

During the March 2020 quarter, several meetings were held with stakeholders in relation to Tonga’s draft Mutual Evaluation report as well as its function to promote compliance with AML/CFT requirements. The FIU noted a decrease in the number of reports filed in this quarter compared to the previous quarter.

**1. Table1: Number of reports received**

<i>Type of reports filed</i>	<i>Jan-20</i>	<i>Feb-20</i>	<i>Mar-20</i>	<i>Total Mar-20 QTR</i>	<i>Dec-19 QTR</i>	<i>Mar-19 QTR</i>
<i>Suspicious Transaction Reports (STRs)</i>	3	3	-	6	8	6
<i>Currency Transaction Reports (CTRs)<sup>1</sup></i>	903	829	1,013	2,745	3,742	3,168
<i>Border Currency Reports (BCRs)<sup>2</sup></i>	5	6	8	19	18	25

Lesser reports were submitted by the reporting financial institutions over this quarter compared to the previous quarter except BCRs. The number of CTRs shows a significant decrease compared to the same time last year, while number of STR remains the same with no STR filed in March 2020. The FIU continues to retain information obtained 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

The numbers of STRs dropped by 25% from the previous quarter. Of the 6 reports, 3 reports were related to unusual signification transaction, 2 reports related to large & rapid movements of funds and the remaining was in relation to unexplained wealth.

<i>STR by type</i>	<i>Jan-20</i>	<i>Feb-20</i>	<i>Mar-20</i>	<i>Total Mar-20 QTR</i>	<i>Dec-19 QTR</i>	<i>Mar-19 QTR</i>
<i>Unusual significant transaction</i>	-	3	-	3	-	-
<i>Large &amp; rapid movement of funds</i>	2	-	-	2	5	2
<i>Usual personal accounts for business purpose</i>	-	-	-	-	-	2
<i>Possible avoidance of regulatory reporting requirements</i>	-	-	-	-	-	2
<i>Others</i>	1	-	-	1	3	-
<b>Total</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>8</b>	<b>6</b>

## 3. Table 3: STR disseminated

<i>Law Enforcement Agencies</i>	<i>Jan-20</i>	<i>Feb-20</i>	<i>Mar-20</i>	<i>Total Mar-20 QTR</i>	<i>Dec-19 QTR</i>	<i>Mar-19 QTR</i>
<i>Ministry of Police</i>	-	3	-	3	3	1
<i>Ministry of Revenue &amp; Customs</i>	3	-	-	3	2	3
<i>Foreign Affairs (Immigration)</i>	-	-	-	-	-	-
<i>Other (Reporting Entity &amp; Other NRBT departments)</i>	-	-	-	-	3	2
<b>Total</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>6</b>	<b>8</b>	<b>6</b>

Following the analysis of the 6 STRs, all reports were disseminated to law enforcement agencies for investigations of possible tax and criminal offences.

## 4. Table 4: CTR data

The FIU received 2,745 reports in this quarter diminishing from the previous quarter of 3,742 reports. Inward transaction decreased by 21% and outbound

	<i>Jan-20 (TOP\$M)</i>	<i>Feb-20 (TOP\$M)</i>	<i>Mar-20 (TOP\$M)</i>	<i>Total Mar-20 QTR (TOP\$M)</i>	<i>Dec-19 QTR (TOP\$M)</i>	<i>Mar-19 QTR (TOP\$M)</i>
<i>Inwards</i>	16.00	13.84	19.74	<b>49.58</b>	<b>62.76</b>	<b>57.74</b>
<i>Outwards</i>	7.32	6.44	9.60	<b>23.36</b>	<b>33.66</b>	<b>37.40</b>
<b>Transaction Purpose</b>						
<i>Business</i>	15.13	12.04	17.79	<b>44.96</b>	<b>61.24</b>	<b>61.85</b>

transaction also decreased by 30% comparing with the previous quarter. The major reason which is seen in decreasing of business related transactions which were mostly noted in the cash transaction followed by the use of TT.

<i>Personal</i>	8.19	8.24	11.55	<b>27.98</b>	<b>35.18</b>	<b>33.29</b>
<b>Transaction Type</b>						
<i>TT</i>	1.18	1.67	3.07	<b>5.92</b>	<b>8.00</b>	<b>9.00</b>
<i>Cash</i>	11.56	8.48	10.81	<b>30.85</b>	<b>50.25</b>	<b>33.15</b>
<i>Cheque</i>	7.80	7.04	9.68	<b>24.52</b>	<b>25.96</b>	<b>26.09</b>
<i>Cash/Cheque</i>	1.32	0.75	2.61	<b>4.68</b>	<b>6.98</b>	<b>5.96</b>
<i>Other</i>	1.47	2.35	3.17	<b>6.99</b>	<b>5.26</b>	<b>20.94</b>

## 5. Table 5: BCR data

	<i>Jan-20 (TOP\$M)</i>	<i>Feb-20 (TOP\$M)</i>	<i>Mar-20 (TOP\$M)</i>	<i>Total Mar-20 QTR (TOP\$M)</i>	<i>Dec-19 QTR (TOP\$M)</i>	<i>Mar-19 QTR (TOP\$M)</i>
<i>Inbound</i>	0.24	0.02	0.03	0.29	0.04	0.27
<i>Outbound</i>	2.57	6.86	3.21	12.64	16.19	13.23
<b>Purpose of Funds</b>						
<i>Business</i>	2.81	6.88	3.24	12.93	16.22	13.33
<i>Personal</i>	-	-	-	-	0.01	0.17

The FIU received 19 BCRs this quarter from the Ministry of Revenue & Customs, a slight increase from 18 reports filed 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.

## 6. Meeting of the Working Group on Serious Financial Crime & Law Enforcement Taskforce

The working group met twice this quarter to discuss and update Tonga's ME draft report. Comments on Tonga's 1<sup>st</sup> ME draft report were submitted to the assessors in the beginning of the year. The assessors has provided Tonga with its 2<sup>nd</sup> ME draft report for review and further comments. The Working Group is still reviewing the 2<sup>nd</sup> draft while the process has been put on hold due to the COVID-19 pandemic. The Law Enforcement Taskforce also met a few times this quarter to discuss a particular case that is under discussion with two of the reporting entities.

## 7. Tonga's Mutual Evaluation (ME) update

Tonga has provided its response to its 1<sup>st</sup> ME draft report in January 2020 and was expected to have its face-to-face meeting with the assessors in late March 2020 to further discuss the draft report. However, due to the COVID-19 pandemic, Tonga's face-to-face meeting has been deferred which effectively put its 2<sup>nd</sup> ME draft report in suspension until the evaluation process can resume. Asia Pacific Group on Money Laundering also announced in March 2020 the cancellation of its Annual

Meeting that was to be held in Bangladesh in July 2020. Tonga's ME Report was planned to be tabled at this meeting for the Plenary's discussion.

## **8. Events**

- 10<sup>th</sup> January 2020, Compliance meeting with bank.
- 14<sup>th</sup> January 2020, Intel Meeting with Police.
- 15<sup>th</sup> January 2020 & 18<sup>th</sup> March 2020, Meeting of the Working Group on Serious Financial Crime, Tonga
- 15<sup>th</sup> January 2020, Compliance meeting with bank.
- 15<sup>th</sup>, 22<sup>nd</sup> & 23<sup>rd</sup> January 2020, Meeting of the Law Enforcement Taskforce, Tonga
- 29<sup>th</sup> January 2020, Compliance meeting with bank.
- 14<sup>th</sup> February 2020, Meeting with IMF Article IV Mission on AML/CFT related issues.
- 17<sup>th</sup> February 2020, Working Group on Serious Financial Crimes meeting with IMF Article IV Mission on Tonga's Mutual Evaluation findings.
- 5<sup>th</sup> March 2020, South Pacific KYC Utility Steering Group Call.
- 11<sup>th</sup> March 2020, Intel Meeting with Police & MRC.
- 12<sup>th</sup> – 13<sup>th</sup> March 2020, Review of NRBT's Corporate Plan 2019/20.
- 19<sup>th</sup> March 2020, South Pacific KYC Utility Working Group Call.