

The Financial Intelligence Unit received its team of assessors for the onsite visit in Tonga. This specific visit is for Tonga to understand its ML/TF risks and to conduct the first National AML/CFT Risk Assessment in the past years. A draft of Tonga’s National AML/CFT Risk Assessment Report has been disseminating to relevant agencies for their comments and later on the Cabinet Committee endorsed such report as well as the country’s first National AML/CFT Strategy.

During the December 2019 quarter, the FIU received the following reports:

1. Table1: Number of reports received

<i>Type of reports filed</i>	<i>Oct-19</i>	<i>Nov-19</i>	<i>Dec-19</i>	<i>Total Dec-19 QTR</i>	<i>Sept-19 QTR</i>	<i>Dec-18 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	5	1	2	8	13	7
<i>Currency Transaction Reports (CTRs)¹</i>	1,252	1,136	1,354	3,742	3,524	3,810
<i>Border Currency Reports (BCRs)²</i>	7	5	6	18	24	26

Less STRs and BCRs were received by the FIU during December 2019 quarter compared to the previous quarter, whilst the number of CTRs submitted by the reporting financial institutions increased over the quarter. The FIU continues to retain information obtained in these reports to assist in its data analysis functions.

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 numbers of STRs drop by 38% from the previous quarter. Of the 8 reports, 5 reports were related to large & rapid movements of funds and the remaining was in relation to media coverage on account holder, Company of the sender owned by sanctioned country and possible use of false identifications .

<i>STR by type</i>	<i>Oct-19</i>	<i>Nov-19</i>	<i>Dec-19</i>	<i>Total Dec-19 QTR</i>	<i>Sept-19 QTR</i>	<i>Dec-18 QTR</i>
<i>Unusual significant transaction</i>	-		-	-	-	5
<i>Large & rapid movement of funds</i>	3		2	5	11	-
<i>Usual personal accounts for business purpose</i>	-	-	-	-	1	1
<i>Possible avoidance of regulatory reporting requirements</i>	-	-	-	-	-	-
<i>Others</i>	2	1	-	3	1	1
<i>Total</i>	5	1	2	8	13	7

3. Table 3: Number of STRs disseminated

<i>Law Enforcement Agencies</i>	<i>Oct-19</i>	<i>Nov-19</i>	<i>Dec-19</i>	<i>Total Dec-19 QTR</i>	<i>Sept-19 QTR</i>	<i>Dec-18 QTR</i>
<i>Ministry of Police</i>	1	2	-	3	1	4
<i>Ministry of Revenue & Customs</i>	1	1	-	2	10	1
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity & Other NRBT departments)</i>	3	-	-	3	2	2
<i>Total</i>	5	3	-	8	13	7

Following the analysis of the 8 STRs, 5 reports were disseminated to law enforcement agencies for investigations of possible tax and criminal offences. The remaining 3 reports were referred back to the reporting entities for further due diligence checks.

4. Table 4: CTR data analysis

The FIU received 3,742 reports in this quarter increasing from the previous quarter of 3,524 reports. Inward transaction slightly decreased by 3% whereas outbound transaction increased by 9% comparing with the previous quarter. The major reason which is seen in increasing of personal related transactions which were mostly noted in the use of cash transaction.

	<i>Oct-19 (TOP\$M)</i>	<i>Nov-19 (TOP\$M)</i>	<i>Dec-19 (TOP\$M)</i>	<i>Total Dec-19 QTR (TOP\$M)</i>	<i>Sept-19 QTR (TOP\$M)</i>	<i>Dec-18 QTR (TOP\$M)</i>
<i>Inwards</i>	22.41	20.61	19.74	62.76	65.0	59.83
<i>Outwards</i>	11.37	10.44	11.85	33.66	30.9	36.35
Transaction Purpose						
<i>Business</i>	22.35	19.39	19.50	61.24	61.4	58.95
<i>Personal</i>	11.43	11.66	12.09	35.18	34.1	37.23
Transaction Type						
<i>TT</i>	2.15	2.43	3.42	8.0	7.7	11.15
<i>Cash</i>	15.93	16.05	18.27	50.25	44.3	47.39
<i>Cheque</i>	8.70	10.12	7.14	25.96	29.8	21.27
<i>Cash/Cheque</i>	3.90	1.56	1.52	6.98	5.5	5.30
<i>Other</i>	3.11	0.90	1.25	5.26	8.3	11.07

5. Table 5: BCR data analysis

	<i>Oct-19 (TOP\$M)</i>	<i>Nov-19 (TOP\$M)</i>	<i>Dec-19 (TOP\$M)</i>	<i>Total Dec-19 QTR (TOP\$M)</i>	<i>Sept-19 QTR (TOP\$M)</i>	<i>Dec-18 QTR (TOP\$M)</i>
<i>Inbound</i>	-	0.01	0.03	0.04	0.30	0.23
<i>Outbound</i>	6.80	4.09	5.30	16.19	13.30	15.83
Purpose of Funds						
<i>Business</i>	5.33	4.09	6.80	16.22	13.30	15.94
<i>Personal</i>	-	0.01	-	0.01	0.20	0.12

The FIU received 18 BCRs this quarter from the Ministry of Revenue & Customs, a decrease from 24 reports 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. Private Sector Consultation on Tonga's National Risk Assessment Report

Part of the Mutual Evaluation process is for the country to understand its ML/TF risks which is why efforts were combined to conduct the first National AML/CFT Risk Assessment for Tonga in the past years. A draft report has been finalised and now disseminated to the private sector for their comments. The Working Group is planning to host a consultation sessions to provide an opportunity for these entities to share their understanding of the risks and if what they see in the private sector is reflected in the findings of the NRA report. The consultation session is planned for 16th & 17th October 2019.

7. Tonga's Mutual Evaluation onsite visit

Tonga received its team of assessors for the onsite visit on 22nd October – 1st November 2019. The onsite lasted a couple of weeks which comprised of meetings with law enforcement agencies and relevant Ministries on the country's efforts and practices towards anti-money laundering, counter financing of terrorism and proliferation financing. The team of assessors also met with representatives from the private sector which provided a perspective into Tonga's AML/CFT risk areas as well as measures and processes in place to mitigate those risks. During their onsite, the team also met with the Prime Minister to deliver a brief summary of their findings which was well received. The team delivered their closing presentation of their key findings of Tonga's mutual evaluation assessment. The preliminary report highlighted areas of needs for Tonga to focus on as high priority which includes legislative amendments as well as developing a framework for proliferation financing. The assessors also congratulated Tonga, the relevant agencies and Ministries for the efforts so far in getting Tonga's framework up to standard since its last evaluation in 2009. The first draft of Tonga's mutual evaluation report will be made available for comments in December 2019.

8. Cabinet endorsement of Tonga's National Risk Assessment Report & National AML/CFT Strategy

During the interval of the assessor's onsite visit, the Cabinet Committee endorsed Tonga's National AML/CFT Risk Assessment Report as well as the country's first National AML/CFT Strategy on 25th October 2019. This was relayed to the team of assessors which is a welcomed development to be considered for Tonga's effectiveness report. The Working Group on Serious Financial Crime will

meet soon to discuss ways forward with the implementation of the National AML/CFT Strategy as well as the revision of the National Risk Assessment Report.

9. Meeting of the Working Group on Serious Financial Crime

The working group met on 28th November 2019 to update on progress with information to be provided to the assessors towards Tonga's Mutual Evaluation report. Discussions around the next actions on Tonga are National Risk Assessment as well as the National AML/CFT Strategy which was endorsed by Cabinet in October 2019. The working group agreed that the Reserve Bank will make necessary update to the document and circulate to the members for confirmation prior to its issuance to the public early 2020.

10. Annual Compliance Checks for Foreign Exchange dealers

The FIU completed the FX dealers' annual compliance review of their licensing condition relating AML/CFT obligations in December 2019. The visit is part of the review process for the entities license renewal. The results were generally compliant other than a few FX dealers with instances on non-compliance in their record keeping as well as reporting obligations. The FIU continues to work together with the Non-Banks Division to ensure all entities are fully compliant with their licensing conditions before renewal of their license.

11. Events

- 25th October 2019, NRA Private sector consultation, Tonga
- 22nd October – 1st November 2019, Tonga's Mutual Evaluation Onsite, Tonga
- 28th November 2019, Meeting of the Working Group on Serious Financial Crime, Tonga
- 29th November 2019, Meeting of the Law Enforcement Taskforce, Tonga
- 17th – 18th December 2019, Annual Compliance visits to Foreign Exchange Dealers.