

Financial Intelligence Unit

Quarterly Report

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In the June 2018 quarter, the FIU continued to note increase in the number of currency reports being filed by the reporting entities whilst the number of border and suspicious reports decreased. During this quarter, the FIU initiated the preparation for Tonga's Mutual Evaluation by the Asia Pacific Group on Money Laundering (APG). In collaboration with the Non-Banks supervision team, the FIU also conducted the second round of quarterly compliance spot checks of the foreign exchange dealers. Several meetings were also held during this quarter including a visit from an APG official as well as taskforce meetings with local law enforcement agencies in Anti-Money Laundering (AML) related matters.

1. Table1: Number of reports received

Type of reports filed	Apr-18	May-18	Jun-18	Total Jun-18 QTR	Mar-18 QTR	Jun-17 QTR
Suspicious Transaction Reports (STRs)	1	3	3	7	11	2
Currency Transaction Reports (CTRs) ¹	1,008	1,199	1,149	3,356	2,744	2,273
Border Currency Reports (BCRs) ²	9	11	5	25	29	19

As noted on Table 1, the number of suspicious and border reports decreased from the previous quarter while the currency reports increased. The FIU continues to retain information obtained in these reports to assist in its data analysis function.

¹ CTRs reporting is for transaction equal to and above T\$10,000. Transactions include deposits and withdrawals in all types i.e. deposit, withdrawal, exchange of currency or other payment or transfer with the exemptions of government agencies and financial institutions transactions. Customers with established relationship with the reporting entity conducting transactions of that amount are also exempted if their background or business activities support the amount of the transaction.

² BCR reporting requires declaration at the border by any person entering or leaving the Kingdom with cash amounting to more than T\$10,000 or its equivalent in foreign currencies.

2. Table 2: Types of STRs

STR by type	Apr-18	May-18	Jun-18	Total Jun-18 QTR	Mar-18 QTR	Jun-17 QTR
Unusual significant transactions	0	0	1	1	3	0
Large and rapid movement of funds	1	1	0	2	1	1
Using personal accounts for business purpose	0	0	1	1	5	1
Possible avoidance of Exchange Control (EC) requirements	0	0	0	0	1	0
Scams	0	0	0	0	0	0
Other	0	2	1	3	1	0
TOTAL	1	3	3	7	11	2

A lower number of STRs were received in the June 2018 quarter compared to the previous quarter. As per previous quarter, the same suspicious indicators continued to appear on this quarter's reports with new indicators now emerging of

transactions by individuals with adverse media results as well as seemingly deliberate structuring of transaction to avoid regulatory requirements. The number of reports relating to the use of personal accounts for business purposes decreased from the previous quarter as well as reports relating to unusual significant transactions.

3. Table 3: Number of STRs disseminated

Subsequent to the analysis of the 7 STRs reported, more than half of the reports were disseminated to law

Law Enforcement Agencies	Apr-18	May-18	Jun-18	Total Jun-18 QTR	Mar-18 QTR	Jun-17 QTR
Police	1	1	1	3	3	0
Customs & Revenue	1	1	0	2	6	1
Foreign Affairs (Immigration)	0	0	0	0	0	0
Other (reporting entity & other NRBT departments)	0	0	0	0	2	1

enforcement agencies for investigations of possible offences. 2 reports were retained with the FIU due to insufficient grounds for suspicion of possible money laundering activities. Value of reports filed were consistent to that of the previous quarter and therefore no report was referred back to the reporting entity.

4. Table 4: CTR data analysis

	Apr-18 (TOP\$M)	May-18 (TOP\$M)	Jun-18 (TOP\$M)	TOTALs Jun-18 QTR (TOP\$M)	Mar-18 QTR (TOP\$M)	Jun-17 QTR (TOP\$M)
Inwards	17.22	21.16	18.42	56.8	46.36	34.35
Outwards	10.64	9.21	7.99	27.84	22.22	16.52
Transaction purpose						
Business	15.19	19.1	17.61	51.9	38.02	25.14
Personal	12.67	11.27	8.8	32.74	30.56	25.73
Transaction type						
TT	2.48	3.96	4.6	11.04	7.34	4.7
Cash	11.08	13.31	11.66	36.05	34.43	26.16
Cheque	5.97	7.27	6	19.24	12.09	9.99
Cash/Cheque	1.41	3.34	2.72	7.47	2.4	2.61
Other	6.92	2.49	1.43	10.84	12.32	7.41

The FIU received 3,356 CTRs in the June 2018 quarter compared with 2,744 in the previous quarter and 2,773 in the June 2017 quarter. An increase was noted in both inward and outward

transactions and these were mainly due to a significant increase in business related transactions which were mostly noted on the rise in the use of telegraphic transfers and cheques.

5. Table 5: BCR data analysis

The FIU received 25 BCRs this quarter from the Ministry of Revenue & Customs decreasing from 29 in the previous quarter and 19 in the same quarter of last year. Majority of the BCRs were for outbound funds across the border which were all pre-approved shipment of currencies for financial institutions.

	Apr-18 (TOP\$M)	May-18 (TOP\$M)	Jun-18 (TOP\$M)	TOTALs Jun-18 QTR (TOP\$M)	Mar-18 QTR (TOP\$M)	Jun-17 QTR (TOP\$M)
Inbound	0.23	0.07	0.13	0.43	0.14	0.09
Outbound	1.68	4.1	2.52	8.3	13.7	10.96
Purpose of funds						
Business	1.84	4.01	2.51	8.36	13.71	10.92
Personal	0.07	0.16	0.14	0.37	0.13	0.13

Inbound funds were largely of individuals visiting or returning to Tonga with a few reports being for business purposes. Reports decreased from the previous quarter noted on shipment of currencies for financial institutions declined by about \$5 million. Same quarter in the previous year reported a slightly higher amount than this quarter. There were no suspicious activities noted on the BCRs submitted during the quarter.

6. Preparation for Tonga's Mutual Evaluation

As a member of the Asia Pacific Group on Money Laundering (APG), Tonga's money laundering and terrorist financing framework will be evaluated in 2019/2020 against the Financial Action Taskforce's 2012 Recommendations on combating money laundering, terrorist financing and proliferation of weapons of mass destruction. Tonga underwent its first mutual evaluation in 2009/2010, and the APG adopted and published Tonga's first mutual evaluation report in 2010. Tonga will be assessed against the internationally accepted standards known as the Financial Action Task Force's 40 Recommendations on the International Standards for Combatting Money Laundering and the Financing of Terrorism and Proliferation, which were revised in 2012, and amended in 2017. Tonga's efforts will be led by the Cabinet Committee on Money Laundering and Terrorist Financing Activities that was established in 2003, and the preparation for the mutual evaluation will be jointly facilitated by the Attorney General's Office and the National Reserve Bank of Tonga, and supported by the Ministry of Commerce, Consumers, Trade, Innovation and Labour, Ministry of Revenue and Customs, Tonga Police and the Ministry of Foreign Affairs. The Government Ministries and Agencies will also be partnering and relying on the critical support of financial institutions and cash dealers in their understanding and compliance with Tonga's legal requirements on anti-money laundering and the financing of terrorism and proliferation of weapons of mass destruction. The FIU has commenced preparation works in April 2018 for Tonga's 2019 assessment.

7. Asia Pacific Group on Money Laundering Scoping visit

Tonga was visited by Dr Gordon Hook, Executive Secretary of the APG in May 2018. The visit was to raise awareness in Tonga of the New Zealand funded Pacific Technical Assistance programme and how it can be tailored to assist Tonga over the programme's tenure. During his scoping visit, Mr. Hook met with key stakeholders including law enforcement agencies to identify priority areas for receiving technical assistance and training (e.g. legislation review, investigation training, secondments, community awareness programmes, reporting, statistics gathering, computer databases etc) which this programme will then plan to implement. Tonga is currently awaiting assistance to be provided by the APG on areas of needs and also in gearing up for its assessment scheduled for next year.

8. Stakeholder meetings

The Tonga of the Law Enforcement Agencies Committee (TLEAC) consisting of the Attorney General's Office, National Reserve Bank of Tonga, Ministry of Commerce, Consumers, Trade, Innovation and Labour, Ministry of Revenue and Customs, Tonga Police and the Ministry of Foreign Affairs met severally in May 2018 to share information and to consider legal action and

criminal charges to be laid on a particular individual whom was found at the border with currencies over the equivalent of TOP100, 000. The accused was apprehended at the border and cash were seized and retained by border officials. This case is currently awaiting trial.

The FIU met with Ministry of Revenue & Customs twice this quarter to provide update on reports previously disseminated to them. Update meetings with law enforcement agencies such as Revenue & Customs assists the FIU with obtaining feedback on the reports being passed for investigations. The FIU hopes for continuing quarterly meetings to be held with Revenue & Customs as well as Tonga Police.

9. Quarterly spot checks of Foreign Exchange dealers

The FIU together with the Non-banks Division completed spot checks to 4 foreign exchange dealers in June 2018. These entities were generally compliant with requirements regarding their licensing/registration as well as AML/CFT related matters.

10. Events

- 7th – 11th May 2018, APG Scoping Visit to Tonga
- 21st May 2018, TLEAC Meeting
- 25th May 2018, Update meeting with Ministry of Revenue & Customs
- 25th – 27th June 2018, Quarterly Spot check visits to FX dealers