

# Financial Intelligence Unit

## Quarterly Report

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In the September 2018 quarter, the FIU continued to note the same trend as the reports from the previous quarter. During this quarter, the FIU continued with the preparation for Tonga's Mutual Evaluation in 2019 by the Asia Pacific Group on Money Laundering (APG). The FIU responded to requests for information from one of the law enforcement agencies to assist with ongoing investigations. The Working Group of the Cabinet Committee for Serious Financial Crimes finalized information required for Tonga's first National Risk Assessment Report which was initiated in 2015 with assistance of New Zealand consultants.

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

Type of reports filed	Jul-18	Aug-18	Sept-18	Total Sept-18 QTR	Jun-18 QTR	Sept-17 QTR
Suspicious Transaction Reports (STRs)	1	2	4	7	7	7
Currency Transaction Reports (CTRs) <sup>1</sup>	1,008	1,399	1,055	3,462	3,356	2,127
Border Currency Reports (BCRs) <sup>2</sup>	9	5	3	17	25	30

The number of border reports decreased from the previous quarter while the currency reports increased and no changes in suspicious reports. 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

Number of STRs received this quarter remain unchanged compared to the previous quarter. The same suspicious indicators continued to appear on this quarter's reports with deliberate structuring of transaction to avoid

STR by type	Jul-18	Aug-18	Sep-18	Total Sept-18 QTR	Jun-18 QTR	Sept-17 QTR
Unusual significant transactions	1	0	0	1	1	3
Large and rapid movement of funds	0	0	1	1	2	1
Using personal accounts for business purpose	0	1	1	2	1	1
Possible avoidance of regulatory reporting requirements	0	1	1	2	0	1
Scams	0	0	0	0	0	0
Other	0	0	1	1	3	1
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>7</b>	<b>7</b>

regulatory requirements emerged a couple times. Using of personal accounts for business purposes also increased while number of reports for large and rapid movement of funds decreased.

## 3. Table 3: Number of STRs disseminated

Law Enforcement Agencies	Jul-18	Aug-18	Sep-18	Total Sept-18 QTR	Jun-18 QTR	Sept-17 QTR
Police	1	1	0	2	3	1
Customs & Revenue	0	2	0	2	2	4
Foreign Affairs (Immigration)	0	0	0	0	0	0
Other (reporting entity & other NRBT departments)	0	0	4	4	0	3

Following the analysis of the 7 STRs, 3 of the reports were disseminated to law enforcement agencies for investigations of possible

offences. The remaining 4 reports were referred back to the reporting entity for further conduct of customer due diligence as oppose to previous quarter where no report was referred back.

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

The FIU received 3,462 CTRs in this quarter compared with 3,356 in the previous quarter and 2,127 in the September 2017 quarter. Both inward and outward transactions increased and these were mainly due to a significant increase in business related transactions which were mostly noted on the rise in the use of cash as well as cheques.

	Jul-18 (TOP\$M)	Aug-18 (TOP\$M)	Sept-18 (TOP\$M)	TOTALS Sept-18 QTR	Jun-18 QTR	Sept-17 QTR
Inwards	19.38	23.41	17.23	<b>60.02</b>	56.8	35.86
Outwards	9.28	11.88	8.54	<b>29.7</b>	27.84	13.83
<b>Transaction purpose</b>						
Business	19.52	22.62	16.03	<b>58.17</b>	51.9	22.48
Personal	9.14	12.67	9.74	<b>31.55</b>	32.74	27.21
<b>Transaction type</b>						
TT	3.59	5.15	2.64	<b>11.38</b>	11.04	6.18
Cash	13.72	15.98	11.61	<b>41.31</b>	36.05	25.21
Cheque	7.18	7.78	6.54	<b>21.5</b>	19.24	9.16
Cash/Cheque	2.41	2.53	2.02	<b>6.96</b>	7.47	1.54
Other	1.76	3.85	2.96	<b>8.57</b>	10.84	7.6

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

The FIU received 17 BCRs this quarter from the Ministry of Revenue & Customs decreasing from 25 in the previous quarter and 30 in the same quarter of last year. Majority of the BCRs were for outbound funds across the border which were mostly pre-approved shipment of currencies for

	Jul-18 (TOP\$M)	Aug-18 (TOP\$M)	Sept-18 (TOP\$M)	TOTALS Sept-18 QTR (TOP\$M)	Jun-18 QTR (TOP\$M)	Sept-17 QTR (TOP\$M)
Inbound	0.24	0.03	0	<b>0.27</b>	0.43	0.16
Outbound	2.19	0.65	0.96	<b>3.8</b>	8.3	10.68
<b>Purpose of funds</b>						
Business	2.19	0.65	0.95	<b>3.79</b>	8.36	10.42
Personal	0.24	0.03	0.01	<b>0.28</b>	0.37	0.42

financial institutions with a few reports for individuals. Inbound funds were largely of

individuals visiting or returning to Tonga with a couple of reports being for business purposes. Similar to previous quarter, reports decreased which were noted on shipment of currencies for financial institutions declined by about \$5 million. In the same quarter of last year reported amount for BCRs was at \$10 million. Other than a few outbound funds penalised for no proper approval in place, there were no suspicious activities noted on the BCRs submitted during the quarter.

## **6. Asia Pacific Group on Money Laundering (APG) 21st Annual Meeting**

A delegation from Tonga attended the APG's 21st Annual Meeting July 2018 in Kathmandu, Nepal together with over 520 senior delegates from 49 countries and 12 international organizations. During the week, APG members adopted four significant mutual evaluation reports for the Cook Islands, Indonesia, Myanmar and Palau. Members also agreed on a new project on de-risking aimed at assisting members to prepare national plans of action to address the drivers of de-risking along with support for the development of risk-based supervision manuals for the Money Value or Transfer Services (MVTs) sector. Tonga's technical assistance & training needs were also discussed with the donor partners during the meeting, including the review of the Money Laundering & Proceeds of Crime Act by the International Monetary Fund and other requests for assistance from the Tongan authorities.

## **7. 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, and the APG adopted and published Tonga's first mutual evaluation report in 2010. Tonga's preparation for the mutual evaluation will be led by the Cabinet Committee on Serious Financial Crimes that was established in 2003 and reconstituted in 2018, and will be jointly facilitated by its Working Group which consists of 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. Several meetings of the Working Group on Serious Financial Crimes have been held to distribute the tasks in preparation for the evaluation.

## **8. Tonga's Draft National Risk Assessment Report (NRA)**

As part of the evaluation process, Tonga is required to understand the risks it faces from money laundering and terrorist financing. Since 2015, Tongan officials and representatives from the private sector underwent a national risk assessment, with the kind assistance of New Zealand. Tongan officials provided the information to New Zealand colleagues to compile the report, and New Zealand also obtained information from open sources. New Zealand has now drafted and provided our national risks assessment report to use as a basis for Tonga to record and accept its national risks assessment. This report has been forwarded to all relevant stakeholders to

complete missing information and provide comments, and will be finalised in September 2018 for submission to Cabinet for endorsement together with a National Policy/Strategy for addressing the risks identified by the national risk assessment report.

## **9. Requests for Information**

During August 2018, the FIU responded to four RFIs sent from Ministry of Revenue & Customs on persons of interest as well as persons/entities referred previously through suspicious reports. Information sharing is enabled by the memorandum of agreement signed by all relevant authorities including the NRBT as the Financial Intelligence Unit to assist with investigations of serious offences including money laundering and terrorist financing.

## **10. Events**

- 5<sup>th</sup> July 2018, Meeting with Compliance Officers.
- 18<sup>th</sup> July 2018, Anti-money Laundering Training to Bank of South Pacific front-line staff, BSP Nuku'alofa.
- 23<sup>rd</sup> – 27<sup>th</sup> July 2018, APG 21<sup>st</sup> Annual Meeting, Kathmandu, Nepal.
- 20<sup>th</sup> August 2018, Briefing to Minister of Finance and National Planning on Tonga's National Committee for AML/CFT related matters.
- 23<sup>rd</sup> August 2018, Meeting of the Working Group for Serious Financial Crimes.
- 10<sup>th</sup> September 2018, Outreach Program Meeting with Ministry of Commerce, Consumer, Trade, Innovation and Labour.
- 13<sup>th</sup>, 21<sup>st</sup> & 27<sup>th</sup> September 2018, Meeting of the Working Group for Serious Financial Crimes on Tonga's draft National Risk Assessment.