

Financial Intelligence Unit

Quarterly Report

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The Financial Intelligence Unit, during the December 2017 quarter, continued to receive and analyze reports from financial institutions and other relevant law enforcement authorities as part of its role pursuant to the Money Laundering & Proceeds of Crime (MLPC) Act and Regulations.

1. Table1: Number of reports received

Type of reports filed	Oct-17	Nov-17	Dec-17	Total 17 QTR	Dec- Sep-17 QTR	Dec-16 QTR
Suspicious Transaction Reports (STRs)	3	3	0	6	7	6
Currency Transaction Reports (CTRs) ¹	674	928	1,060	2,662	2,127	2,194
Border Currency Reports (BCRs) ²	6	9	7	22	30	16

Less STRs and BCRs were received by the FIU during the December 2017 quarter compared to the previous quarter, whilst the number of CTRs submitted by the reporting financial institutions increased over the quarter. The FIU retained 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 STRs

STR by type	Oct-17	Nov-17	Dec-17	Total Dec 17 QTR	Sept-17 QTR	Dec-16 QTR
Unusual significant transactions	1	2	0	3	3	1
Large and rapid movement of funds	0	0	0	0	1	3
Using personal accounts for business purpose	1	0	0	1	1	1
Possible avoidance of Exchange Control (EC) requirements	1	0	0	1	1	0
Scams	0	0	0	0	0	0
Other	0	1	0	1	1	1
TOTAL	3	3	0	6	7	6

Half of the reports filed this quarter were related to significant transactions that were unusual as they were inconsistent with the relevant customer's profile or the normal account activities.

In addition, there was 1 report that was related to using of personal account for business purposes and 1 report was in relation to possible avoidance of Exchange Control requirements. The remaining report was in relation to mismatch of details in the customer's identification documents. Table 2 shows that the unusual significant transaction continues to be the main suspicious indicator for the STRs.

3. Table 3: Number of STRs disseminated

Most of the STRs received during the December 2017 quarter were referred back to the reporting entity to complete due diligence on the person of interest as well as requiring these customers to use business

accounts for their business related transactions. This is unlike the previous quarter and the

Law Enforcement Agencies	Oct-17	Nov-17	Dec-17	Total Dec 17	Sept-17 QTR	Dec-16 QTR
Police	0	0	0	0	1	0
Customs & Revenue	0	0	0	0	4	1
Foreign Affairs (Immigration)	0	1	0	1	0	0
Other (reporting entity & other NRBT departments)	3	2	0	5	3	1

same quarter of the previous year where more were disseminated to either the Ministry of Revenue & Customs or Police. This indicates that more work is required in collecting the appropriate and relevant information by the reporting financial institutions in order to confirm the suspicious nature of the transactions.

4. Table 4: CTR data analysis

This quarter the FIU received 2,662 CTRs compared with 2,127 in the previous quarter and 2,194 in the December 2016 quarter. The bulk of transactions

	Oct-17 (TOP\$M)	Nov-17 (TOP\$M)	Dec-17 (TOP\$M)	TOTALS (TOP\$M)	Sept-17 QTR (TOP\$M)	Dec-16 QTR (TOP\$M)
Inwards	10.16	14.57	19.66	44.39	35.86	33.25
Outwards	4.37	8.49	8.01	20.87	13.83	17.51
Transaction purpose						
Business	6.18	12.11	13.73	32.02	22.48	19.16
Personal	8.35	10.95	13.94	33.24	27.21	31.6
Transaction type						
TT	1.96	0.63	1.72	4.31	6.18	6.79
Cash	7.51	13.17	16.41	37.09	25.21	26.57
Cheque	2.19	5.69	6.5	14.38	9.16	9.09
Cash/Cheque	0.36	1.18	0.47	2.01	1.54	0.71
Other	2.51	2.39	2.57	7.47	7.6	7.6

reported transactions during the quarter were personal cash inward, which is the same trend in the previous quarter and the same quarter of last year, however, the volume / value of transactions has increased in the December 2017 quarter. The increase in the total CTRs in comparison to the previous quarter is however driven by the increase in business transactions, most of which were cheque and cash transactions. The increase in reported business transactions largely reflects the change in the reporting requirements to remove the exemptions previously applied to transactions that are to be reported in the CTR which is also reflected on the increase of reporting over the year from previous quarter of December 2016 compared to this quarter.

5. Table 5: BCR data analysis

The FIU received 22 BCRs this quarter from the Ministry of Revenue & Customs compared with

	Oct-17 (TOP\$M)	Nov-17 (TOP\$M)	Dec-17 (TOP\$M)	TOTALS (TOP\$M)	Sept-17 QTR (TOP\$M)	Dec-16 QTR (TOP\$M)
Inbound	0.03	0.01	0.06	0.1	0.16	0.13
Outbound	2.97	3.88	2.69	9.54	10.68	8.54
Purpose of funds						
Business	2.97	3.88	2.75	9.6	10.42	8.44
Personal	0.03	0.01	0	0.04	0.42	0.23

30 in the September 2017 quarter and 16 in the same quarter of last year. Majority of the BCRs were for outbound funds across the border which were largely pre-approved

export of currencies for financial institutions. Inbound funds were mainly for individuals visiting or returning to Tonga with a couple of reports being for business purposes. The number of reports decreased from the previous quarter and was also reflected on the volume of funds decreased

by \$1 million due to lesser amount of currencies being shipped. In the same quarter of 2016, outbound movement of funds at the border increased and personal funds being carried were seen much lesser this quarter. There were no suspicious activities noted on the BCRs submitted during the quarter.

6. Annual compliance checks

Annual compliance spot checks were conducted on all Foreign Exchange Dealers as part of the annual requirement of their licenses, and to ensure compliance with the AML/CFT requirements. All foreign exchange dealers were generally compliant with the AML/CFT requirements.

7. Events

- 2nd- 6th October 2017, AML/CFT Considerations for Financial Inclusion Workshop, Kuala Lumpur, Malaysia.
- 14- 16th November 2017, 32nd South Pacific Governors Meeting.
- 20- 27th November 2017, Annual Compliance visits to Foreign Exchange Dealers.
- 11- 15th December 2017, Financial Action Task Force Workshop on AML/CFT Standards, Busan, South Korea.