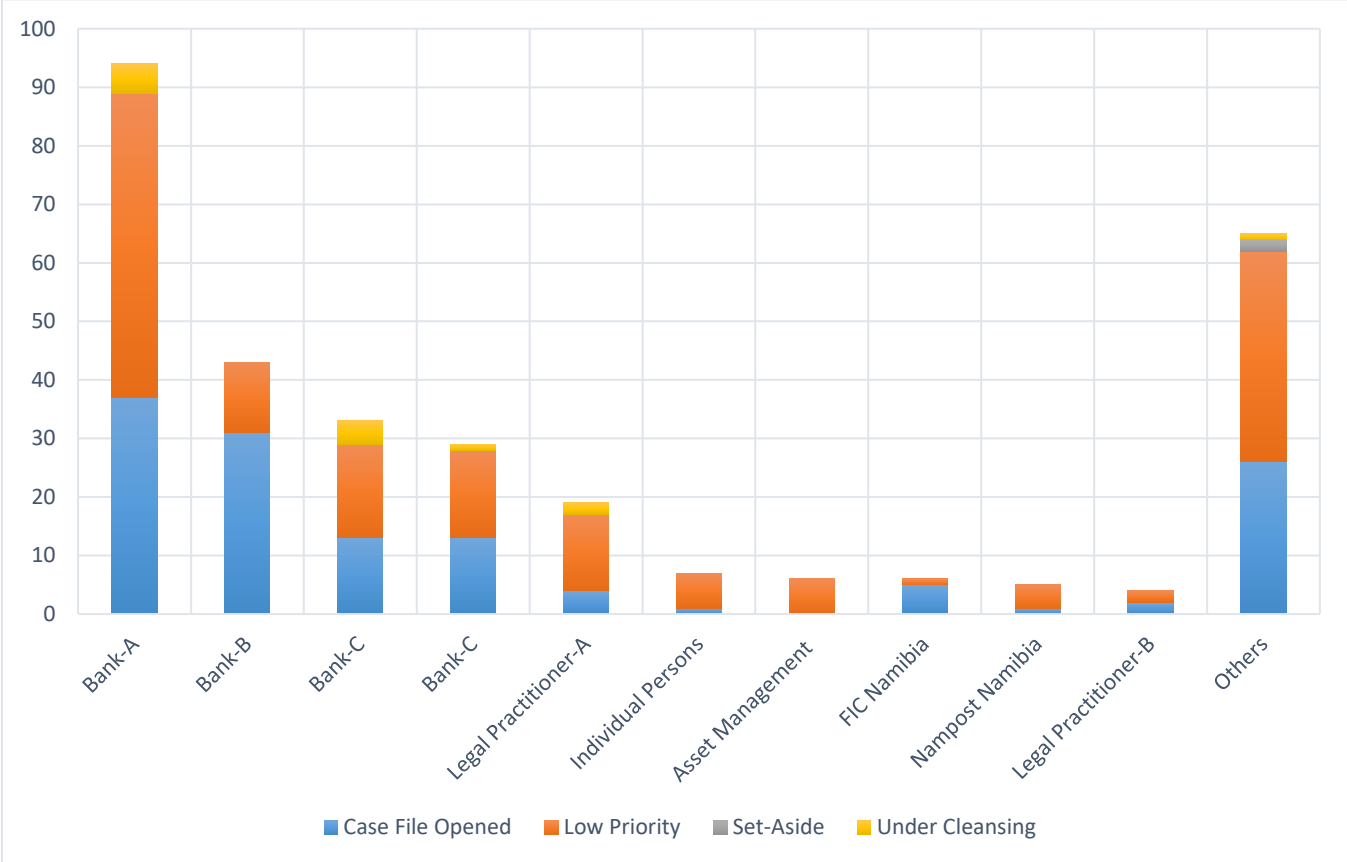


Overall, reporting entities submitted a total of 311 STRs involving trusts. The banking sector accounted for the majority, filing 66% (206 reports), followed by legal practitioners with 23% (71 reports). A positive upward trend was observed, with the highest number of trust-related STRs recorded in 2024.

According to the FIC Typology Report on the vulnerability and abuse of legal persons and arrangements for money laundering², the majority of STRs reported to the FIC involved Individual Persons (65%), followed by Proprietary Limited Companies (23%), and Trusts (8%).

2 <https://www.fic.na/uploads/TrendsandTypologies/FICTrendsandTypologyReports/VULNERABILITYRATE%20OF%20ABUSE%20OF%20DIFFERENT%20TYPES%20OF%20LEGAL%20PERSONS%20AND%20ARRANGEMENTS%20IN%20THE%20ADVANCEMENT%20OF%20MONEY%20LAUNDERING.pdf>

Chart 2: Status of STRs Involving Trusts Received Annually



In the period under review, Bank-A submitted the highest number of STRs involving trusts, accounting for 94 reports (30%). Bank-B followed this with 43 STRs (14%), and Bank-C with 33 STRs (11%).

Table 6: Status of STRs Involving Trusts Received Annually

	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Total
Case File Opened	2	3	12	23	17	3	5	3	5	11	8	15	5	10	8	3	133
Low Priority	-	-	-	-	8	6	8	8	12	6	8	13	23	23	10	38	163
Set-Aside	-	-	-	-	-	-	-	-	1	1	-	-	-	-	-	-	2
Under Cleansing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13	-	13
Total	2	3	12	23	25	9	13	11	18	18	16	28	28	33	31	41	311

Overall, 133 STRs (or 43%) received by the Centre involving trusts were accorded “high priority” status and escalated for further analysis. Such reports were forwarded to relevant LEAs for further investigation. In comparison, 163 (or 52%) of the STRs filed were accorded a “low priority” status. A total of 2 STRs were set aside because of duplicate and erroneous filing.

Chart 3: SARs Involving Trusts by Sectors Annually

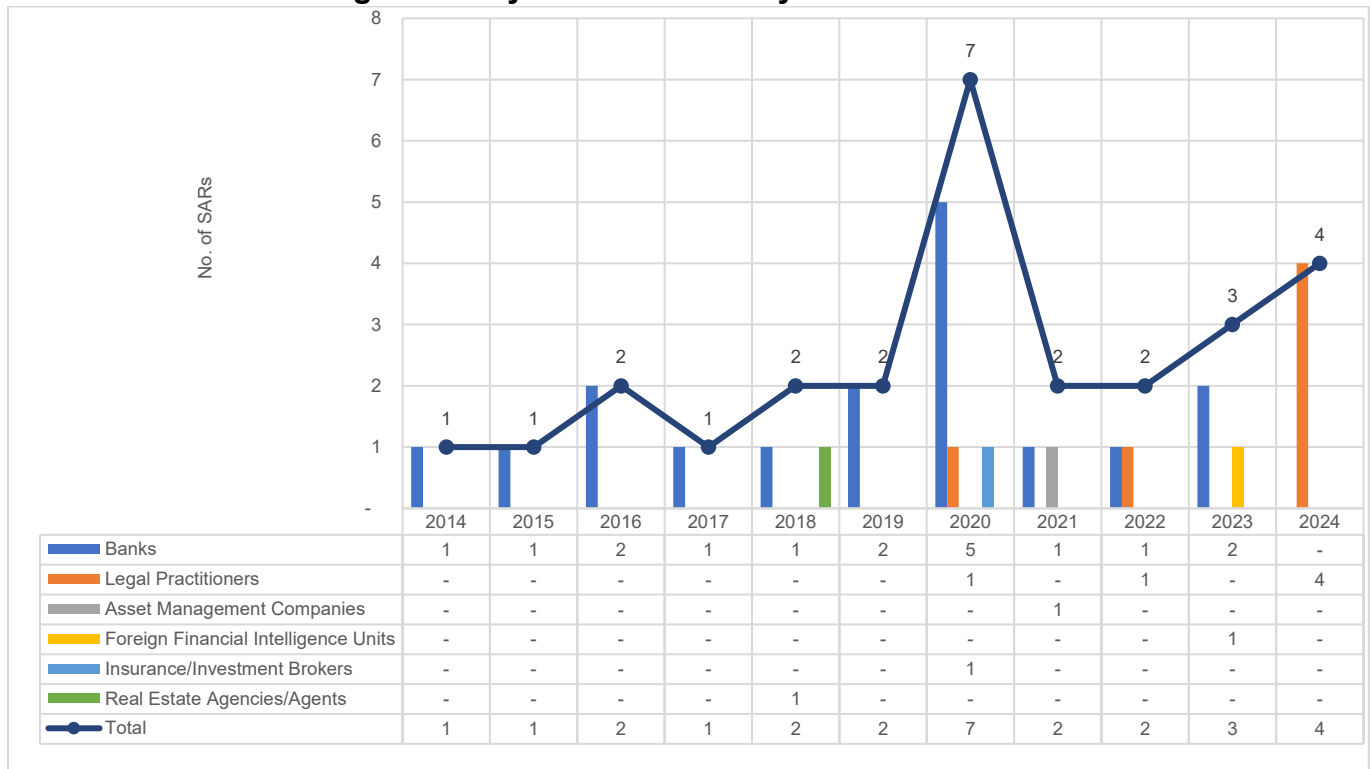


Chart 2 illustrates the number of SARs filed by reporting entities involving trusts since the reporting obligation commenced. By the end of 2024, a total of 27 SARs were filed. The banking sector accounted for the majority with 17 SARs (63%), followed by Legal Practitioners with 6 SARs (22%). The highest number of SARs involving trusts was recorded in 2020.

Table 7: Status of SARs Involving Trusts received Annually

	14	15	16	17	18	19	20	21	22	23	24	Total
Case File opened	-	1	2	1	1	1	3	2	1	1	-	13
Low Priority	1	-	-	-	1	1	4	-	1	2	3	13
Under Cleansing	-	-	-	-	-	-	-	-	-	-	1	1
Total	1	1	2	1	2	2	7	2	2	3	4	27

Overall, 13 SARs (48%) involving trusts were classified as “high priority” and escalated for further analysis, with referrals made to the relevant LEAs for investigation. Similarly, 13 SARs (48%) were classified as “low priority.”

Table 8: Summary of suspected predicate offenses and Recipient Agency

	Potential Predicate Offense	Total Disclosures
Namibia Police	Fraud	1
	Non-Tax Compliant	1
Bank of Namibia	Due Diligence	1
NamRA	Non-Tax Compliant	1
	Fraud	1
Office of the Prosecutor General	Fraud	1
	Non-Tax Compliant	1
Total		7

During the period under review, a total of seven (7) spontaneous disclosures related to trusts were disseminated to Law Enforcement Agencies.

9. CASE STUDIES ON HOW TRUSTS CAN BE ABUSED FOR ML AND TF

Trusts and trust-like legal arrangements are a crucial component of Namibia’s financial and legal system. They are commonly used to safeguard client funds, manage estates, support charitable activities, and structure business transactions.

However, recent high-profile cases in Namibia have exposed their vulnerabilities. Court judgments, investigations, and disciplinary proceedings have shown how law-firm trust accounts, charitable trusts, and private or family trusts can be misused to hide the origins of illicit funds, obscure beneficial ownership, or divert assets from their intended purpose.

The following case studies illustrate how these arrangements have been exploited for money laundering in Namibia, underscoring the need for stronger regulation and vigilant enforcement to safeguard the integrity of the financial system.

Case Study 1: Major Fisheries Corruption Scandal

A major corruption scandal in Namibia involved the alleged illegal allocation of fishing quotas and the misappropriation of public funds. In this case, a prominent Namibian law firm received substantial payments, amounting to approximately N\$17.5 million, into its trust account from a state-owned enterprise operating in the fisheries sector. Although the funds were reportedly intended for government-related purposes, they were allegedly diverted to private individuals and politically connected beneficiaries.

This case illustrates how law-firm trust accounts can be misused as financial conduits to obscure the origin, ownership, and ultimate destination of illicit funds, particularly in corruption and money laundering schemes.

Modus Operandi:

- Large sums of money were transferred into a law firm's trust account, reportedly linked to government-related objectives.
- Funds were subsequently transferred to various individuals and entities, including politically exposed persons and organisations associated with political interests.
- The use of a law firm's trust account created an appearance of legitimacy, making it more difficult for financial institutions and investigators to trace the true origin and destination of the funds.

Red Flags Identified

- 🚩 Large, unexplained payments into the trust account without clear legal justification.
- 🚩 Swift onward payments to individuals and entities with political connections.
- 🚩 Lack of detailed engagement letters, invoices, or legal documentation to substantiate the transactions.
- 🚩 Attempts to restrict or prevent inspection of trust account records by invoking legal professional privilege

Prosecution, Arrests, and Asset Seizures

As of the latest available information, legal proceedings related to the matter are ongoing. No final ruling has been issued regarding the alleged misuse of the law firm's trust account. The case remains significant in highlighting potential vulnerabilities associated with the misuse of professional intermediaries and trust accounts in facilitating corruption and money laundering.

Key Lessons

This case demonstrates how professional intermediaries, including legal practitioners, can inadvertently or deliberately be used to facilitate the movement of illicit funds. It highlights the need for:

- stronger oversight of trust accounts held by legal practitioners,
- enhanced due diligence by financial institutions,
- improved transparency around beneficial ownership, and
- effective AML/CFT supervision of designated non-financial businesses and professions

Case Study 2: Namibia Charitable Trust

The Namibia Charitable Trust was established in Namibia by the late Michael Van Wyk. While it was registered as a charitable trust, investigations and subsequent court proceedings revealed that it was used as a front for fraudulent activities, resembling a pyramid scheme.

The trust operated multiple offices across Namibia, employed staff, and actively solicited donations from the public. It maintained accounts with local commercial banks. Although the trust had several appointed trustees, its operations were largely controlled by a single individual, with little to no effective oversight from the other trustees.

Modus Operandi

- The Trust presented itself as a charitable institution, attracting loans and donations.
- Trustees other than Mr. Van Wyk acted as figureheads and exercised no real oversight.
- No trustee meetings were held, financial statements were not reviewed, and key documents were signed blindly.
- Mr. Van Wyk misappropriated funds obtained through loans and public contributions for personal gain.
- False resolutions and misleading documentation were created to give legitimacy to transactions.

Red Flags Identified

- 🚩 Trustees not actively involved in governance.
- 🚩 Lack of trustee meetings or oversight of financial accounts.
- 🚩 A single trustee (Mr. Van Wyk) controlling all affairs.
- 🚩 False documentation and fabricated resolutions.
- 🚩 Charitable cover used to solicit funds fraudulently.
- 🚩 Conflict of interest where the Master of the High Court also acted as trustee.

Prosecution, Arrests, and Asset Seizures

The central figure, Mr. Van Wyk, who controlled the Trust, had passed away by the time the case reached its final stages. As a result, criminal prosecution for fraud, theft, or money laundering could not proceed against him personally.

The matter therefore became primarily a civil case brought by creditors and donors against the trustees and the Namibian State, represented by the Master of the High Court.

No criminal arrests were made against either the trustees or the Master of the High Court. The case was heard in the civil court, focusing on financial recovery for the plaintiffs rather than criminal punishment for fraud or money laundering.

No direct asset seizures were reported from the Trust or from Mr. Van Wyk's estate. Instead, the High Court ordered the trustees and the State to pay financial compensation to the plaintiffs.

Key Lessons

This case illustrates how trusts can be misused when governance structures are weak and when trustees fail to exercise effective oversight. It highlights the importance of:

- active trustee participation and accountability;
- proper financial record-keeping and review;
- transparency in charitable fundraising; and
- strong supervisory oversight over trust structures.

10. CONTROLS AND MITIGATION MEASURES

Trusts are legitimate legal arrangements commonly used for estate planning, investment, asset protection, and corporate structuring. However, their flexibility, the separation of legal and beneficial ownership, and the frequent use of complex cross-border structures make them vulnerable to abuse for money laundering (ML) and terrorist financing (TF). Criminals and terrorist financiers may exploit trusts to disguise the origin of illicit funds, conceal the identity of

beneficiaries, or channel resources toward terrorist activities under the guise of legitimate purposes.

To address these risks, Namibia must adopt a multi-layered approach that combines regulatory oversight, institutional cooperation, and effective supervision. Since trusts often involve lawyers, accountants, trustees, financial institutions, and regulators, coordinated action among all these actors is essential. Aligned with international standards such as those of the FATF and ESAAMLG, the following section outlines key mitigation and control measures to prevent the abuse of trusts for ML and TF.

10.1 Transparency and Beneficial Ownership (BO) Disclosure

Ensure full disclosure of settlors, trustees, protectors, and ultimate beneficiaries of trusts. BO information should be accurate, up-to-date, and accessible to competent authorities. Lack of transparency is a key enabler for criminals and terrorist financiers to hide their involvement.

- **Business and Intellectual Property Authority (BIPA):** Maintain and verify trust and BO registries.
- **Financial Intelligence Centre (FIC):** Access and analyse BO data to detect suspicious structures.
- **Trust service providers (lawyers, accountants, trustees):** Collect and submit BO information.

10.2 Regulation and Licensing of Trustees & DNFBPs

Trustees and professionals involved in creating or managing trusts should be licensed, supervised, and bound by AML/CFT laws. They must apply customer due diligence (CDD), keep records, and file suspicious transaction reports (STRs). Weak regulation of DNFBPs is often exploited by criminals who rely on lawyers or accountants to create opaque structures.

- **Law Society of Namibia & Institute of Chartered Accountants:** Regulate professional standards and apply disciplinary measures.
- **FIC:** Enforce AML/CFT obligations (CDD, STR reporting, record-keeping).
- **Ministry of Justice:** Strengthen laws covering DNFBPs and enforce licensing rules.

10.3 Customer Due Diligence (CDD) and Ongoing Monitoring

Financial institutions must apply **risk-based CDD** when trusts seek to open accounts, make investments, or transfer funds. This includes verifying the source of wealth, identifying beneficial owners, and conducting ongoing monitoring. Trust accounts and investments are common vehicles for moving illicit funds through layering and integration.

- **Commercial banks and financial institutions:** Implement CDD and apply enhanced due diligence (EDD) for high-risk trusts.
- **Bank of Namibia (BoN):** Supervise banks for compliance with AML/CFT rules.
- **FIC:** Review STRs and CTRs (cash transaction reports) filed in relation to trusts.

10.4 Cross-Border Cooperation and Information Sharing

Prevent misuse of offshore or foreign-based trusts through international cooperation, sharing of BO information, and timely responses to mutual legal assistance (MLA) requests. Terrorist financiers and money launderers often exploit jurisdictions with weak oversight or secrecy laws.

- **FIC & Namibian Police:** Request/receive financial intelligence from foreign FIUs (via Egmont Group).
- **Ministry of Justice & Prosecutor General:** Handle (Mutual Legal Assistance) MLA requests.
- **ESAAMLG & FATF networks:** Provide regional/international collaboration platforms.

10.5 Risk-Based Supervision and Monitoring

Conduct sectoral risk assessments to identify high-risk trusts (e.g., offshore, charitable, discretionary, and asset-protection trusts). Apply increased monitoring, inspections, and audits to these structures. Not all trusts pose the same level of risks; targeted supervision ensures resources are used effectively.

- **FIC:** Lead sectoral risk analysis under the National Risk Assessment (NRA).
- **Regulatory bodies (BoN, NAMFISA, BIPA):** Apply targeted supervision and enforce compliance in high-risk cases.

10.6 Strengthening Legal and Enforcement Measures

Strengthen legal powers to freeze, seize, and confiscate trust-held assets linked to ML/TF. Criminalize the deliberate concealment of BO information or failure to comply with AML/CFT requirements. Without strong legal tools, criminals can exploit trusts to shield assets from seizure and frustrate investigations.

- **Anti-Corruption Commission:** Investigate corruption-linked trusts.
- **Courts of Namibia:** Enforce judgments on freezing/confiscation
- **Prosecutor General's Office:** Initiate and lead prosecutions and asset forfeiture/recovery.

10.7 Public Awareness and Training

Build awareness among trustees, DNFBPs, and financial institutions on the risks of ML/TF through trusts. Provide regular training, typology reports, and compliance guidance. Many trustees and professionals may unintentionally facilitate ML/TF if unaware of red flags and obligations

- **FIC:** Publish guidance notes, conduct workshops, and share typology reports.
- **Professional bodies (Law Society, Institute of Accountants):** Provide continuous professional training. Integrate AML/CFT into professional training.
- **Private sector associations:** Adopt self-regulatory practices and codes of conduct.

The prevention of ML/TF through trusts in Namibia requires a coordinated, whole-of-system approach. The FIC plays a central role in risk analysis, intelligence, and supervision, while BIPA, BoN, NAMFISA, the Ministry of Justice, and professional associations provide critical oversight and enforcement. Collaboration with international partners (Egmont Group, ESAAMLG, FATF) strengthens Namibia's ability to respond to cross-border trust abuse.

11. CONCLUSION

The review of cases, STRs, and SARs indicates that while trusts in Namibia are primarily used for legitimate purposes such as estate planning, asset protection, and charitable activities they have occasionally been misused to facilitate money laundering and terrorist financing. Typology analysis highlights recurring patterns in which certain trust structures, particularly discretionary family trusts and law-firm-administered trust accounts, are exploited to obscure beneficial ownership and the source and destination of funds. Case studies further demonstrate how such accounts can be used to layer and conceal illicit proceeds, including the diversion of public funds for private and political gain.

At the same time, increased reporting by regulated institutions reflects growing awareness and vigilance within Namibia's financial sector. STRs and SARs have played a critical role in identifying suspicious trust-related transactions, exposing attempts to bypass legal obligations, and supporting regulatory and law enforcement actions.

However, gaps remain. There is a need for enhanced due diligence on trusts, especially those receiving large or unusual deposits from politically exposed persons or state-owned entities. Regulators and law enforcement agencies should prioritise the monitoring of law-firm trust accounts and discretionary family trusts where control is concentrated. In addition, a legislative review may be necessary to strengthen oversight and address vulnerabilities that allow trust structures to be misused.

Overall, strengthening oversight, improving transparency, and maintaining strong cooperation between reporting entities and the Financial Intelligence Centre are essential to safeguarding the integrity of Namibia's financial system. For inquiries and communication, please contact helpdesk@fic.na.



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