

During the June 2021 quarter, the department continued to co-ordinate Tonga’s Mutual Evaluation process in preparation for the APG Annual Meeting to be held in July 2021. The department also assisted the Non-Banks Division in the compliance reviews and semi-annual training for the Foreign Exchange Dealers.

1. Table1: Number of reports received

<i>Type of reports filed</i>	<i>Apr-21</i>	<i>May-21</i>	<i>June-21</i>	<i>Total Jun-21 QTR</i>	<i>Mar-21 QTR</i>	<i>Jun-20 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	4	2	-	6	1	11
<i>Currency Transaction Reports (CTRs)¹</i>	1,619	1,491	2,007	5,117	4,362	2,933
<i>Border Currency Reports (BCRs)²</i>	-	-	-	-	1	1

The unit noted an increase in the number of reports from the reporting financial institutions in this quarter compared to the previous quarter, except for the BCRs. 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 STR

The unit received 6 reports this quarter, 4 reports were related to large & rapid movements of funds, 1 report was related to using of personal accounts for business transactions and 1 report was related to possible operation of a pyramid scheme.

<i>STR by type</i>	<i>Apr-21</i>	<i>May-21</i>	<i>Jun-21</i>	<i>Total Jun-21 QTR</i>	<i>Mar-21 QTR</i>	<i>Jun-20 QTR</i>
<i>Unusual significant transaction</i>	-	-	-	-	-	3
<i>Large & rapid movement of funds</i>	3	1	-	4	1	6
<i>Using personal accounts for business purpose</i>	-	1	-	1	-	-
<i>Possible avoidance of regulatory reporting requirements</i>	-	-	-	-	-	-
<i>Scam</i>	-	-	-	-	-	1
<i>Others</i>	1	-	-	1	-	1
Total	4	2	-	6	1	11

3. Table 3: STR disseminated

<i>Law Enforcement Agencies</i>	<i>Apr-21</i>	<i>May-21</i>	<i>June-21</i>	<i>Total Jun-21 QTR</i>	<i>Mar-21 QTR</i>	<i>Jun-20 QTR</i>
<i>Ministry of Police</i>	1	-	-	1	-	1
<i>Ministry of Revenue & Customs</i>	-	-	-	-	-	5
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity & Other NRBT departments)</i>	2	3	-	5	1	5
Total	4	3	-	6	1	11

Subsequent to the analysis of the 6 reports, 1 report was disseminated to Police for further investigations due to suspecting of pyramid scheme operation. The remaining 5 reports are retained for future references.

4. Table 4: CTR data

The Unit recorded 5,117 reports in this quarter increasing from the previous quarter of 2,933 reports. Inward transaction more than doubled in this quarter and were seen in rise for both of

	<i>Apr-21 (TOP\$M)</i>	<i>May-21 (TOP\$M)</i>	<i>June-21 (TOP\$M)</i>	<i>Total June-21 QTR (TOP\$M)</i>	<i>Mar-21 QTR (TOP\$M)</i>	<i>June-20 QTR (TOP\$M)</i>
<i>Inwards</i>	32.46	37.88	38.97	109.31	110.14	56.68
<i>Outwards</i>	11.81	14.48	16.95	43.24	33.45	30.05
Transaction Purpose						
<i>Business</i>	36.60	44.22	43.67	124.49	68.38	61.44
<i>Personal</i>	7.66	8.15	12.26	28.07	75.21	25.28
Transaction Type						
<i>TT</i>	5.47	7.00	3.13	15.60	8.87	4.54
<i>Cash</i>	17.50	18.95	17.03	53.48	47.09	30.85
<i>Cheque</i>	14.01	19.70	23.61	57.32	68.69	29.05
<i>Cash/Cheque</i>	11.26	11.37	8.98	31.61	13.41	8.0
<i>Other</i>	9.44	1.65	3.17	14.26	5.53	14.28

business and personal related transactions which were mostly noted in the use of cash as well as TTs. It is expected that TTs will continue to spiral upwards as more and more countries locks down their borders including Tonga and people moving to utilising online transfer platforms. Thus this is reflected in a much higher transactions reported in this quarter.

5. Table 5: BCR data

	<i>Apr-21 (TOP\$M)</i>	<i>May-21 (TOP\$M)</i>	<i>Jun-21 (TOP\$M)</i>	<i>Total Jun-21 QTR (TOP\$M)</i>	<i>Mar-21 QTR (TOP\$M)</i>	<i>Jun-20 QTR (TOP\$M)</i>
<i>Inbound</i>	-	-	-	-	-	-
<i>Outbound</i>	-	-	-	-	0.66	0.01
Purpose of Funds						
<i>Business</i>	-	-	-	-	0.66	-
<i>Personal</i>	-	-	-	-	-	0.01

The FIU received no BCR this quarter. This is expected in the upcoming quarters due to the continuing COVID-19 restricted flight diversions and closed borders.

6. Tonga's Mutual Evaluation update

The Mutual Evaluation Committee (MEC) discussed Tonga's report on 15 July, based on 7 key issues raised by delegations in relation to Tonga's report. Delegations were encouraged to focus on high-level and substantive key issues, primarily concerning effectiveness and, where appropriate, important technical issues. The MEC discussed each key issue and resolved 3 of the 7 issues. The remaining 4 issues the MEC recommends to be discussed at the plenary including the revised textual changes proposed by the assessment team and Tonga. The Working Group worked with the assessors

through the APG to confirm the textual changes to the report prior to the plenary meeting which will be held on 27 to 29 July. Tonga's report will be tabled for adoption by the full members during the plenary on 28 July. At the point of the formal adoption of the MER, the plenary will discuss and decide on the nature of the follow-up measures that are required. Following the discussion and adoption of the MER at the plenary meeting, the APG, in collaboration with the assessment team, will amend all documents as necessary, including substantive changes as agreed by the Plenary and further checks for typographical or similar errors. The APG will then circulate a revised version of the report to Tonga within two weeks of the plenary. Within two weeks of receipt of the final version of the MER from the APG, Tonga must confirm that the MER is accurate and/or advice of any typographical or similar errors in the MER. Care will be taken to ensure that no confidential information is included in any published report. The report will then go through a post-plenary 'quality & consistency' review process to identify any serious or major concerns. Once this process is complete, the report will then be published.

7. Progress since Mutual Evaluation

Tonga will be given the chance at the APG Annual Meeting to present an update on its AML/CFT related progress over the last year, with legislation and other measures. Given that the onsite visit will have been just over one and a half years previous to the APG annual meeting, the APG is positive that the membership will want to be informed of Tonga's efforts over that time period. Tonga notes that although initiatives since November 2019 won't affect the ME report ratings, by providing an update report, it will however let the membership know that the country have used the one-year hiatus due to the COVID-related travel restrictions, to undertake a considerable amount of policy development and law changes. These progress includes the;

- revised National Risk Assessment report,
- revised National AML/CFT Policy,
- engaged IMF assistance to develop a Risk Based AML framework,
- draft MLPC amendment Bill and
- other enforcement measures implemented

8. Compliance Reviews & AML Training

In collaboration with the Non-Banks Division, compliance visits were conducted to 12 licensed and registered foreign exchange dealers (FED) in July 2021. In terms of AML/CFT related obligations a few non-compliances were noted on areas such as record keeping as well as reporting obligations.

The FIU continues to follow up with these FEDs on areas of concern to assist in getting them compliant for the next round of quarterly compliance visits. During the FEDs semi-annual meeting in July 2021, the FIU conducted a refresher training to all participants as a reminder of their AML/CFT obligations.

9. Events

- 14th April 2021, Due date for Tonga's 4th draft MER
- 27th April 2021, Meeting of the Working Group on Serious Financial Crimes
- 30th April 2021, Meeting of the Working Group on Serious Financial Crimes
- 3rd May 2021, Tonga comments on 4th draft MER due
- 4th May 2021, APG Governance Committee Meeting
- 10-14th May 2021, IMF Technical Mission on Risk Based Approach to supervision
- 18th -21st May 2021, Pacific Cyber Week
- 25th May 2021, Meeting of the Working Group on Serious Financial Crimes
- 27th -28th May 2021, Meeting of the Working Group on Serious Financial Crimes
- 1st – 11th June, Money Laundering and Criminal Asset Confiscation Training
- 9th June 2021, Pacific AML Forum
- 15th June 2021, APG Governance Committee Meeting
- 22nd June 2021, Meeting of the Working Group on Serious Financial Crimes
- 2nd July 2021, AML Training to Foreign Exchange Dealers
- 6th July 2021, Meeting of the Working Group on Serious Financial Crimes
- 6th July 2021, APG Governance Committee Meeting
- 7th – 15th July 2021, Foreign Exchange Dealer's Quarterly Spot Checks
- 8th July 2021, Meeting of the Working Group on Serious Financial Crimes
- 15th July 2021, APG Mutual Evaluation Committee Meeting
- 20th July 2021, Meeting of the Working Group on Serious Financial Crimes
- 27th July 2021, Meeting of the Working Group on Serious Financial Crimes
- 27th – 29th July 2021, APG Annual Meeting
- 24th -25th August 2021, Trade-based Money Laundering Seminar
- 25th August 2021, APG Technical Assistance & Training Forum