

Financial Intelligence Unit

Quarterly Report

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This quarter the FIU along with members of Tonga’s Working Group on Serious Financial Crime continued with preparations for the country’s mutual evaluation. Together with the Non-Bank team, the annual compliance check of foreign exchange dealers was also completed. During the quarter, the unit also received technical assistance from the Asia/Pacific Group on Money Laundering in promoting its AML/CFT supervision function.

1. Table1: Number of reports received

Type of reports filed	Jan-19	Feb-19	Mar-19	Total Mar-19 QTR	Dec-18 QTR	Mar-18 QTR
Suspicious Transaction Reports (STRs)	0	5	1	6	7	11
Currency Transaction Reports (CTRs) ¹	1,054	1,021	1,093	3,168	3,810	2,744
Border Currency Reports (BCRs) ²	8	8	9	25	26	29

The FIU continues to retain information obtained in these reports to assist in its data analysis function. The number of reports collected declined from the number of reports collected in the previous quarter.

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	Jan-19	Feb-19	Mar-19	Total Mar 19 QTR	Dec-18 QTR	Mar-18 QTR
Unusual significant transactions	0	0	1	0	5	1
Large and rapid movement of funds	0	1	0	2	0	2
Using personal accounts for business purpose	0	2	0	2	0	1
Possible avoidance of regulatory reporting requirements	0	0	0	2	1	0
Scams	0	0	0	0	0	0
Other	0	2	0	0	1	3
TOTAL	0	5	1	6	7	7

The FIU received a slightly lower number of reports than the previous quarter. Report type were equally distributed amongst large movement of funds, using of personal accounts for business

purposes as well as possible avoidance of Exchange Control requirements. Unlike previous quarter, there was no unusual significant transaction reported this time.

3. Table 3: Number of STRs disseminated

Following the analysis of the 5 STRs, 3 of the reports were disseminated to law enforcement agencies for investigations of possible offences. The remaining 2

Law Enforcement Agencies	Jan-19	Feb-19	Mar-19	Total Mar 19 QTR	Dec-18 QTR	Mar-18 QTR
Police	0	1	0	1	4	3
Customs & Revenue	0	2	1	3	1	6
Foreign Affairs (Immigration)	0	0	0	0	0	0
Other (reporting entity & other NRBT departments)	0	2	0	2	2	2

reports were referred back to the reporting entity for further conduct of customer due diligence.

4. Table 4: CTR data analysis

	Jan-19 (TOP\$M)	Feb-19 (TOP\$M)	Mar-19 (TOP\$M)	TOTALS Mar-19 QTR	Dec-18 QTR	Mar-18 QTR
Inwards	20.31	17.34	20.09	57.74	59.83	46.36
Outwards	11.87	10.7	14.83	37.4	36.35	22.22
Business						
Business	20.09	15.03	26.73	61.85	58.95	38.02
Personal	12.09	13.01	8.19	33.29	37.23	30.56
Transaction type						
TT	1.67	1.49	5.84	9	11.15	7.34
Cash	10.95	11.46	10.74	33.15	47.39	34.43
Cheque	10.38	7.3	8.41	26.09	21.27	12.09
Cash/Cheque	2.05	1.34	2.57	5.96	5.3	2.4
Other	7.13	6.45	7.36	20.94	11.07	12.32

The FIU received 3,168 CTRs in this quarter compared with 3,810 in the previous quarter. Outward transactions increased and these were mainly due to a significant increase in business related transactions which were mostly noted on the rise in the use of cheque as well as other type of transactions.

5. Table 5: BCR data analysis

The FIU received 25 BCRs this quarter from the Ministry of Revenue & Customs, a slight decrease from 26 in the previous quarter.

Similar to previous quarter, majority of the reports were for outbound funds which were mostly

	Jan-19 (TOP\$M)	Feb-19 (TOP\$M)	Mar-19 (TOP\$M)	TOTALS Mar-19 QTR (TOP\$M)	Dec-18 QTR (TOP\$M)	Mar-18 QTR (TOP\$M)
Inbound	0.07	0.04	0.16	0.27	0.23	0.14
Outbound	2.74	7.8	2.69	13.23	15.83	13.7
Purpose of funds						
Business	2.73	7.78	2.82	13.33	15.94	13.71
Personal	0.08	0.06	0.03	0.17	0.12	0.13

pre-approved shipment of currencies for financial institutions. All of inbound funds were for individuals. There were no suspicious activities noted on the BCRs submitted during the quarter.

6. Briefing to the new Co-chair & joint Secretariat of the Working Group on Serious Financial Crime

As per Cabinet Decision number 1110 of November 2018, the Reserve Bank in its capacity as the FIU together with the Ministry of Justice are to spearhead Tonga's Working Group on Serious Financial Crimes through leading preparation works in leading up to the Mutual Evaluation process this year. Ministry of Justice being new to the works relating to the AML/CFT regime were invited by the Reserve Bank for a meeting in January 2019 to brief them on the background to Tonga's commitment in relation to its global obligation towards countering money laundering, terrorism financing & proliferation of weapons of mass destruction as well as works in preparation for Tonga's Mutual Evaluation Review this year. The meeting was successful and resulted in the setting of the first meeting of the Working Group on Serious Financial Crime for 2019 in February 2019.

7. Meeting of the Working Group on Serious Financial Crime

The Working Group met on 1st February 2019 to update on the progress with preparation for the country's Mutual Evaluation. The Committee agreed to the proposed time of 21 October – 1 November 2019 for the assessors to conduct the onsite visit. Other works in progress were updates in relation to Tonga's National Risk Assessment Report as well as Technical Compliance responses due from relevant Ministries. The Committee met for the second time on 1st March 2019 to update on progress with each members preparation for Tonga's Mutual Evaluation this year. Members updated on the progress with responding to the Technical Compliance Questionnaire as well compilation of other information required for Tonga's technical compliance. Members were also advised of updated timelines of the Mutual Evaluation process. The Committee met again before end of March 2019 to discuss plan for the APG Assistance visit as well as to finalize responses to the Technical Compliance Questionnaire.

8. Annual compliance checks Foreign Exchange Dealers

In collaboration with the Non-Banks Division, compliance visits were conducted to all licensed and registered foreign exchange dealers as part of the annual license renewal process. In terms of AML/CFT related obligations, the results were generally compliant.

9. Technical Assistance on Risk Based Approach to AML/CFT Supervision

Through assistance of the Asia Pacific Group on Money Laundering, the Reserve Bank received technical assistance (TA) to assist in developing a Risk Based Approach to its AML/CFT supervision function. The TA provider is a policy and legal expert from Australia and is engaged to be working on this project with the NRBT until mid-2019. The TA provider visited Tonga on the week of 18-22 February 2019 to conduct a scoping visit, which consisted of getting supervision staff as well as law enforcement agencies together to look at Tonga's ML/TF risks, risk profiling of specific financial as well as non-financial sectors to feed in to developing of a supervision framework for the supervisors. The TA provider is expected to return in late April 2019 to complete this project by assisting the supervision staff with conducting onsite visit to selected financial institutions.

10. Events

- 23rd January 2019, Meeting with New Zealand Police liaison officer.
- 25th January 2019, Briefing to Ministry of Justice the co-secretariat of the Working Group of Serious Financial Crime.
- 31st January – 5th February 2019, Annual Compliance Check for Foreign Exchange Dealers.
- 14th February 2019, 1st Meeting of Working Group on Serious Financial Crimes to discuss Tonga's draft Technical Compliance response.

- 22nd February 2019, Meeting with Ministry of Justice to discuss agenda for Working Group.
- 26th February 2019, 2nd Meeting of the Working Group to review Tonga's draft Technical Compliance response.
- 1st March 2019, Meeting of the Working Group on Serious Financial Crimes.
- 7th – 11th March 2019, Corporate Plan Review.
- 8th March 2019, 3rd Meeting of the Working Group to review Tonga's draft Technical Compliance response.
- 15th March 2019, Meeting of the Working Group on Serious Financial Crimes.
- 20th March 2019, 4th Meeting of the Working Group to review Tonga's draft Technical Compliance response.
- 26th – 27th March 2019, Asia/Pacific Group on Money Laundering Pre-Mutual Evaluation visit to Tonga.
- 27th March 2019, Briefing to Financial Institutions and Cash Dealers on the Mutual Evaluation process that Tonga is undergoing.