

During the December 2020 quarter, the unit noted a decrease in the number of reports filed in this quarter compared to the previous quarter. Tonga received a new timeline concerning its Mutual Evaluation (ME) process and the unit coordinated the review of the draft ME report by the members of the Working Group on Serious Financial Crimes. The unit also conducted its annual 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>Oct-20</i>	<i>Nov-20</i>	<i>Dec-20</i>	<i>Total Dec-20 QTR</i>	<i>Sep-20 QTR</i>	<i>Dec-19 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	3	2	2	7	7	8
<i>Currency Transaction Reports (CTRs)<sup>1</sup></i>	1,516	1,638	1,823	4,977	3,640	3,742
<i>Border Currency Reports (BCRs)<sup>2</sup></i>	-	-	-	-	1	18

The number of STRs remained the same compared to the last quarter. 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.

<sup>1</sup> 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.

<sup>2</sup> 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

Of the 7 reports received, 3 reports were related to unusual signification transaction, 2 reports related to large & rapid movements of funds and the remaining report was for using of personal account for business transactions and possible

<i>STR by type</i>	<i>Oct-20</i>	<i>Nov-20</i>	<i>Dec-20</i>	<i>Total Dec-20 QTR</i>	<i>Sep-20 QTR</i>	<i>Dec-19 QTR</i>
<i>Unusual significant transaction</i>	1	-	2	3	1	-
<i>Large &amp; rapid movement of funds</i>	-	2	-	2	5	5
<i>Usual personal accounts for business purpose</i>	1	-	-	1	1	-
<i>Possible avoidance of regulatory reporting requirements</i>	1	-	-	1	-	-
<i>Scam</i>	-	-	-	-	-	-
<i>Others</i>	-	-	-	-	-	3
<b>Total</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>8</b>

avoidance of regulatory reporting requirements. This indicates that majority of the reports were related to unusual significant transactions of customers.

## 3. Table 3: STR disseminated

<i>Law Enforcement Agencies</i>	<i>Oct-20</i>	<i>Nov-20</i>	<i>Dec-20</i>	<i>Total Dec-20 QTR</i>	<i>Sep-20 QTR</i>	<i>Dec-19 QTR</i>
<i>Ministry of Police</i>	1	-	-	1	-	3
<i>Ministry of Revenue &amp; Customs</i>	1	-	-	1	5	2
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity &amp; Other NRBT departments)</i>	1	2	2	5	2	3
<b>Total</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>8</b>

Following the analysis of the 7 STRs, only 2 reports were passed to law enforcement agencies for further tax and criminal investigations. The remaining reports were retained for future references due to suspicious

indicators not confirmed.

#### 4. Table 4: CTR data

The FIU received 4,977 reports in this quarter increasing from the previous quarter of 3,640 reports. 70% of total transactions were inward transactions in to the banking system and the remaining 30% were outward transactions. The 45% increase in volume of transactions from the previous quarter were seen mostly in the increase of business related transactions which were noted in the use of cash deposits followed by the use of cheques.

	<i>Oct-20 (TOP\$M)</i>	<i>Nov-20 (TOP\$M)</i>	<i>Dec-20 (TOP\$M)</i>	<i>Total Dec-20 QTR (TOP\$M)</i>	<i>Sep-20 QTR (TOP\$M)</i>	<i>Dec-19 QTR (TOP\$M)</i>
<i>Inwards</i>	27.80	31.39	33.98	<b>93.17</b>	<b>60.30</b>	62.76
<i>Outwards</i>	14.81	15.25	14.47	<b>44.53</b>	<b>34.21</b>	33.66
<b>Transaction Purpose</b>						
<i>Business</i>	30.86	35.22	37.47	<b>103.55</b>	<b>66.83</b>	61.24
<i>Personal</i>	11.75	11.42	10.98	<b>34.15</b>	<b>27.68</b>	35.18
<b>Transaction Type</b>						
<i>TT</i>	2.89	3.81	2.37	<b>9.07</b>	<b>5.78</b>	8.0
<i>Cash</i>	17.31	18.08	19.88	<b>55.27</b>	<b>38.73</b>	50.25
<i>Cheque</i>	15.08	17.52	17.24	<b>49.84</b>	<b>31.45</b>	25.96
<i>Cash/Cheque</i>	4.23	4.09	5.28	<b>13.6</b>	<b>7.91</b>	6.98
<i>Other</i>	3.10	3.15	3.67	<b>9.92</b>	<b>10.64</b>	5.26

#### 5. Table 5: BCR data

	<i>Oct-20 (TOP\$M)</i>	<i>Nov-20 (TOP\$M)</i>	<i>Dec-20 (TOP\$M)</i>	<i>Total Dec-20 QTR (TOP\$M)</i>	<i>Sep-20 QTR (TOP\$M)</i>	<i>Dec-19 QTR (TOP\$M)</i>
<i>Inbound</i>	-	-	-	-	-	0.04
<i>Outbound</i>	-	-	-	-	0.78	16.19
<b>Purpose of Funds</b>						
<i>Business</i>	-	-	-	-	0.78	16.22
<i>Personal</i>	-	-	-	-	-	0.01

The FIU received no BCR this quarter from the Ministry of Revenue & Customs, in comparing to only 1 report from the

previous quarter. This is due to the COVID-19 restricted flight diversions.

#### 6. Meeting of the Working Group on Serious Financial Crime

In October 2020, Cabinet endorsed the request from the Working Group to return the Attorney General's Office to its Co-chair position it was previously at in 2018. Pursuant to that Cabinet decision, the Working Group held its first meeting on 16th November 2020 at the Attorney General's Office, to progress with matters relating to Tonga's Mutual Evaluation process. The

Working Group will meet again in early 2021 to provide a presentation to the members of the Working Group on their responsibilities in relation to fighting financial crimes in Tonga.

### **7. Tonga's Mutual Evaluation update**

Asia Pacific Group (APG) has provided new time frames for Tonga's Mutual Evaluation process. Tonga's response to outstanding questions from the onsite in 2019 and feedback on 2<sup>nd</sup> draft Mutual Evaluation report has been submitted. The Working Group expects to receive a 3<sup>rd</sup> draft report from the assessors in January 2021. Tonga requested for its face-to-face meeting to be moved to early 2021 and the APG and assessors agreed for the meeting to be held in February 2021. The Working Group and the assessors will continue to review and provide feedback on Tonga's draft report until it is discussed at the next Mutual Evaluation Committee Meeting and the APG Plenary in mid-2021.

### **8. Annual Compliance Checks & AML Training for Foreign Exchange dealers**

The FIU completed the FX dealers' annual compliance review of their licensing condition relating to AML/CFT obligations in December 2020. 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. The FIU also conducted a training upon request from one of the FEDs, to assist them with awareness and understanding of their AML related obligations.

### **9. Events**

- Friday 16<sup>th</sup> October – 21<sup>st</sup> October 2020, Quarterly compliance checks with Foreign Exchange Dealers for the third quarter and also the Annual compliance checks on 30<sup>th</sup> November – 8<sup>th</sup> December 2020.
- 9<sup>th</sup> November 2020, Meeting with Pacific Forum on AML/CFT related issues.
- 10<sup>th</sup> - 18<sup>th</sup> November 2020, Pacific Intelligence Fundamental Course/ Webinar
- 16<sup>th</sup> November 2020, Working Group on Serious Financial Crime & Law Enforcement Taskforce Meeting
- 30<sup>th</sup> November – 8<sup>th</sup> December 2020, Annual compliance Checks with Foreign Exchange dealers

- 8<sup>th</sup> December 2020, AML Training with Toumu'a Money Transfer
- 8<sup>th</sup> – 11<sup>th</sup> December 2020, Pacific AML/CFT Webinar
- 21<sup>st</sup> January 2021, Meeting of the Working Group on Serious Financial Crimes
- 29<sup>th</sup> January 2021, 3<sup>rd</sup> draft Mutual Evaluation Report (MER) due from APG
- 15<sup>th</sup> February 2021, 4<sup>th</sup> draft and Face-to-face (virtual) Meeting with Mutual Evaluation assessors
- 29<sup>th</sup> March 2021, Tonga comments on 4<sup>th</sup> draft MER due
- 16<sup>th</sup> April 2021, Prioritized comments on final draft MER and comments on Key Issues Document due
- 17<sup>th</sup> May 2021, Virtual Mutual Evaluation Committee and APG Plenary meeting