

# Financial Intelligence Unit

## Quarterly Report

### 5<sup>th</sup> Issue: March 2018

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In the first quarter of 2018, the FIU noted increase in number of reports being filed by the reporting entities as well as others. The highlights for the first quarter of 2018 included the review of the FIU's corporate plan targets for 2018/19. The FIU also conducted AML Trainings for the foreign exchange dealers and in collaboration with the Non-Banks supervision team, also conducted the first quarterly round of compliance spot checks.

#### 1. Table1: Number of reports received

Type of reports filed	Jan-18	Feb-18	Mar-18	Total	Dec-17 QTR	Mar-17 QTR
Suspicious Transaction Reports (STRs)	1	2	8	11	6	4
Currency Transaction Reports (CTRs) <sup>1</sup>	1,014	685	1,045	2,744	2,662	1,862
Border Currency Reports (BCRs) <sup>2</sup>	10	10	9	29	22	19

The FIU noted increase in the number of all reports being filed in this quarter compared to the previous quarter. The FIU continues to retain information obtained in these reports to assist in its data analysis function.

<sup>1</sup> 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.

<sup>2</sup> 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

The number of STRs almost doubled from the previous quarter. About half of the reports were related to unusual transactions that were inconsistent with profile of the customer. The remaining 6 reports were as follows; 1 was

STR by type	Jan-18	Feb-18	Mar-18	Total	Dec-17 QTR	Mar-17 QTR
Unusual significant transactions	0	0	0	3	3	0
Large and rapid movement of funds	0	1	0	1	0	0
Using personal accounts for business purpose	0	1	4	5	1	2
Possible avoidance of Exchange Control (EC) requirements	0	0	0	1	1	0
Scams	0	0	0	0	0	1
Other	1	0	4	1	1	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>8</b>	<b>11</b>	<b>6</b>	<b>4</b>

related to large and rapid movement of funds, 3 reports were unusual significant transactions, 1 report was in relation to possible avoidance of Exchange Control requirements and 1 report was in relation to uneconomical transfers made to foreign a jurisdiction. Increase in volume of activities in the earlier months of the year may have contributed to the increase in number of suspicious reports filed. As noted above, the same suspicious indicators continued to appear on this quarter's reports with new indicators now emerging throughout the months relating to possible avoidance of regulatory requirements and uneconomical transfers to a foreign jurisdiction.

## 3. Table 3: Number of STRs disseminated

Law Enforcement Agencies	Jan-18	Feb-18	Mar-18	Total	Dec-17 QTR	Mar-17 QTR
Police	0	0	3	3	0	1
Customs & Revenue	0	1	5	6	0	0
Foreign Affairs (Immigration)	0	0	0	0	1	0
Other (reporting entity & other NRBT departments)	0	0	2	2	5	3

Following the analysis of the STRs, majority of the reports were disseminated to law enforcement agencies for investigations of possible offences. A

couple of the reports were referred back to the reporting entity to complete due diligence on the persons of interest as well as requiring these customers to use business accounts for their business related transactions. Lesser reports are seen to be referred back to the reporting entities and this is due to the STR value improving from the previous quarter reports.

#### 4. Table 4: CTR data analysis

The FIU received 2,744 CTRs this quarter compared with 2,662 in the previous quarter and 1,862 in the March 2017 quarter. The increase in inwards transactions was due to a significant increase in business related transactions which were mostly noted on increase in use of telegraphic transfers and other transactions.

	Jan-18 (TOP\$M)	Feb-18 (TOP\$M)	Mar-18 (TOP\$M)	TOTALs (TOP\$M)	Dec-17 QTR (TOP\$M)	Mar-17 QTR (TOP\$M)
Inwards	15.38	11.31	19.67	<b>46.36</b>	44.39	24.15
Outwards	9.14	4.96	8.12	<b>22.22</b>	20.87	17.32
<b>Transaction purpose</b>						
Business	12.91	8.51	16.6	<b>38.02</b>	32.02	15.1
Personal	11.61	7.76	11.19	<b>30.56</b>	33.24	26.37
<b>Transaction type</b>						
TT	2.49	1.92	2.93	<b>7.34</b>	4.31	5.31
Cash	13.63	8.33	12.47	<b>34.43</b>	37.09	24.93
Cheque	3.95	2.08	6.06	<b>12.09</b>	14.38	6.23
Cash/Cheque	0.43	0.52	1.45	<b>2.4</b>	2.01	0.22
Other	4.02	3.42	4.88	<b>12.32</b>	7.47	4.78

#### 5. Table 5: BCR data analysis

The FIU received 29 BCRs this quarter from the Ministry of Revenue & Customs compared with

	Jan-18 (TOP\$M)	Feb-18 (TOP\$M)	Mar-18 (TOP\$M)	TOTALs (TOP\$M)	Dec-17 QTR (TOP\$M)	Mar-17 QTR (TOP\$M)
Inbound	0.05	0.07	0.02	<b>0.14</b>	0.1	0.19
Outbound	4.6	6.5	2.6	<b>13.7</b>	9.54	7.85
<b>Purpose of funds</b>						
Business	4.62	6.55	2.54	<b>13.71</b>	9.6	7.86
Personal	0.03	0.02	0.08	<b>0.13</b>	0.04	0.18

22 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. Inbound funds were of individuals visiting or returning to Tonga with a few reports being for business purposes. The number and volume of reports increased from the previous quarter due to more of currencies being shipped abroad. This is also the case when compared to the same quarter of last year. There were no suspicious activities noted on the BCRs submitted during the quarter.

#### 6. Bi-annual AML/CFT Training

The FIU provided its first Bi-annual training for the year in January 2018 to all Foreign Exchange Dealers. These trainings are aimed at increasing knowledge of the reporting entities on their AML/CFT related obligations and to provide them with feedback on the reports they filed with the FIU.

## **7. Review of AML/CFT related reporting requirements**

In January 2018, the FIU conducted a review of currency transactions (CTRs) reports filed by its reporting entities in relation to requirements of the Money Laundering and Proceeds of Crime (MLPC) Regulation 23 that subjects them to report CTRs for transactions with value greater than T\$10,000, subject to exemptions. All reporting entities were required to submit their CTR Exemption Register for review by the FIU pursuant to Regulation 23(16) which also reserves the right at any time for the FIU, through appropriate order, to direct deletion of any exemption. Following the review of the CTR exemption registers, the FIU instructed all reporting entities, pursuant to relevant provision, to remove from the CTR exemption register the customers whom have been reported in suspicious transaction reports (STRs). The FIU continues to work closely with its reporting entities in ensuring that they meet all regulatory reporting requirements.

## **8. Corporate Plan**

In February 2018, the FIU contributed to the review of the NRBT's Corporate Plan for 2018-19. The FIU contributes to the first strategic priority of the bank in setting a platform for Tonga becoming a high growth economy through the prevention of money laundering. For the previous year, the FIU had a total of 17 targets to achieve. This review the FIU's targets increased to 20. The FIU's targets are aimed at effective supervision of reporting entities, ensuring a well-informed regime and to comply with global AML/CFT related requirements.

## **9. Quarterly compliance checks**

In March 2018, quarterly compliance spot checks were being conducted to a few Foreign Exchange Dealers as part of the licensing conditions requirement checks and to also ensure compliance with AML/CFT requirements. The result of the check was generally compliant.

## **10. Events**

- 25<sup>th</sup> January 2018, Bi-annual AML Training to reporting entities, NRBT
- 12<sup>th</sup> – 16<sup>th</sup> February 2018, APG Pre-Mutual Evaluation Workshop, Brunei Darussalam
- 1<sup>st</sup> – 2<sup>nd</sup> March 2018, Annual review of NRBT Corporate Plan
- 26<sup>th</sup> – 30<sup>th</sup> March 2018, Foreign Exchange Dealers Quarterly compliance spot checks