

During the September 2020 quarter, the unit noted an increase in the number of reports filed in this quarter compared to the previous quarter. Tonga received its 2nd Draft Mutual Evaluation report from the assessors together with the external reviewer’s comments in September 2020. During this period, the unit coordinated the review of the draft report by the members of the Working Group on Serious Financial Crimes. The unit also conducted its quarterly spot checks to the foreign exchange dealers as well as providing training to a few reporting entities.

1. Table1: Number of reports received

<i>Type of reports filed</i>	<i>Jul-20</i>	<i>Aug-20</i>	<i>Sep-20</i>	<i>Total Sep-20 QTR</i>	<i>Jun-20 QTR</i>	<i>Sep-19 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	4	2	1	7	11	14
<i>Currency Transaction Reports (CTRs)¹</i>	1,110	1,204	1,326	3,640	2,933	3,524
<i>Border Currency Reports (BCRs)²</i>	1	-	-	1	1	23

Lesser reports were submitted by the reporting financial institutions over this quarter compared to the previous quarter except CTRs. The number of STRs declined compared to the last quarter and same quarter last year. CTRs increased over the quarter as well as from the previous quarter. The FIU continues to receive information 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 numbers of STRs decrease by 4 reports from the previous quarter. Of the 7 reports, 1 reports were related to unusual signification transaction, 5 reports related to large & rapid movements of funds and the remaining report was for using of personal account

<i>STR by type</i>	<i>Jul-20</i>	<i>Aug-20</i>	<i>Sep-20</i>	<i>Total Sep-20 QTR</i>	<i>Jun-20 QTR</i>	<i>Sep-19 QTR</i>
<i>Unusual significant transaction</i>	-	1	-	1	3	-
<i>Large & rapid movement of funds</i>	4	1	-	5	6	11
<i>Usual personal accounts for business purpose</i>	-	-	1	1	-	2
<i>Possible avoidance of regulatory reporting requirements</i>	-	-	-	-	-	-
<i>Scam</i>	-	-	-	-	1	-
<i>Others</i>	-	-	-	-	1	1
Total	4	2	1	7	11	14

for business transactions. This is a trend similar to the previous quarter where it reported majority of the reports were related to large & rapid movement of funds.

3. Table 3: STR disseminated

<i>Law Enforcement Agencies</i>	<i>Jul-20</i>	<i>Aug-20</i>	<i>Sep-20</i>	<i>Total Sep-20 QTR</i>	<i>Jun-20 QTR</i>	<i>Sep-19 QTR</i>
<i>Ministry of Police</i>	-	-	-	-	1	1
<i>Ministry of Revenue & Customs</i>	4	1	-	5	5	12
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity & Other NRBT departments)</i>	-	1	1	2	5	1
Total	4	2	1	7	11	14

Following the analysis of the 7 STRs, 5 reports were disseminated to law enforcement agencies for investigations of possible tax offences. The remaining reports were retained for future references.

4. Table 4: CTR data

The FIU received 3,640 reports in this quarter increasing from the previous quarter of 2,933 reports. Inward

	<i>Jul-20 (TOP\$M)</i>	<i>Aug-20 (TOP\$M)</i>	<i>Sep-20 (TOP\$M)</i>	<i>Total Sep-20 QTR (TOP\$M)</i>	<i>Jun-20 QTR (TOP\$M)</i>	<i>Sep-19 QTR (TOP\$M)</i>
<i>Inwards</i>	17.68	20.34	22.28	60.30	56.68	65.0

transaction increased by 6% and outbound transaction also increased by 14% comparing with the previous quarter. The major reason which is seen in increasing of business related transactions which were mostly noted in the cash deposits followed by the use of cheques.

<i>Outwards</i>	11.62	10.17	12.42	34.21	30.05	30.9
Transaction Purpose						
<i>Business</i>	19.81	21.59	25.43	66.83	61.44	61.4
<i>Personal</i>	9.48	8.92	9.28	27.68	25.28	34.1
Transaction Type						
<i>TT</i>	1.11	2.70	1.97	5.78	4.54	7.7
<i>Cash</i>	12.47	13.41	12.85	38.73	30.85	44.3
<i>Cheque</i>	10.29	8.07	13.09	31.45	29.05	29.8
<i>Cash/Cheque</i>	1.75	3.01	3.15	7.91	8.0	5.5
<i>Other</i>	3.66	3.32	3.66	10.64	14.28	8.3

5. Table 5: BCR data

	<i>Jul-20 (TOP\$M)</i>	<i>Aug-20 (TOP\$M)</i>	<i>Sep-20 (TOP\$M)</i>	<i>Total Sep-20 QTR (TOP\$M)</i>	<i>Jun-20 QTR (TOP\$M)</i>	<i>Sep-19 QTR (TOP\$M)</i>
<i>Inbound</i>	-	-	-	-	-	0.0
<i>Outbound</i>	0.78	-	-	0.78	0.01	13.3
Purpose of Funds						
<i>Business</i>	0.78	-	-	0.78	-	13.3
<i>Personal</i>	-	-	-	-	0.01	0.2

The FIU received 1 BCR this quarter from the Ministry of Revenue & Customs, no change from the previous quarter. This

was due to COVID-19 restricted flight diversions. BCR was for outbound funds for a money changer business.

6. Stakeholder meetings

The FIU met with Revenue Intel team this quarter to update on reports previously disseminated. Update meetings with law enforcement agencies such as Revenue & Customs assists the FIU with obtaining feedback on the reports being passed for investigation as well as requesting for information on both ends. This is also an opportunity for the agencies involved to discuss current active cases and to seek further information required to assist with the investigation process. The reports from the law enforcement agencies then feeds into the unit's feedback to the reporting entities in its outreach and awareness programs.

7. Tonga's Mutual Evaluation (ME) update

Tonga's Mutual Evaluation process has been on hold since March 2020 prior to the country's face-to-face meeting with the assessors. Tonga has now agreed to proceed with the ME process and the 2nd draft ME report together with the external reviewer's comments has been submitted for the country

to review and provide comments due in October 2020. The external reviewers reviewed Tonga's draft report for quality and consistency control. Following the conclusion of the review process and comments from Tonga, the assessment team and Tonga will prepare for the face-to-face meeting. The purpose of the face-to-face meeting is to discuss the draft ME report, and any issues identified subsequently, shall serve as the basis for discussion during the meeting. Tonga's face-to-face is scheduled for the 3rd – 5th November 2020.

8. Quarterly Compliance Checks & AML/CFT Training for Foreign Exchange dealers

In collaboration with the Non-Banks Division, compliance visits were conducted to 9 licensed and registered foreign exchange dealers (FED) in early July 2020. The results were generally compliant. 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 them in getting them compliant for the next round of quarterly compliance visits. The FIU also conducted an AML/CFT training upon request from one of the FED to assist them with awareness and understanding of their AML/CFT related obligations.

9. Events

- 29th June – 3rd July 2020, Quarterly compliance Checks with Foreign Exchange dealers
- 9th July 2020, AML Training with Island Flexi Transfer
- 8th September 2020, APG Governance Meeting
- 9th September 2020, Meeting with Pacific Forum on AML/CFT related issues.
- 22nd September 2020, Intel Meeting with Revenue
- 16th – 21st October 2020, Quarterly compliance Checks with Foreign Exchange dealers
- 3th – 5th November 2020, Tonga's face-to-face with the Assessors on 2nd draft Mutual Evaluation Report