

Financial Intelligence Unit

Quarterly Report

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The FIU continued with its preparation for Tonga’s Mutual Evaluation through engaging technical assistances to develop framework to enhance the Reserve Banks anti-money laundering supervision function as well as assistance from the Cook Islands to contribute to drafting of Tonga’s Effectiveness Response.

1. Table1: Number of reports received

Type of reports filed	Apr-19	May-19	Jun-19	Total Jun-19 QTR	Mar-19 QTR	Jun-18 QTR
Suspicious Transaction Reports (STRs)	2	0	1	3	6	7
Currency Transaction Reports (CTRs) ¹	1,206	1,285	1,137	3,628	3,168	3,356
Border Currency Reports (BCRs) ²	1	11	11	23	25	25

The currency reports increased from previous quarter while a decrease in number of reports filed for both suspicious and border reports. 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

The number of STRs decreased by 50% from the previous quarter. Of the 3 reports, 1 report was related to unusual significant transactions, 1

STR by type	Apr-19	May-19	Jun-19	Total Jun-19 QTR	Mar-19 QTR	June-18 QTR
Unusual significant transactions	0	0	1	1	1	1
Large and rapid movement of funds	0	0		0	1	2
Using personal accounts for business purpose	0	0	0	0	2	1
Possible avoidance of regulatory reporting requirements	1	0	0	1	0	0
Scams	0	0	0	0	0	0
Other	1	0	0	1	2	3
TOTAL	2	0	1	3	6	7

was in relation to possible avoidance of exchange control requirements through structuring the 1 was in relation to use of third party to conceal suspicious transactions.

3. Table 3: Number of STRs disseminated

Law Enforcement Agencies	Apr-19	May-19	Jun-19	Total Jun-19 QTR	Mar-19 QTR	Jun-18 QTR
Police	0	0	0	0	1	3
Customs & Revenue	1	0	0	1	3	2
Foreign Affairs (Immigration)	0	0	0	0	0	0
Other (reporting entity & other NRBT departments)	1	0	1	2	2	0

Following the analysis of the 3 STRs, only 1 was disseminated to law enforcement agencies for investigations of possible offences. The remaining 2 reports

were referred to the Exchange Control Unit within the Reserve Bank given possible breaches of exchange control related requirements.

4. Table 4: CTR data analysis

The FIU received 3,628 reports in this quarter increasing from 3,168 in the previous quarter. Inward transactions increased and were mainly seen in rise of business related transactions

	Apr-19 (TOP\$M)	May-19 (TOP\$M)	Jun-19 (TOP\$M)	TOTALs Jun-19 QTR	Mar-19 QTR	Jun-18 QTR
Inwards	26.09	18.35	21.16	65.6	57.74	56.8
Outwards	12.05	11.9	11.81	35.76	37.4	27.84
Business						
Business	28.36	20.46	23.14	71.96	61.85	51.9
Personal	9.78	9.79	9.83	29.4	33.29	32.74
Transaction type						
TT	1.38	0.89	0.86	3.13	9	11.04
Cash	13.72	14.18	13.69	41.59	33.15	36.05
Cheque	13.22	9.63	11.33	34.18	26.09	19.24
Cash/Cheque	3.01	3.64	2.73	9.38	5.96	7.47
Other	6.81	1.91	4.36	13.08	20.94	10.84

which were mostly noted in the use of cash as well as cheque for transactions.

5. Table 5: BCR data analysis

	Apr-19 (TOP\$M)	May-19 (TOP\$M)	Jun-19 (TOP\$M)	TOTALs June-19 QTR (TOP\$M)	Mar-19 QTR (TOP\$M)	June-18 QTR (TOP\$M)
Inbound	0	0.11	0.08	0.19	0.27	0.43
Outbound	1.1	5.52	5.09	11.71	13.23	8.3
Purpose of funds						
Business	1.1	5.54	5.02	11.66	13.33	8.36
Personal	0	0.09	0.15	0.24	0.17	0.37

The FIU received 23 BCRs this quarter from the Ministry of Revenue & Customs, a slight decrease from 25 reported in the

previous quarter. Similar to previous quarters, majority of the BCRs were for outbound funds which were mostly pre-approved shipment of currencies for financial institutions and inbound funds were all for individuals. There were no suspicious activities noted on the BCRs submitted during the quarter.

6. Technical Assistance on Risk Based Approach to AML/CFT Supervision

Through assistance of the Asia Pacific Group on Money Laundering, the technical assistance provider first visited Tonga in February 2019 to conduct a scoping visit, which looked at risk profiling financial as well as non-financial sectors to feed into developing of a supervision framework for the supervisors. To complete the second part of this project, the TA provider returned in April 2019 to discuss and confirm the supervision documents developed during the first stages of the project as well as to assist the supervision staff with preparatory works to conducting an onsite visit. The TA provider completed and finalised this work in May 2019 and plan is underway for phases of implementation to the reporting entities.

7. Mutual Evaluation Preparation update

Tonga has completed the first part of the Mutual Evaluation process through submission of its Technical Compliance Response in April 2019. The assessors are expected to come back with follow-up questions for Tonga to confirm prior to their first visit in July 2019. Responsibilities towards Tonga's Effectiveness Report was divided amongst the members of the Working Group on Serious Financial Crimes and response was completed and submitted to APG in June 2019.

8. Technical Assistance on Effectiveness Response

Before submission of its Effectiveness Response in June 2019, Tonga received more assistance from the APG to assist with preparing our responses. Ms. Cheryl McCarthy, Deputy Commissioner of Financial Supervisory Commission, Cook Islands was in Tonga in June to work with members of the Working Group on Serious Financial Crimes in completing their responses. The effectiveness response is an important part of the mutual evaluation as it focuses on whether our regulatory framework, policies and processes in place are operationally effective in combatting money laundering and counter terrorist financing. The workshop also focused on principles and process that assessors will expect stakeholders to grasp at both the pre-onsite and onsite visits.

9. Events

- 17th April 2019, Meeting of Working Group on Serious Financial Crimes to update Tonga's Technical Compliance Response, Reserve Bank.
- 29th April- 10th May 2019, Technical Assistance on Risk Based Approach to AML/CFT Supervision, Reserve Bank.
- 7th May 2019, Meeting with Working Group on Serious Financial Crimes to discuss De-risking concerns in Tonga, Reserve Bank.
- 5th – 6th June 2019, Technical Assistance on drafting of Effectiveness Response to the Mutual Evaluation, Reserve Bank.
- 5th June 2019, Meeting of the Working Group on Serious Financial Crimes for assistance to draft Tonga's Effectiveness Response, Reserve Bank.
- 28th June 2019, Meeting with New Zealand Police on Transnational Serious Crimes Organizations, Reserve Bank.