

# Financial Intelligence Unit

## Quarterly Report

### 8<sup>th</sup> Issue: December 2018

Release date: 18<sup>th</sup> March 2018

The Financial Intelligence Unit continued with its preparation

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

Type of reports filed	Oct-18	Nov-18	Dec-18	Total Dec-18 QTR	Sept-18 QTR	Dec-17 QTR
Suspicious Transaction Reports (STRs)	6	0	1	7	7	6
Currency Transaction Reports (CTRs) <sup>1</sup>	1,126	1,278	1,406	3,810	3,462	2,662
Border Currency Reports (BCRs) <sup>2</sup>	9	9	8	26	17	22

The border reports increased from previous quarter as well as the currency reports while the suspicious reports remained the same. 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 FIU received the same number of reports as the previous quarter. Majority of the reports were for unusual significant transactions by

STR by type	Oct-18	Nov-18	Dec-18	Total Dec 18 QTR	Sept-18 QTR	Dec-17 QTR
Unusual significant transactions	5	0	0	5	1	3
Large and rapid movement of funds	0	0	0	0	1	0
Using personal accounts for business purpose	0	0	0	0	2	1
Possible avoidance of regulatory reporting requirements	1	0	0	1	2	1
Scams	0	0	0	0	0	0
Other	0	0		1	1	1
<b>TOTAL</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>7</b>	<b>6</b>

persons/ entities. The remaining two reports were for possible avoidance of regulatory requirements and transaction of person involved in adverse media.

## 3. Table 3: Number of STRs disseminated

Law Enforcement Agencies	Oct-18	Nov-18	Dec-18	Total Dec 18 QTR	Sept-18 QTR	Dec-17 QTR
Police	4	0	0	4	2	0
Customs & Revenue	1	0	0	1	2	0
Foreign Affairs (Immigration)	0	0	0	0	0	1
Other (reporting entity & other NRBT departments)	2	0	0	2	4	5

Following the analysis of the 7 STRs, 5 of the reports were disseminated to law enforcement agencies for investigations

of possible offences. The remaining 2 reports were treated accordingly; 1 was referred back to the reporting entity for further conduct of customer due diligence and the other report was retained with the FIU for future reference.

**4. Table 4: CTR data analysis**

The FIU received 3,810 CTRs in this quarter compared with 3,462 in the previous quarter and 2,662 in the December 2017 quarter. Outward transactions increased and these were mainly due to a significant increase in personal related transactions which were mostly noted on the rise in the use of cash as well as other type of transactions.

	Oct-18 (TOP\$M)	Nov-18 (TOP\$M)	Dec-18 (TOP\$M)	TOTALS Dec-18 QTR	Sept-18 QTR	Dec-17 QTR
Inwards	21.25	17.86	20.72	59.83	60.02	44.39
Outwards	9.32	12.68	14.35	36.35	29.7	20.87
<b>Transaction purpose</b>						
Business	19.49	17.82	21.64	58.95	58.17	32.02
Personal	11.08	12.72	13.43	37.23	31.55	33.24
<b>Transaction type</b>						
TT	2.56	4.11	4.48	11.15	11.38	4.31
Cash	14.44	15.33	17.62	47.39	41.31	37.09
Cheque	9.29	5.52	6.46	21.27	21.5	14.38
Cash/Cheque	1.7	1.66	1.94	5.3	6.96	2.01
Other	2.58	3.92	4.57	11.07	8.57	7.47

**5. Table 5: BCR data analysis**

The FIU received 26 BCRs this quarter from the Ministry of Revenue & Customs increasing from 17 in the previous quarter and 22 in the same quarter of last year. Majority of the BCRs were for outbound funds which were mostly pre-approved shipment of currencies for financial institutions

	Oct-18 (TOP\$M)	Nov-18 (TOP\$M)	Dec-18 (TOP\$M)	TOTALS Dec-18 QTR (TOP\$M)	Sept-18 QTR (TOP\$M)	Dec-17 QTR (TOP\$M)
Inbound	0.14	0.05	0.04	0.23	0.27	0.1
Outbound	4.87	5.18	5.78	15.83	3.8	9.54
<b>Purpose of funds</b>						
Business	4.93	5.21	5.8	15.94	3.79	9.6
Personal	0.08	0.02	0.02	0.12	0.28	0.04

with only a few reports were for individuals. All of inbound funds were

for individuals except 1 report which was for business purpose. Compared to previous quarter, reports increased which were noted on significant rise in shipment of currencies for financial institutions by more than \$10 million. In the same quarter of last year reported amount for BCRs was at \$10 million. There were no suspicious activities noted on the BCRs submitted during the quarter.

## **6. Legislative review by the International Monetary Fund**

In April 2018, the NRBT requested IMF advice on the extent to which the Money Laundering and Proceeds of Crime Act and Regulations comply with international standards relating to money laundering and terrorism financing. The IMF in October 2018 responded to this request and provided a desk review of the above law and regulation. This review will assist Tonga generally in the improvement of our legal framework for AML/CFT and specifically in our preparation for the mutual evaluation in 2019. The Working Group on Serious Financial Crimes has referred this review to the New Zealand Counsel Office requesting for their assistance in drafting of legislative amendments. There is need to have the necessary laws enacted by no later than October 2019.

## **7. Technical Assistance on Risk Based Approach Supervision**

As part of the Technical Assistance & Training Program of the Asia Pacific Group on Money Laundering, the Reserve Bank as the FIU requested assistance with regards to its Risk Based Supervision function. APG has engaged a provider for this technical assistance and will be funding this project through the New Zealand Government grant. This project will engage Reserve Bank officials responsible for AML/CFT supervision in a scope of work aimed at developing foundational documents for risk based supervision and identifying areas for specialized implementation technical assistance that would support supervisors to conduct onsite inspections of priority entities. This project has been initiated in November 2018 and the first visit of the technical assistance provider is scheduled for late February 2019 to last a week.

## **8. Review of Memorandum of Understandings/ Agreements with 5 foreign counterparts**

Over the past 12 months, the FIU has been in contact with its counterpart in 5 foreign countries to arrange for a mechanism to enable sharing of information. Template MOUs were received from these counterparts to initiate this process which the FIU have recently received clearance from the Acting Attorney General of the content of these MOUs. The FIU have proceeded with the negotiation process of these MOUs with each of the 5 counterparts in November 2018 by providing its comments on those documents. Once both FIUs come to an agreement then the MOUs can be signed. The 5 foreign counterparts are New Zealand FIU, Bangladesh FIU, Republic of China FIU, Taiwan FIU and Thailand FIU.

## **9. Events**

- 4<sup>th</sup> October 2018, Working Group on Serious Financial Crimes Meeting to discuss Tonga's preparation for Mutual Evaluation in 2019.
- 25<sup>th</sup> October 2018, Working Group on Serious Financial Crimes Meeting to finalise Tonga's National Risk Assessment Report.

- 30<sup>th</sup> October 2018, Meeting with Compliance Officers to discuss reporting compliance.
- 31<sup>st</sup> October 2018, FIU meeting with New Zealand Security and Intelligence Service to identify area for mutual cooperation, assistance and exchange between the two countries.
- 15<sup>th</sup> November 2018, Confirmed Technical Assistance from Australia for FIU's AML/CFT Risk Based Supervision function.
- 6<sup>th</sup> – 13<sup>th</sup> December 2018, Desk Review – Foreign Exchange Dealers compliance profile.