

The FIU continued with its preparation for Tonga’s Mutual Evaluation through technical compliance report, elaborating on areas where Tonga needs to highlight for their effectiveness response, clarifying risk and scoping issues and also initiated conversation with regards to Tonga’s preparations for the on-site visit.

1. Table1: Number of reports received

<i>Type of reports filed</i>	<i>July-19</i>	<i>Aug-19</i>	<i>Sept-19</i>	<i>Total Sept-19 QTR</i>	<i>June-19 QTR</i>	<i>Sept-18 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	5	-	9	14	3	7
<i>Currency Transaction Reports (CTRs)¹</i>	1,282	1,226	1,016	3,524	3,628	3,462
<i>Border Currency Reports (BCRs)²</i>	9	5	9	23	23	17

The currency transaction reports decreased from previous quarter whereas number of reports filed as suspicious increases. The number of BCRs submitted remained the same over these two quarters. 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 number of STRs increased by 11 reports from the previous quarter. Of the 14 reports, 11 reports were related to large & rapid movements of funds, 2 were in relation of using personal accounts for

<i>STR by type</i>	<i>July-19</i>	<i>Aug-19</i>	<i>Sept-19</i>	<i>Total Sept-19 QTR</i>	<i>June-19 QTR</i>	<i>Sept-18 QTR</i>
<i>Unusual significant transaction</i>	-	-	-	-	1	3
<i>Large & rapid movement of funds</i>	2	-	9	11	-	1
<i>Usual personal accounts for business purpose</i>	2	-	-	2	-	1
<i>Possible avoidance of regulatory reporting requirements</i>	-	-	-	-	1	1
<i>Others</i>	1	-	-	1	1	1
<i>Total</i>	5	-	9	14	3	7

business transactions and the remaining was in relation to an additional information related to a previous filed suspicious transaction.

3. Table 3: Number of STRs disseminated

<i>Law Enforcement Agencies</i>	<i>July-19</i>	<i>Aug-19</i>	<i>Sept-19</i>	<i>Total Sept-19 QTR</i>	<i>June-19 QTR</i>	<i>Sept-18 QTR</i>
<i>Ministry of Police</i>	-	-	1	1	-	1
<i>Ministry of Revenue & Customs</i>	4	-	8	12	1	2
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity & Other NRBT departments)</i>	1	-	-	1	2	4
<i>Total</i>	5	-	9	14	3	7

Following the analysis of the 14 STRs, 13 reports were disseminated to law enforcement agencies for investigations of possible tax and criminal offences. The remaining report was retained for future reference.

4. Table 4: CTR data analysis

The FIU received 3,524 reports in this quarter decreasing from the previous quarter of 3,628 reports. Both inward and outward transactions slightly decreased and were mainly seen in dropping of business related transactions which were mostly noted in the use of cash as well as cheque for transactions.

	July-19 (TOP\$M)	Aug-19 (TOP\$M)	Sept-19 (TOP\$M)	Total Sept-19 QTR (TOP\$M)	June-19 QTR (TOP\$M)	Sept-18 QTR (TOP\$M)
<i>Inwards</i>	23.1	24.0	17.9	65.0	65.6	35.9
<i>Outwards</i>	13.2	10.3	7.4	30.9	35.8	13.8
Transaction Purpose						
<i>Business</i>	26.0	21.6	13.8	61.4	72.0	22.5
<i>Personal</i>	10.3	12.7	11.1	34.1	29.4	27.2
Transaction Type						
<i>TT</i>	2.7	2.7	2.3	7.7	3.1	6.2
<i>Cash</i>	17.5	14.1	12.7	44.3	41.6	25.2
<i>Cheque</i>	10.7	11.4	7.7	29.8	34.2	9.2
<i>Cash/Cheque</i>	2.4	1.8	1.3	5.5	9.4	1.5
<i>Other</i>	3.0	4.4	0.9	8.3	13.1	7.6

5. Table 5: BCR data analysis

	July-19 (TOP\$M)	Aug-19 (TOP\$M)	Sept-19 (TOP\$M)	Total Sept-19 QTR (TOP\$M)	June-19 QTR (TOP\$M)	Sept-18 QTR (TOP\$M)
<i>Inbound</i>	0.02	0	0.01	0.03	0.2	0.3
<i>Outbound</i>	5.4	3.8	4.1	13.3	11.7	3.8
Purpose of Funds						
<i>Business</i>	5.5	3.8	4.0	13.3	11.7	3.8
<i>Personal</i>	0.1	0	0.1	0.2	0.3	0.3

The FIU received 24 BCRs this quarter from the Ministry of Revenue & Customs, a slight decrease from 23 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. Mutual Evaluation Preparation update

Tonga has completed its Effectiveness Response and provided report to APG on 28th June 2019 and will continue to update its response to the APG where possible. Tonga has also received the first draft of its Technical Compliance report with concerns for clarification to the assessors on their first visit to Tonga scheduled for 23rd -25th July 2019.

7. Pre-Mutual Evaluation Visit

Tonga's relevant Anti Money Laundering/Counter Financing of Terrorism agencies were called together for 3 days for the Asia/Pacific Group on Money Laundering and ME assessors visit last month. The visit focused on discussing Tonga's draft technical compliance annex report, elaborating on areas where Tonga needs to highlight for their effectiveness response, clarifying risk and scoping issues and also initiated conversation with regards to Tonga's preparations for the on-site visit in October 2019. The relevant agencies are working together to improve on Tonga's Technical compliance and effectiveness submissions to the APG. The Committee's priority for the coming weeks is to finalise Tonga's National Risk Assessment, host consultations with private sector on Tonga's AML/CFT risk areas and to conduct outreach to financial institutions and cash dealers on their obligations under the relevant AML/CFT laws as well as awareness on the upcoming Mutual Evaluation onsite.

8. Meeting of the Working Group on Serious Financial Crimes

Following the Pre-ME visit, the members of the Committee met to discuss issues arising from the visit including a re-look at Tonga's AML/CFT risk areas and ratings. The Committee discussed and confirmed additional information to be submitted to APG to support Tonga's case for its ME. Efforts are put into incorporating Tonga's risk assessment into a risk register that would allow the members to stock take the risk areas and the controls put in place to mitigate those risks. This work is also feeding into the development of Tonga's National AML/CFT Strategy, which the Committee hopes to finalize in the next few days.

9. Asia Pacific Group (APG) on Money Laundering Annual Meeting

Tonga's delegation of 4 to the APG Annual Meeting was headed by Deputy Governor. Joining the delegation were officials from the Attorney General's Office as well as Legal Counsel for the Reserve Bank. While being there for the annual meeting, Tonga also signed 2 Memorandum of Understandings with FIUs of Bangladesh and Taiwan. Donors like Asia Development Bank and United Nations Office on Drugs and Crimes were identified during Tonga's Technical Assistance and Training Forum to assist in the country's areas of needs. These areas were recognized towards AML/CFT framework development particularly with drafting of necessary legislative amendments. As well as capacity building particularly with training of operational law enforcement staff. Members of the working group have been informed to initiate contact with these interested donors and to take up this development opportunity.

10. Requests for Information (RFI)

In August 2019, the unit received and responded to 4 RFIs from Ministry of Revenue & Customs. All RFIs were related investigations of possible contravention of tax obligations with majority of the persons of interested having previously been reported to the Ministry through STRs from the FIU. The FIU continues to assist Tonga's law enforcement agencies with financial intelligence under the MOU signed in 2014.

11. Compliance visit to MBF Bank

The FIU together with the Financial System team conducted a 2 day onsite visit in August 2019 to follow-up on previously completed credit risk portfolio checks as well as to review their AML/CFT framework, in particular, the application of their Customer Due Diligence obligations. The finding of the visit has been communicated to the assessed entity and the Reserve Bank continues to ensure compliance there is a general compliance level from all its reporting entities.

12. Briefing to Chairman of the Cabinet Committee on Serious Financial Crimes

In preparation for the onsite visit, the NRBT and Ministry of Justice as Secretariat of the Working Group on Serious Financial Crimes provided a briefing to the Honorable Minister of Finance as Chair of the Cabinet Committee as to the progress with Tonga's preparation for its evaluation this month. A submission was then filed with the Ministry of Finance to be brought to the attention of the Cabinet of these efforts. Included in the submission were Tonga's National Risk Assessment draft report as well as the National AML/CFT Strategy for the endorsement of the committee. Last update received was that Cabinet have yet to convene and discuss the submission.

13. Events

- 23rd -25th July 2019, Pre-Mutual Evaluation Visit, Tonga.
- 2nd August 2019, Meeting of the Working Group on Serious Financial Crimes, Tonga.
- 18th – 23rd August 2019, Asia Pacific Group (APG) on Money Laundering Annual Meeting in Canberra, Australia.
- 26th – 27th August 2019, Compliance Visit to MBF Bank, Tonga.
- 5th September 2019, Meeting of the Working Group on Serious Financial Crimes, Tonga.
- 11th September 2019, Briefing to the Minister of Finance as Chairman of Tonga's Cabinet Committee on Serious Financial Crimes, Tonga.