

# FIJI FINANCIAL INTELLIGENCE UNIT 2010 ANNUAL REPORT



**Fiji FIU**  
Fiji Financial Intelligence Unit





## OUR VISION

PROTECTING FIJI FROM MONEY LAUNDERING

## OUR MISSION

OUR MISSION IS TO:

- 1** FORMULATE AND IMPLEMENT STRATEGIES TO COMBAT MONEY LAUNDERING, TERRORIST FINANCING AND OTHER SERIOUS CRIMES TO ENSURE THE SAFETY AND INTEGRITY OF FIJI'S FINANCIAL SYSTEM.
- 2** ENSURE COMPLIANCE WITH GLOBAL STANDARDS ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM.
- 3** ASSIST IN THE DETECTION, INVESTIGATION AND PROSECUTION OF MONEY LAUNDERING AND TERRORIST FINANCING OFFENCES.
- 4** PROVIDE TIMELY AND QUALITY INFORMATION AND ADVICE TO OUR STAKEHOLDERS.
- 5** DEVELOP AND UTILISE SKILLED STAFF.

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## ROLE OF THE FINANCIAL INTELLIGENCE UNIT

The Financial Intelligence Unit (FIU) is a statutory agency of the Government that was established in 2006 under the Financial Transactions Reporting (FTR) Act 22 of 2004. The FIU is responsible for carrying out wide ranging functions aimed at preventing and detecting money laundering and terrorist financing activities in Fiji.

The FIU is Fiji's anti-money laundering (AML) and combating the financing of terrorism (CFT) regulator and the lead agency on AML/CFT policy formulation and enforcement in Fiji.

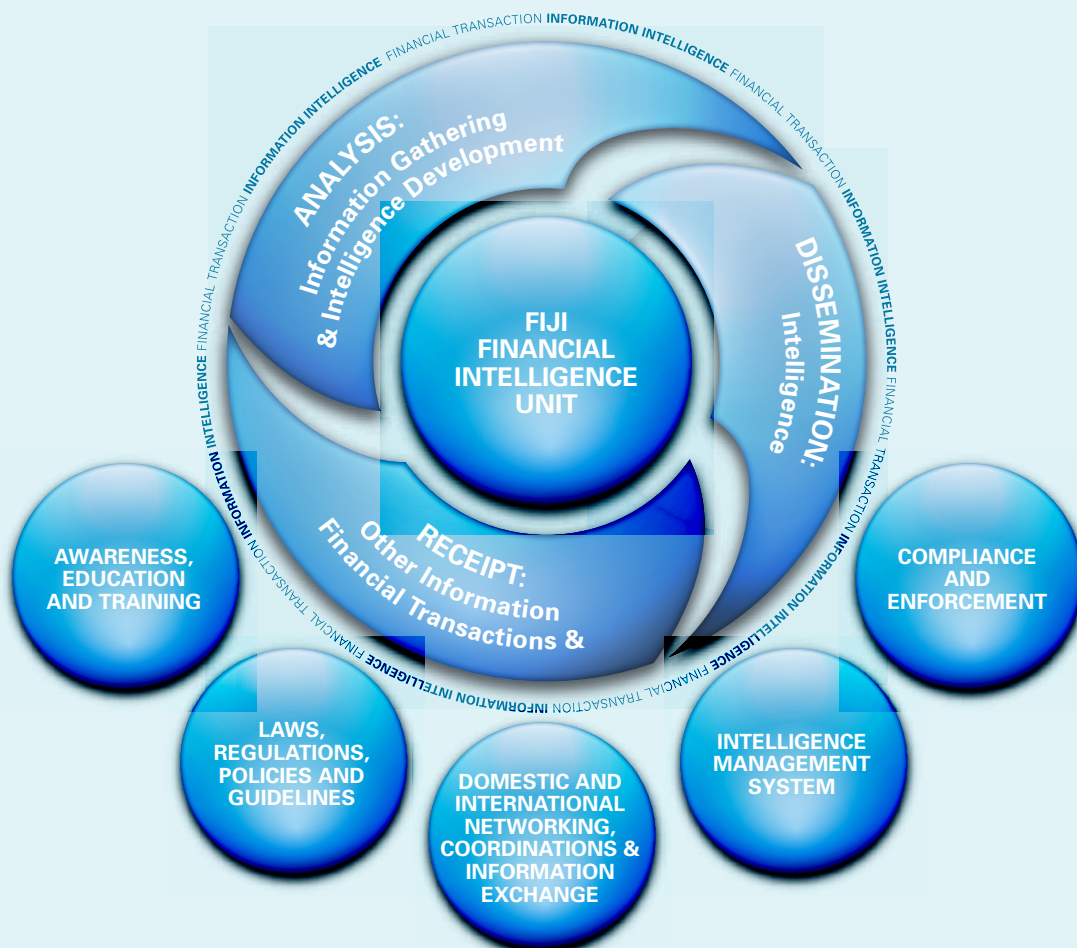
The FTR Act and Regulations outlines a range of requirements for financial institutions to implement in order to prevent the use of Fiji's financial system from money laundering activities and other serious offences.

The vision of the FIU is to protect Fiji from money laundering. It achieves this vision through the following key functions:

- i. receive financial transaction and other information from financial institutions;
- ii. analyse information and develop intelligence;
- iii. refer information of possible money laundering activities or other serious offences to appropriate law enforcement agencies;
- iv. assist domestic and foreign law enforcement agencies in their investigation and prosecution of money laundering and other serious criminal activities;
- v. enforce compliance by financial institutions with the FTR Act;
- vi. provide industry education and training.

The FIU also plays an important role in international AML/CFT initiatives by contributing to international AML/CFT programs and policy discussions.

The Reserve Bank of Fiji (RBF) provides funding and administrative support for the FIU's operations.





## DIRECTOR'S FOREWORD



I am pleased to present the 2010 Annual Report of the FIU. This is the fifth year of FIU's establishment since 2006.

The FIU continued to implement and enforce the FTR Act in 2010. Key areas included FIU's stronger role in assisting our partner agencies to ensure that our intelligence is translated into positive results for investigation and prosecution of predicate crimes, money laundering offence, and successful restraining and forfeiture of proceeds of crime.

The FIU continued to engage various financial sector industries in promoting suspicious transaction reporting, Know Your Customer (KYC) / Customer Due Diligence (CDD) initiatives and other FTR implementation programs in 2010. The FIU also worked closely with key stakeholders to facilitate introduction of mobile phone banking service in Fiji. This also included our proactive engagement with Government and regulatory authorities on financial inclusion initiatives.

The FIU also began work on data-mining project that is intended to further strengthen our financial intelligence and analytical system and profiling capacity, especially now that the FIU has more than one million financial transaction information in our database.

I am pleased to report our key achievements in 2010 as follows:

- ▶ received and analysed 629 suspicious transaction reports;
- ▶ received 125,127 cash transaction reports;
- ▶ received 295,041 electronic fund transfers reports;
- ▶ managed 1,000,000 financial transaction information in our database;
- ▶ received 223 border currency reports;
- ▶ disseminated 267 intelligence reports to law enforcement agencies;
- ▶ issued seven Alert Notices to financial institutions on suspicious persons and entities;
- ▶ issued three Directives to financial institutions;
- ▶ handled 120 requests for investigative assistance from law enforcement agencies;
- ▶ handled 43 requests for due diligence and background checks from government agencies;
- ▶ provided AML & FTR Act training to six financial institutions and four law enforcement agencies;
- ▶ made 778 enquires and requests for further information from financial institutions;
- ▶ organised Fiji's second national AML conference;
- ▶ launched the National AML Computer Based Training Centre;
- ▶ provided secretariat support for the National AML Council and Working Groups;
- ▶ issued four Policy Guidelines and 46 ad-hoc policy advisories to financial institutions;
- ▶ participated in a RBF on-site compliance examination of a financial institution;
- ▶ held five AML Compliance Officers forum;
- ▶ registered 80 (since 2006) AML Compliance Officers of financial institutions;
- ▶ registered 176 (since 2008) authorised users of the FIU's online IT system;

The year ahead has further challenges for the FIU in the area of international co-operation and global AML/CFT compliance, in particular, with Financial Action Task Force (FATF), Asia Pacific Group on Money Laundering (APG), and Egmont Group standards and the mutual evaluation review mechanism.

I would like to thank the Reserve Bank of Fiji for providing financial and administrative support to the FIU in 2010. We look forward to on-going and stronger partnership with government agencies and private sector financial institutions in achieving our vision of **"protecting Fiji from money laundering"**.

**RAZIM BUKSH**

## GOVERNANCE

### ESTABLISHMENT OF THE FIU

The Fiji FIU was established in January 2006 under Section 22 of the FTR Act.

The FIU is an administrative statutory establishment of the Fiji Government and its powers, duties and functions are clearly defined in the FTR Act.

### MINISTER FOR JUSTICE

The Minister for Justice is the line Minister responsible for the FTR Act.

Pursuant to Section 23(3) of the FTR Act, the Minister is directly responsible for the performance of the Director of the FIU. The Minister is also responsible for appointing the Director of the FIU on the recommendation of the National AML Council.

### GOVERNOR OF THE RESERVE BANK OF FIJI

In December 2005, the Minister for Justice delegated his responsibilities and powers as provided under the FTR Act, to the Governor of the RBF.<sup>1</sup> Thus, the Director of the FIU is

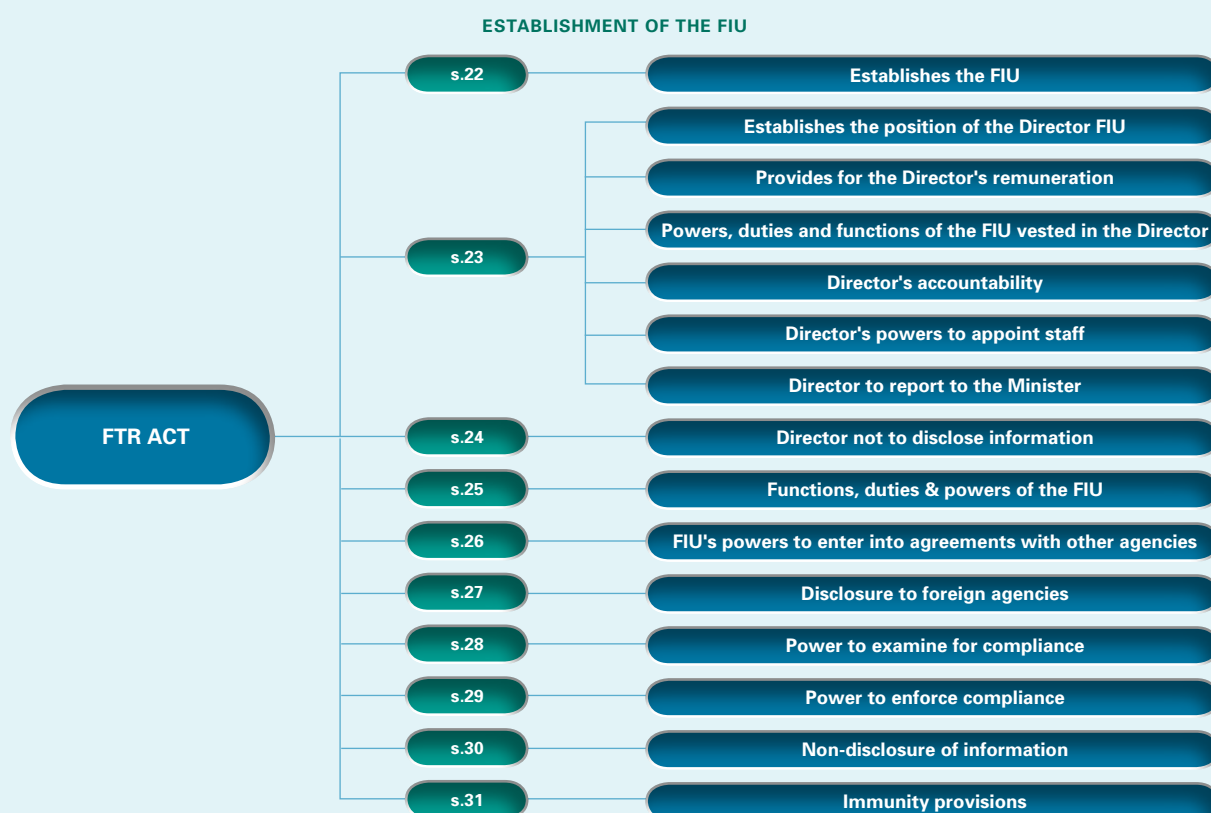
responsible to the Governor for the discharge of his powers, duties and functions under the FTR Act. Subsequent to this delegation and on the recommendation of the Governor, the Board of Directors for RBF approved the organisation structure of the FIU.

### DIRECTOR OF THE FIU

The Director of the FIU is responsible for exercising the powers, duties and functions of the FIU as specified in the FTR Act. The Director is responsible to the Minister of Justice or such other person as the Minister may appoint, in the performance of his duties. Following the Minister's delegation of his responsibility in 2005, the Director is now directly responsible to the Governor of the RBF in the performance of his duties. The Director is a member of the National AML Council. He is also the advisor to the Minister and Governor on matters relating to money laundering and terrorist financing in Fiji.

### ACCOUNTABILITY TO THE GOVERNOR

The FIU's administrative processes and procedures are linked to that of the RBF. Therefore the FIU observes the corporate planning and budgeting policies and processes of the RBF.



<sup>1</sup> Delegation of powers was provided in the Fiji Gazette Supplement No. 36 of 9 December 2005.

The FIU's annual work plan and budget are presented to the Governor and the RBF Board for their approval in November every year.

The Director FIU provides quarterly reports to the Governor of the RBF on the FIU's performance and achievement of work plan targets. The Director of the FIU also provides regular progress updates to the Board, Governor and the Deputy Governor on key outputs of the FIU.

## REPORTING TO THE NATIONAL ANTI-MONEY LAUNDERING COUNCIL

The National AML Council provides broad policy advice, assistance and guidance to the FIU on the prevention of money laundering and terrorist financing activities in Fiji.

The FIU provides regular reports and updates to the National AML Council. The Council is also responsible for making recommendations to the Minister on the appointment of the Director of the FIU.

## FUNDING AND ADMINISTRATION

The FIU is fully funded by the RBF and is organised as a separate functional group within the RBF's organisation structure. The annual budget of the FIU is submitted for approval by the Board of the RBF each year. The FIU is accountable to the Governor and the Board for the use of funds allocated annually.

The FIU is administratively housed within the RBF. The FIU is subject to all the administrative protocols, policies and procedures of the RBF.

Due to the nature of its establishment as part of the RBF, the FIU does not prepare and publish a separate set of financial

statements on its operations. The expenditure of the FIU is included in the financial statements of the RBF and is subject to the Bank's internal and external audit.

The FIU also receives indirect financial support from the Fiji Police Force and the Fiji Revenue and Customs Authority (FRCA) through the secondment of an officer from their respective agencies to the FIU on a full time basis. This secondment arrangement is provided under Memorandum of Agreements (MOAs) the FIU has signed with the two agencies.

Currently the FIU does not receive any supplementary funding support from the Government.

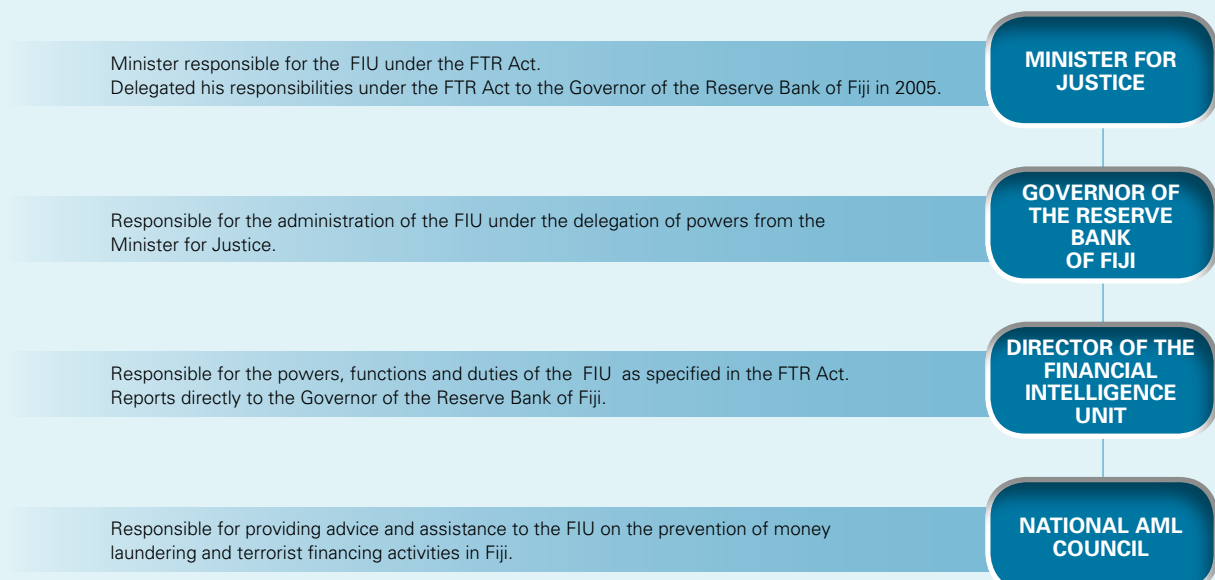
## INDEPENDENCE OF THE FIU

While the FIU is administratively dependent on the RBF, the technical functions of the FIU are totally independent of the RBF. The Director of the FIU is responsible and accountable for the decisions relating to the delivery of the core outputs of the FIU.

The functional and operational independence of the FIU is provided under Part 4 of the FTR Act. The FTR Act requires that the consideration for appointment of Director FIU by the Minister (Governor of the RBF under delegation of authority) is subject to the recommendation of the National AML Council. The FTR Act also provides that the remuneration package of the Director FIU be determined by the Higher Salaries Commission.

To ensure that the functions of the FIU are not influenced by other parties, the Director of the FIU is solely vested with the powers to discharge the statutory and functional responsibilities of the FIU.

## GOVERNANCE & ACCOUNTABILITY FRAMEWORK



# Mission 1

Formulate and implement strategies to combat money laundering, terrorist financing and other serious crimes to ensure the safety and integrity of Fiji's financial system.



# IMPLEMENT STRATEGIES TO COMBAT MONEY LAUNDERING AND OTHER SERIOUS CRIMES

## LEGISLATIVE, POLICY AND PROCEDURAL MEASURES

### Implementation of the FTR Act and Regulations

The FTR Act outlines various requirements that financial institutions in Fiji have to meet in order to prevent or detect money laundering and terrorist financing activities.

Entities and businesses that are required to comply with the FTR Act include:

- i. financial institutions such as, commercial banks, insurance companies and intermediaries, finance companies, money remitters, money changers, investment advisors/brokers/dealers, unit trust or managed funds; and
- ii. other designated non-financial businesses and professions (DNFBPs) such as, accounting firms, law firms, real estate agents or businesses.

All entities and businesses that are covered by the FTR Act are referred to as “financial institution” in the legislation.

In 2010, the FIU worked closely with the financial institutions in implementing the various provisions of the FTR Act and Regulations.

2010 also witnessed the introduction of mobile phone banking services in Fiji. The FIU, through a number of consultations, meetings and correspondences, worked with the two mobile phone banking service providers in educating them on the requirements of the FTR Act and how they can adopt these as part of their internal procedures. Much effort was also spent in raising the awareness of the two mobile

phone banking service providers on the importance of the “know your customer” and other AML requirements and the potential money laundering risk of the mobile phone banking sector.

### AML Guidelines & Policy Advisories

The FIU provides financial institutions with advice and guidance on the requirements under the FTR Act and Regulations. These advisories and guidelines are aimed at helping financial institutions gain a better understanding of their obligations under the FTR Act and Regulations. This will ultimately facilitate their compliance with the laws.

The FIU has issued four formal Guidelines to-date that provide detailed guidance on key requirements of the FTR Act relating to suspicious transaction reporting, cash transaction reporting and customer identification and verification (Appendix 1).

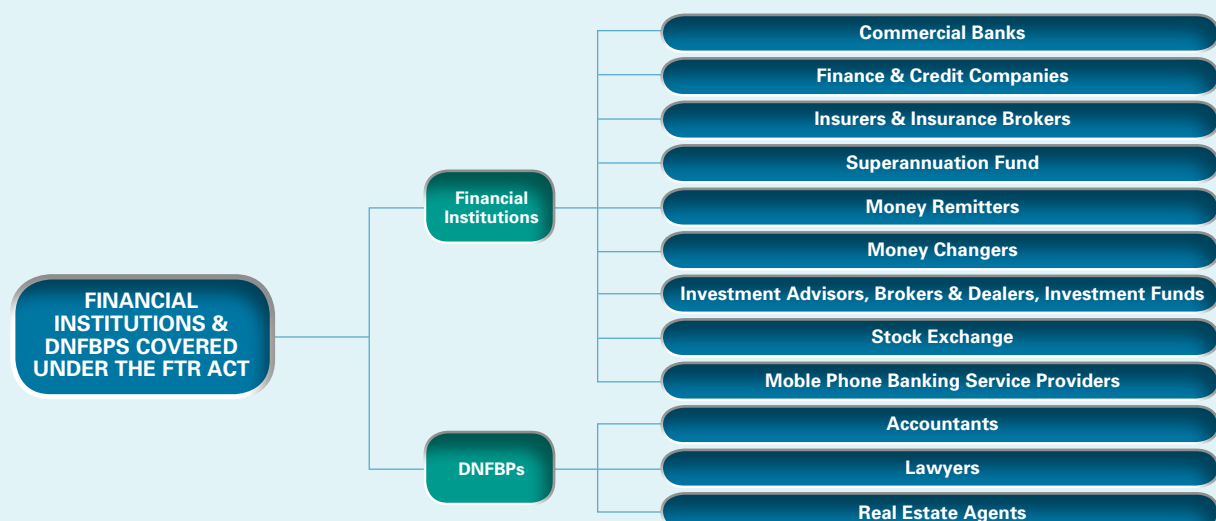
In 2010, the FIU issued four formal Policy Advisories providing further clarification of specific provisions of the FTR Act (Table 1).

**TABLE 1: FIU POLICY ADVISORIES ISSUED - 2010**

| Reference | FIU Policy Advisory   | Issue Date        |
|-----------|---|-------------------|
| 1/2010    | Identification and Verification of a Customer's Signature           | 11 August 2010    |
| 2/2010    | Use of Referee Letter to Verify a Customer's Identity               | 27 August 2010    |
| 3/2010    | Use Refugee Identity Card for CDD                                   | 17 September 2010 |
| 4/2010    | Identification of Customers of Mobile Phone Banking Services Sector | 17 September 2010 |

Source: Fiji FIU

### ENTITIES OR BUSINESSES COVERED UNDER THE FTR ACT





Mr Razim Buksh, Director Fiji FIU undergoing KYC screening and registration at the launch of the Vodafone Fiji Ltd mobile phone banking service, "M-PAISA" in 2010.

Customer identification and verification measures relating to a customer's signature were further explained in FIU Policy Advisory 1/2010.

FIU Policy Advisory 2/2010 was issued to introduce further provisions on the use of a confirmation letter from a suitable referee to verify a customer's identity.

FIU Policy Advisory 3/2010 was issued to advise financial institutions of an identification card issued by the Fiji Immigration Department, for the purpose of verifying the identity of a foreigner who is seeking asylum or has been granted refugee status by the Fiji Government.

Following consultations with the two mobile phone banking service providers, the FIU provided further advice on how the customer identification requirements under the FTR Act can be aligned with the phone user registration requirements under the Decree on Compulsory Registration of Customers for Telephone Services (2010). This advice was issued as FIU Policy Advisory 4/2010.

Appendix 2 lists all the FIU Policy Advisories issued to-date by the FIU.

The FIU also provides policy advice on an ad-hoc basis, as and when requested by financial institutions. In 2010, the FIU issued 46 ad-hoc policy advisories explaining various requirements of the FTR Act and Regulations. Majority (22) of the ad-hoc policy advisories related to the customer due diligence requirements of the law (Table 2).

## COMPLIANCE

### Supervision of Financial Institutions for Compliance with the FTR Act

The FIU and RBF are required under the FTR Act to ensure and supervise financial institutions' compliance with the FTR Act and Regulations.

During the year the FIU participated in an on-site compliance visit undertaken by RBF of one of its licensed financial institution. The scope of the compliance visit included an assessment of the institution's compliance with the FTR Act and Regulations.

The FIU conducted targeted AML compliance examinations of seven licensed foreign exchange dealers in 2009. The FIU liaised closely with these dealers in early 2010 to address key non-compliance issues raised during the compliance examination. Through targeted training and regular consultations with these foreign exchange dealers, serious non-compliance issues noted in the 2009 compliance examination were rectified in 2010.

In late 2010, the FIU commenced preliminary work on the off-site compliance assessment of selected financial institutions. This work will continue in 2011.

As part of its compliance efforts, the FIU reviewed and provided advice on the internal AML policies and procedures for three financial institutions. Advice given by the FIU was used by these financial institutions to further improve on their respective AML policies and procedures.

## AWARENESS & TRAINING

### National AML Conference

The FIU held the 2<sup>nd</sup> National AML Conference in October 2010. The theme for the conference was "Investigating Money Laundering" and brought together distinguished speakers from the public and private sector speaking on a wide range of issues related to the conference theme.

The Conference was attended by 118 participants from the law enforcement agencies, the judiciary, other relevant government agencies and financial institutions.

The Conference provided an excellent opportunity for relevant agencies to discuss and exchange views and ideas

TABLE 2: AD-HOC POLICY ADVISORIES ISSUED BY FIU - 2010

| Nature of Advisory                     | Number Ad-hoc Advisories Issued |
|--|---------------------------------|
| Customer Due Diligence Requirements    | 22                              |
| Transaction Reporting Requirements     | 15                              |
| Border Currency Reporting Requirements | 1                               |
| Other Issues                           | 8                               |
| <b>TOTAL</b>                           | <b>46</b>                       |

Source: Fiji FIU

relating to the investigation of money laundering activities in Fiji. The Conference discussed common predicate offences for money laundering in Fiji, the role of the FIU and financial institutions in assisting in money laundering investigations and the challenges for investigating & prosecuting money laundering activities in Fiji (Table 3).

analysis and airport and seaport security (Appendix 3). The AML Learning Centre is located within the FIU office and is managed by two FIU staff.

The computer based courses were developed by the United Nations Office on Drugs and Crime (UNODC) to help UN

**TABLE 3: NATIONAL AML CONFERENCE TOPICS**

| Topic   | Speaker  |
|---|--|
| Opening Address by Chief Guest  | Mr. Aiyaz Sayed-Khaiyum, Attorney General; Minister for Justice, Anti-Corruption, Public Enterprises, Industry, Tourism, Trade and Communication |
| Investigating Money Laundering  | Mr. Aca Rayawa; Acting Director, Office of the Director of Public Prosecutions   |
| Common Predicate Offences for Money Laundering  |  |
| Drug Trafficking  | Mr. Henry Brown, Assistant Commissioner, Fiji Police Force   |
| Corruption and Bribery  | Ms. Henrietta Matakotoga, Legal Officer, Fiji Independent Commission Against Corruption  |
| Common Fraud  | Mr. Puran Lal (ASP), Officer-in-Charge, Anti-Money Laundering Unit, Fiji Police Force  |
| Import/Export Fraud and Transfer Pricing  | Mr. Jitoko Tikolevu, Chief Executive Officer, Fiji Revenue & Customs Authority   |
| Human Trafficking   | Mr. Nemani Vuniwaqa, Director, Immigration Department  |
| Role of the Financial Intelligence Unit in Assisting Investigators                          | Mr. Razim Buksh, Director, Financial Intelligence Unit   |
| Role of Financial Institutions in Assisting Investigators                                   | Mr. Bashir Dean, Manager Operational Risk, & Mr. Epeli Racule, Operational Risk Officer, Westpac Banking Corporation, Fiji                       |
| The Challenges of Investigating and Prosecuting Money Laundering - The Way Forward for Fiji | Madam Nazhat Shameem, Former High Court Judge and Former Director of Public Prosecutions   |
| Closing Address by Chief Guest  | Mr. Barry Whiteside, Deputy Governor, Reserve Bank of Fiji   |

Source: Fiji FIU

### Training & Awareness Programs

During 2010, the FIU provided training on the requirements of the FTR Act and Regulations to six financial institutions. These trainings were attended by 212 employees and were aimed at increasing financial institutions' understanding of their obligations under these laws.

The FIU was also invited during the year to conduct awareness training for law enforcement agencies. These trainings were attended by 110 law enforcement officials. The training sessions were aimed at raising awareness on the role and functions of the FIU and how the FIU can assist law enforcement agencies in their role (Table 4).

### National AML Learning Centre

In 2010, the FIU launched the National AML Learning Centre which provides computer based training (CBT) courses covering topics such as money laundering, human trafficking, precursor chemicals, search techniques on a car, container, person or aircraft, controlled deliveries, basic intelligence



2010 National AML Conference: Conference delegates during the Conference session.



Mr. Henry Brown, Assistant Commissioner of Police presenting on the topic "drug trafficking".

**TABLE 4: FIU TRAININGS**

| Month                     | Topics   | Sector/Industry   | Number of Participants |
|---------------------------|--|---|------------------------|
| February                  | FTR Act requirements & compliance issues         | Foreign exchange dealers                                  | 46                     |
| March                     | Functions of the FIU & its intelligence products | Law enforcement agencies                                  | 36                     |
|                           | STR awareness and reporting                      | Bank  | 60                     |
| April                     | FTR Act requirements & compliance issues         | Insurance; foreign exchange dealers; mobile phone banking | 63                     |
| May                       | Functions of the FIU & its intelligence products | Law enforcement agencies                                  | 25                     |
| September                 | Functions of the FIU & its intelligence products | Law enforcement agencies                                  | 49                     |
| November                  | FTR Act requirements & compliance issues         | Accountants   | 43                     |
| <b>TOTAL PARTICIPANTS</b> |  |   | <b>322</b>             |

Source: Fiji FIU

member countries to counter illicit drug trafficking, organised crimes and other serious crimes. The courses include high quality voice, pictures, graphics, videos, animations, interactions, simulations and tests. Each course consists of several modules which a student must complete in order to graduate from the course. The key course offered by the National AML Learning Centre is the Money Laundering Course which consists of 6 modules (Table 5).



Screenshot of the Money Laundering Course

TABLE 5: MONEY LAUNDERING COURSE

| Module Name                        | Module Description   |
|------------------------------------|--|
| Understanding Money Laundering     | This module covers what is money laundering and why criminals need to launder money. This module also covers some common money laundering methods and some actions that can be taken to fight money laundering.  |
| Laundering Methods                 | This module covers the methods that criminals use to launder money.  |
| Traditional Financial Institutions | This module covers financial transactions and what steps can be taken by financial institutions to prevent money laundering.   |
| Non-Traditional Institutions       | This module covers what are non-traditional financial institutions and how they are used by money launderers to launder their money. This module also covers the alternative remittance system and how it works. |
| Money Laundering Havens            | This module covers financial havens and how they are used by money launderers.   |
| Financial Intelligence Unit        | This module covers why there is a need for a Financial Intelligence Unit and the roles and responsibility of a Financial Intelligence Unit.  |
| Number of Modules: 6               |  |
| Estimated Total Duration: 5 hours  |  |

Source: Fiji FIU

The Learning Centre is a result of a partnership between the UNODC, the British High Commission Suva, the RBF and the FIU. The Centre consists of four stand-alone computers which were donated by the British High Commission in Suva. The Centre was officially launched in November 2010 by the British Deputy High Commissioner, Mr. Martin Fidler.

The Centre targets officials from financial institutions and various law enforcement agencies in Fiji. As at the end of 2010, 33 officials from various government agencies, financial institutions including the FIU had enrolled for courses at the National AML Learning Centre. 13 officials graduated with certificates in the Money Laundering course from the National AML Learning Centre as at the end of 2010.

## DOMESTIC COORDINATION

### National Anti-Money Laundering Council

The National AML Council is established under Section 35 of the FTR Act and is responsible for coordinating national AML efforts and advising the Government and the FIU on AML related matters. The Council consists of heads of national agencies that play a key role in the prevention, detection, investigation and prosecution of money laundering and proceeds of crime offences in Fiji. (Refer to section on National AML Council for more information on the Council).

The National AML Council held four meetings during 2010 and was supported in its work by the three AML Working Groups (Legislation Working Group; Supervisors & Regulators Working Group; Law Enforcement Working Group). The FIU also provided secretarial support for all the meetings of the Council and the three working groups.



Launch of the National AML Learning Centre. From top: Mr. Martin Fidler, British Deputy High Commissioner formally opens the National AML Learning Centre; invited guests witness a demonstration of the CBT courses during the launch of the Centre at the RBF in November 2010.



The Director FIU is also a member of the National AML Council and contributed to the policy discussions and decisions of the Council in 2010.

The FIU advised the Council on key AML issues affecting Fiji such as the ICRG process, its implications on Fiji and actions needed to prepare Fiji for the ICRG process. As secretariat of the Council, the FIU had to work on the finalisation of the Council's Strategic Plan which was developed in 2009.

#### **Memorandum of Agreement with Partner Agencies**

The FIU has signed MOAs with eight domestic partner agencies as empowered under the FTR Act. The MOAs allow the FIU to exchange information and enhance networking and co-operation with domestic partner agencies. Continuation of secondment terms of officers from the Fiji Police Force and FRCA were an added asset to the FIU as part of MOAs signed with the respective agencies.

#### **Exports Proceeds Monitoring Unit Interagency Committee**

In 2010, the FIU signed an MOA with the RBF and the FRCA for the establishment of the Export Proceeds Monitoring Unit (EPMU) Interagency Committee.

The MOA enables the three agencies to cooperate and exchange information for the purpose of detecting and investigating violations by exporters under the Exchange Control Act and Fiji's tax and custom legislations. The FIU participated in the meetings and activities of the EPMU Interagency Committee for 2010.

#### **Reserve Bank E-Money Taskforce**

The FIU is a member of a taskforce within the RBF called the E-Money Taskforce. The Taskforce was established in 2010 for the purpose of overseeing the development of the mobile phone banking sector in Fiji. The Taskforce was instrumental

in consulting with the two mobile phone companies in Fiji for the introduction of mobile phone banking services.

The FIU participated in the meetings of the E-Money Taskforce in 2010, providing advice to the Taskforce on the AML/CFT requirements and the money laundering risk for this new sector. As a member of this Taskforce, the FIU also participated in consultations on the draft legislations for E-Money and Payments Systems.

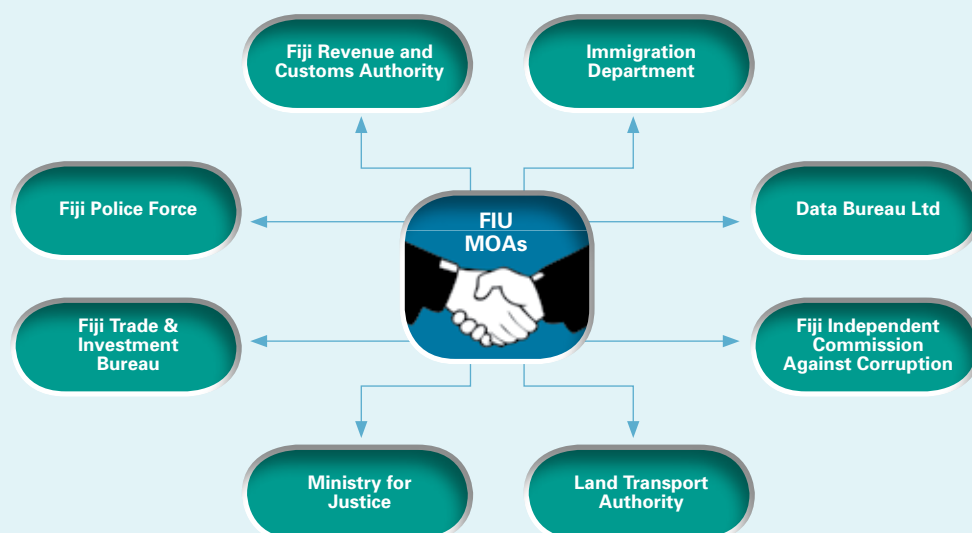
#### **Counter Terrorism Officials Working Group**

The FIU is a member of the Counter Terrorism Officials Working Group (CTOG) which consists of 12 government agencies. The CTOG is responsible for implementing Fiji's counter terrorism strategy and legislation. In 2010, the FIU participated in the meetings of the CTOG providing advice on AML/CFT issues and requirements. A key initiative for the CTOG during the year was the drafting of the National Security Strategy, the counter terrorism decree and consulting stakeholders on the draft counter terrorism decree. The FIU participated in this consultation process on the draft counter terrorism decree.

#### **National AML Strategy**

Fiji's national AML strategy is headed by the Minister for Justice as the Minister responsible for AML/CFT measures in Fiji. The national AML Council coordinates national AML efforts and advises the Government, through the Minister for Justice, on AML/CFT matters. The Council has three working groups which provide support and advice for its operations. Fiji's AML/CFT institutional framework consists of various agencies. The FIU collects and disseminates intelligence on money laundering activities and provides investigative assistance to law enforcement agencies. The Fiji Police Force is the agency responsible for investigating all money laundering, terrorist financing, proceeds of crime and predicate offences. The Office of Director of Public Prosecutions is responsible

#### **FIU'S MEMORANDUM OF AGREEMENTS WITH PARTNER AGENCIES**



for prosecuting for money laundering and terrorist financing offences and various predicate offences provided for under Fiji laws. The Office of Director of Public Prosecutions also handles applications for restraining, confiscation and forfeiture orders including civil forfeiture orders under the Proceeds of Crime Act and facilitates international requests for extradition and mutual legal assistance. The three agencies designated with the responsibility for supervising and monitoring financial institutions' compliance with the FTR Act are the RBF, the Capital Markets Unit (formerly the CMDA) and the FIU. These 3 supervisory authorities are mandated under the FTR Act to monitor financial institutions to assess the extent of their compliance with the requirements of AML laws.

Fiji's key AML/CFT legal framework consists of the FTR Act and Regulations, Proceeds of Crime (Amendment) Act and Mutual Assistance in Criminal Matters (Amendment) Act. Fiji's AML/CFT initiatives dates back to 1997 (Table 6).

## INTERNATIONAL COORDINATION

### Egmont Group

The Egmont Group is an international association of FIUs from various jurisdictions. It currently has 120 FIUs as members. The goal of the Egmont Group is to provide a forum for its member FIUs to improve support to their respective governments in the fight against money laundering, terrorist financing and other financial crimes.

EGMONT GROUP MEMBERSHIP BY REGION



Source: Egmont Group

TABLE 6: SNAPSHOT OF FIJI'S ANTI-MONEY LAUNDERING INITIATIVES

| Fiji's AML/CFT Initiatives |   |                                |
|----------------------------|---|--------------------------------|
| 1997                       | Proceeds of Crime Act   | (effective date: June 1998)    |
| 1997                       | Mutual Assistance in Criminal Matters Act   |                                |
| 1998                       | Membership to the Asia Pacific Group on Money Laundering (APG)  |                                |
| 1998                       | Establishment of National Anti-Money Laundering Officials Committee   |                                |
| 1999                       | Reserve Bank of Fiji's Guidelines to Counter Money Laundering   |                                |
| 2000                       | Implementation of Suspicious Transaction Reporting (STR) framework  |                                |
| 2001                       | Review of Fiji's AML initiatives by the Asian Development Bank  |                                |
| 2001; 2002 ; 2003          | Review of Fiji's AML initiatives by the International Monetary Fund, including technical assistance                       |                                |
| 2002                       | Mutual evaluation of Fiji's anti-money laundering framework by the Asia Pacific Group                                     |                                |
| 2003                       | Establishment of an interim Financial Intelligence Unit   |                                |
| 2004                       | Enactment of Financial Transactions Reporting Act   | (effective date: January 2006) |
| 2005                       | Amendments to Proceeds of Crime Act and Mutual Assistance in Criminal Matters Act   |                                |
|                            | Fiji hosted the 8th APG Regional Typologies Workshop in Nadi  |                                |
|                            | Fiji's 1st successful conviction of money laundering offence  |                                |
| 2006                       | Establishment of Financial Intelligence Unit under the FTR Act  |                                |
|                            | Introduction of mandatory Suspicious Transaction Reporting  |                                |
|                            | Assessment of Fiji's AML/CFT framework by the World Bank  |                                |
|                            | Definition of covered financial institutions widened under FTR Act  |                                |
| 2007                       | Fiji's 1st successful civil forfeiture case   |                                |
|                            | FTR Regulations (effective date: 1 May 2007; full compliance date 31 Dec 2007)  |                                |
|                            | Appeal on Fiji's 1st money laundering conviction was upheld by the Fiji Court of Appeal                                   |                                |
|                            | MOA between FIU and Immigration Department on exchange of information and financial intelligence                          |                                |
|                            | MOA between FIU and FRCA on exchange of information and financial intelligence  |                                |
| 2008                       | Introduction of \$10,000 Border Currency Reporting  |                                |
|                            | Introduction of \$10,000 Cash Transaction Reporting   |                                |
|                            | Introduction of international Electronic Funds Transfer Transaction Reporting (no monetary threshold)                     |                                |
|                            | Establishment and first meeting of the National Anti-Money Laundering Council   |                                |
|                            | Fiji ratified the remaining 12 counter terrorism conventions, thus Fiji has now fully ratified all 16 CT conventions      |                                |
| 2009                       | Fiji FIU admitted as a member of the Egmont Group   |                                |
|                            | National AML Council Strategic Planning Meeting   |                                |
|                            | FIU signed MOAs with the Land Transport Authority; the Fiji Independent Commission Against Corruption and Data Bureau Ltd |                                |
|                            | Fiji FIU signed an MOA with the Indonesian FIU  |                                |
|                            | 1st National AML Conference   |                                |
| 2010                       | Launch of FFIMSO  |                                |
|                            | Fiji FIU signed an MOA with the Malaysian FIU   |                                |
|                            | Cabinet approved Fiji's Counter-Terrorism Strategy  |                                |
|                            | Establishment of the National AML Learning Centre   |                                |
|                            | 2nd National AML Conference   |                                |
|                            | FIU received the 1,000,000th transaction report as required by the FTR Act  |                                |

Source: Fiji FIU

The following are current members of the Egmont Group from the Oceania region (Table 7).

**TABLE 7: EGMONT GROUP MEMBERS FROM THE OCEANIA REGION**

|    | Name of FIU   | Country          |
|----|---|------------------|
| 1. | Australian Transaction Report & Analysis Centre (AUSTRAC) | Australia        |
| 2. | Cook Islands Financial Intelligence Unit (CIFIU)          | Cook Islands     |
| 3. | Financial Intelligence Unit, Reserve Bank of Fiji         | Fiji             |
| 4. | Domestic Financial Intelligence Unit (DFIU)               | Marshall Islands |
| 5. | New Zealand Police Financial Intelligence Unit            | New Zealand      |
| 6. | Niue Financial Intelligence Unit                          | Niue             |
| 7. | Financial Intelligence Unit (FIU)                         | Vanuatu          |

Source: Egmont Group

The purposes of the Egmont Group are to:

- ▶ expand and systematise international co-operation in the reciprocal exchange of financial intelligence information;
- ▶ foster better communication among FIUs and share expertise;
- ▶ identify existing and emerging counterpart agencies;
- ▶ offer training to increase the effectiveness of FIUs;
- ▶ increase the application of technology.

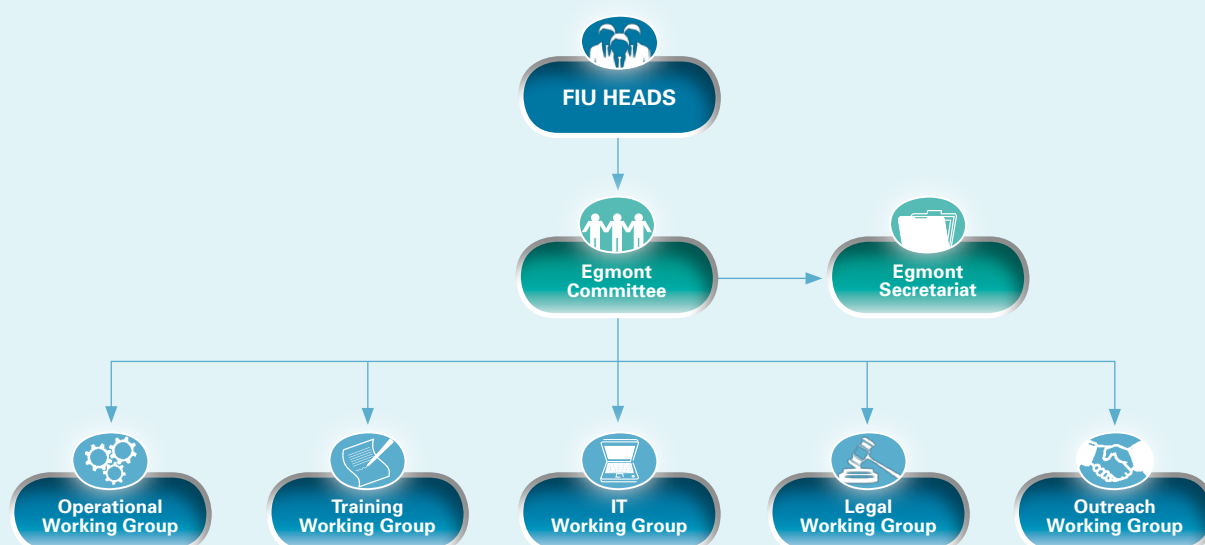
The Egmont Group principles for information exchange between member FIUs are as follows:

- I. International co-operation between FIUs should be encouraged and based upon a foundation of mutual trust.
- II. FIUs should take steps to seek information that may be used by other, identified, domestic law enforcement or financial supervisory agencies engaged in enforcement and related regulatory activities.
- III. FIUs should work to encourage that national legal standards and privacy laws are not conceived so as to

inhibit the exchange of information, in accordance with these principles, between or among FIUs.

- IV. Information sharing arrangements must recognise and allow room for case-by-case solutions to specific problems.
- V. FIUs should be able to exchange information freely with other FIUs on the basis of reciprocity or mutual agreement and consistent with procedures understood by the requested and requesting party. Such exchange, either upon request or spontaneously, should produce any available information that may be relevant to an analysis or investigation of financial transactions and other relevant information and the persons or companies involved.
- VI. A FIU requesting information should disclose, to the FIU that will process the request, at a minimum the reason for the request, the purpose for which the information will be used and enough information to enable the receiving FIU to determine whether the request complies with its domestic law.
- VII. Information exchanged between FIUs may be used only for the specific purpose for which the information was sought or provided.
- VIII. The requesting FIU may not transfer information shared by a disclosing FIU to a third party, nor make use of the information in an administrative, investigative, prosecutorial, or judicial purpose without the prior consent of the FIU that disclosed the information.
- IX. All information exchanged by FIUs must be subjected to strict controls and safeguards to ensure that the information is used only in an authorised manner, consistent with national provisions on privacy and data protection. At a minimum, exchanged information must be treated as protected by the same confidentiality provisions as apply to similar information from domestic sources obtained by the receiving FIU.

#### EGMONT GROUP STRUCTURE



Source: Egmont Group

The FIU has effectively utilised the Egmont Group's secure website (ESW) for intelligence purposes during 2010. The FIU was admitted as a member of the Egmont Group in 2009.

Members of the Egmont Group are expected to share information and expertise. To this end the FIU participated in three surveys conducted by the Egmont Group in 2010. The FIU also provided regular updates throughout the year to the Egmont Group Oceania regional representative on key AML/CFT initiatives and developments in Fiji.

The Fiji FIU participated at the Egmont Group's 18<sup>th</sup> Annual Plenary Meeting that was held in June 2010 in Cartagena, Columbia. The Fiji FIU also presented a paper on how to work effectively with the law enforcement sector in a small and developing country and contributed to the Egmont Working Group discussions at the meeting.

#### Memorandum of Agreements with Foreign FIUs

The FIU has the mandate under the FTR Act to enter into formal agreements with foreign FIUs or law enforcement agencies to share information that would be relevant to the investigation or prosecution of a money laundering offence, terrorist financing offence or any other serious offence.

In 2010, the FIU signed a MOA with the Malaysian FIU for the exchange of information. This is the second MOA that the Fiji FIU has entered into with a foreign FIU. The first such MOA was signed in 2009 with the Indonesian FIU (Table 8).

TABLE 8: MOAS WITH FOREIGN FIUS

|    | Date            | FIU  | Type of MOU          |
|----|-----------------|--|----------------------|
| 1. | 10 July 2009    | Indonesian Financial Transaction Reports and Analysis Center (INTRAC), Indonesia | Information exchange |
| 2. | 3 February 2010 | Unit Perisikan Kewangan, Bank Negara Malaysia (UPWBNM), Malaysia                 | Information exchange |

Source: Fiji FIU

#### Asia Pacific Group on Money Laundering and Other International Agencies

The APG is an autonomous and collaborative international organisation currently consisting of 40 member countries. Fiji is a member of the APG since it was established in 1997. The functions of the APG are:

- to assess compliance by APG members with the global AML/CFT standards through a robust mutual evaluation program;
- to coordinate bilateral and donor agency technical assistance and training in the Asia/Pacific region in order to improve compliance by APG members with the global AML/CFT standards;

- to participate in and cooperate with the international AML network, primarily with the FATF and with other regional AML groups;
- to conduct research and analysis into the money laundering and terrorist financing trends and methods to better inform APG members of systemic and other associated risk and vulnerabilities; and
- to contribute to the global policy development of AML/CFT standard by active Associate membership status in the FATF.

In 2010, the FIU participated in the following key APG programs:

- APG Annual Plenary Meeting held in Singapore;
- Tabling of the APG/World Bank Mutual Evaluation Report of the Solomon Islands at the APG Annual Plenary.

The Director FIU led the Fiji delegation at the APG's 13th Annual Plenary Meeting which was held in Singapore in July 2010. The FIU also prepared and submitted Fiji's country report, technical assistance report and mutual evaluation progress report for the APG Plenary. Throughout the year, the FIU contributed to various surveys conducted by the APG and liaised with the APG on AML issues relevant to Fiji.

The FIU also worked closely with the APG during 2010 on the FATF International Co-operation Review Group (ICRG) process. This will continue in 2011.

The FIU liaised with other international agencies such as CGAP and the World Bank in 2010, providing them information and advice on the AML/CFT framework and initiatives in Fiji.

#### Pacific Regional Meeting on the Ratification and Implementation of the United Nations Convention Against Corruption

A regional meeting was organised in 2010 by the United Nations Development Program and UNODC to raise awareness amongst Pacific Island Countries on the ratification and implementation of the United Nations Convention Against Corruption (UNCAC). UNCAC provides the necessary guidance to develop and implement national anti-corruption efforts and framework. So far only three Pacific Island Countries have ratified the convention (PNG – 2007; Fiji – 2008; and Palau – 2009).

The Director FIU was a resource person at this meeting and presented on Fiji's AML framework and how it linked with Fiji's anti-corruption initiatives. The presentation also discussed how Fiji's AML measures contribute to the prevention, investigation and prosecution of corruption in Fiji and opportunities to share capacity between anti-corruption and AML/CFT initiatives.



## Mission 2

Ensure compliance with global standards on anti-money laundering and combating the financing of terrorism.

# COMPLY WITH GLOBAL STANDARDS ON ANTI-MONEY LAUNDERING & COMBATING TERRORIST FINANCING

## CASE STUDY

### ALLEGED ADVANCE FEE FRAUD & QUESTIONABLE COMPANY OPERATIONS

Person S (a local) and his business partner, Person T (a foreign national) who are of different ethnic origins approached a local commercial bank to open a business account for their Company Z.

Person S informed the bank that a transfer of US\$10 million was to be remitted into the business account of Company Z from a petroleum company based in Nigeria. The funds were reportedly donated by a cancer patient in Nigeria.

The FIU conducted checks on the Nigerian company and have established a number of scams that have used the company name previously for advance fee fraud related scams.

The FIU also established that there were no other bank accounts of Company Z at other commercial banks and no trade activity recorded.

#### Offence:

- ▶ Possible advance fee fraud scheme.
- ▶ Alleged breach of local foreign investment requirements.

#### Indicators:

- ▶ Company Z was issued Foreign Investment Registration Certificate two years ago. However the operations of the business had never eventuated.
- ▶ The two business partners of Company Z may be involved in a possible advance fee fraud scam.
- ▶ The profile of the two business partners suggests that they did not have the financial capacity and resources to establish Company Z to be engaged in farming, fishing and mining activities in Fiji.

## IMPLEMENTATION OF THE WORLD BANK RECOMMENDATIONS

Fiji's AML/CFT framework was evaluated by the World Bank in March 2006 and the Mutual Evaluation Report (MER) was adopted and published by the APG in July 2006.

The MER noted that Fiji has a "strong AML/CFT legislative framework" and that "the legislative framework for international co-operation is exemplary." It also noted that the FTR Act was recent and implementation was at an early stage thus the effectiveness of implementation of a number of core and key recommendations could not be thoroughly tested.

32 partially compliant ratings reflected that Fiji had in fact taken some substantive action prior to the mutual evaluation. Fiji has come a long way since July 2006 in its efforts to fully comply with all FATF 40 + 9 Recommendations.

Although Fiji had a strong and exemplary legislative framework in 2006, our compliance ratings with a number of recommendations were actually marked down due primarily for failing the effectiveness test (Table 9).

**TABLE 9: SUMMARY OF FIJI'S COMPLIANCE RATINGS FATF  
RECOMMENDATIONS - 2006**

| Compliance<br>Ratings | FATF 40<br>Recommendations | FATF 9 Special<br>Recommendations | Total |
|-----------------------|----------------------------|-----------------------------------|-------|
| Compliant             | 8                          | 0                                 | 8     |
| Largely Compliant     | 6                          | 0                                 | 6     |
| Partially Compliant   | 25                         | 7                                 | 32    |
| Non Compliant         | 1                          | 2                                 | 3     |

Source: Fiji FIU

Fiji has introduced a number of additional measures since 2006 in the following areas:

- ▶ Laws and Regulations;
- ▶ Policy;
- ▶ Training and awareness;
- ▶ Regulatory and compliance;
- ▶ Reporting and intelligence;
- ▶ Institutional;
- ▶ Investigation and law enforcement;
- ▶ Prosecution;
- ▶ Recovery of proceeds of crime;
- ▶ Domestic networking; and
- ▶ International co-operation;

The provisions of the Proceeds of Crime Act and the Mutual Assistance in Criminal Matters Act, including the subsequent

amendments have been implemented. Restraining and forfeiture provisions, including civil forfeiture provisions have been thoroughly tested before the Courts in Fiji that has resulted in a number of money laundering convictions and forfeiture of assets.

All the provisions of the FTR Act have been implemented including the border currency reporting requirements.

The recommended action plans provided in the MER on preventative measures have been addressed in the FTR Regulations that was issued in May 2007. This also includes a “risk-based approach” to implementing the preventative measures within the financial institutions and DNFBP sector in Fiji. Furthermore, a number of guidelines and policy advisories were issued by the FIU.

In relation to financing of terrorism measures, although the MER noted that Fiji has a “low risk of terrorist financing”, we have implemented a number of institutional and domestic co-operation measures including our national counter-terrorism strategy to protect Fiji’s domestic and external interests and to comply with the requirement of the United Nations under the UN Global Counter Terrorism Strategy. A draft counter-terrorism decree is being finalised. Fiji has ratified all the 16 international counter terrorism conventions.

The Fiji FIU is well resourced and is fully functioning. The FIU is fully complying with the international standards that supported the Fiji FIU to join the Egmont Group in 2009. The AML/CFT supervisory framework has been clarified and a number of compliance programs and enforcement have been actioned.

Fiji’s AML/CFT framework in the area of legal system, preventative measures, FIU and law enforcement measures,

and international co-operation are currently considered to be at par with the international standards. Fiji’s criminal justice system was further strengthened and modernised with the introduction of a new Crimes Decree and the Criminal Procedure Decree. Fiji has also ratified the UNCAC. Fiji will be one of the first countries to be subject to a review of its compliance with UNCAC.

The National AML Council is now actively engaged in the area of national AML/CFT policy formulation, advice and networking. The FIU has established formal arrangements for information sharing and exchange with key Government agencies and departments. The FIU has organised annual conferences to bring together Government and industry stakeholders that are involved in the fight against money laundering in Fiji.

A number of implementation projects since 2006 were made possible through the assistance of many donor agencies and we would like to acknowledge their contribution to Fiji in ensuring that our AML/CFT regime is in line with the international standards.

Fiji has also provided technical assistance and training to other Pacific island countries. Fiji also actively contributes to the APG’s mutual evaluation program by participating as evaluators. This reflects Fiji’s commitment and support at regional and international levels.

Fiji will continue to be a committed global partner in the fight against money laundering and the financing of terrorism. Fiji has committed substantial resources since 2006 in introducing a number of important measures that are aimed at further strengthening and improving Fiji’s compliance rating with the FATF 40 + 9 Recommendations (Table 10).

**TABLE 10: SUMMARY OF FIJI’S COMPLIANCE INITIATIVES WITH THE FATF STANDARDS**

|  |  |
|--|--|
| Legal Systems  | Criminalisation of money laundering and terrorist financing under the Proceeds of Crime Amendment Act.   |
|  | Legal framework for the confiscation of criminal assets.   |
|  | Issued the Crimes Decree in 2010 which modernises Fiji’s penal code and introduces as offences emerging predicate crimes.                      |
|  | Border currency reporting framework.   |
| Preventive Measures - Financial Institutions and Nonfinancial Businesses and Professions | Issued the FTR Regulations in 2007.  |
|  | Ongoing training of financial institutions and non-financial business and professions on their AML/CFT obligations.                            |
|  | Implemented the AML/CFT requirements under the FTR Act and Regulations in financial institutions.  |
| Institutional and Other Measures   | Established the National AML Council which provides policy advice and strategic direction on AML/CFT matters to Government and the FIU.        |
|  | Clearly designated the AML/CFT supervisory authority for the various financial sectors.  |
|  | Enforcement of the FTR Act and Regulations on the various financial institutions and non-financial businesses and professions.                 |
|  | Law enforcement and prosecutorial agencies have strengthened their capacity and skills to investigate and prosecute money laundering offences. |
|  | Ongoing training of law enforcement officers and prosecutors to deal with money laundering offences.   |
| National and International Co-operation  | Fiji has ratified all 16 of the counter terrorism conventions.   |
|  | Fiji has an enabling legal framework for mutual legal assistance and extradition.  |
|  | Fiji FIU joined the Egmont Group in 2009.  |
|  | Fiji FIU has signed MOAs for information sharing with the Indonesian and Malaysian FIUs.   |
|  | Fiji FIU has signed MOAs with eight domestic partner agencies.   |

Source: Fiji FIU



Attorney General & Minister for Justice, Mr. Aiyaz Sayed-Khaiyum speaking at the 2010 2nd National AML Conference on the importance of Fiji's compliance with international AML/CFT requirements.

### FATF ICRG Process

In 2010, the FIU liaised closely with the APG on the possible exclusion of Fiji from the FATF's ICRG review process. The ICRG was set up by the FATF in June 2006 to deal with jurisdictions identified as having systemic deficiencies in their AML/CFT systems.

## CASE STUDY USE OF BANK ACCOUNT TO CONCEAL ALLEGED DRUG PROCEEDS

The FIU received an STR from a local commercial bank relating to a one-off large deposit of \$21,500.00 into the bank account of a 46 year old person, Person Y.

The funds were gradually withdrawn over a one-week period. Person Y is a farmer and advised the bank that the funds were sourced from an investment company.

The FIU established that the information provided by Person Y was not correct and neither he or his family members held any other banking facilities.

The FIU also established that the person had previous allegations of involvement in drug trafficking activities in Fiji.

#### Offence:

- ▶ Alleged drug trafficking.
- ▶ Alleged tax evasion.

#### Indicators:

- ▶ The large cash deposit made by Person Y into his personal bank account does not match his profile, in particular, his occupation as a farmer.
- ▶ The large cash deposit was also not consistent with his usual transaction activities.
- ▶ There are contradictions on the source of funds.

There are three ways by which a jurisdiction can be referred for the ICRG process. These are:

- i. Referral of jurisdictions whose mutual evaluations include 10 or more "Not Compliant" or "Partially Compliant" ratings for the 16 core and key FATF Recommendations (Table 11);

**TABLE 11: FATF CORE AND KEY RECOMMENDATIONS**

| Core Recommendations (6)  |
|---|
| Criminalisation of ML and TF ( R1; SR II)   |
| Customer identification (R5)  |
| Record Keeping (R10)  |
| STR reporting (R13 and SR IV)   |
| Key Recommendations (10)  |
| International Co-operation and Mutual Legal Assistance (R35; 36; 40; SR I and SR V) |
| Freezing and confiscation (R3 and SR III)   |
| Financial secrecy (R4)  |
| Adequate regulation and supervision (R23)   |
| Functional FIU (R26)  |

Source: Fiji FIU

- ii. Referral of jurisdictions not participating in a FATF style regional body (FSRB) and subject to its Mutual Evaluation and its follow-up procedures as well as jurisdictions that do not allow publication of their evaluation reports;
- iii. Jurisdictions nominated by single FATF or FSRB delegations specifically to the ICRG

Jurisdictions under ICRG review will be subject to two types of reviews.

Based on Fiji's 2006 Mutual Evaluation report, Fiji comes under criteria (i) for a possible referral to the ICRG process.

The FIU has advised the National AML Council and the Minister for Justice of the implications of the ICRG review and plans have been put into place to prepare Fiji for this process when requested by the FATF. The FIU will continue to work closely with the APG on this issue in 2011.

### Contribution to International Mutual Evaluation Work

Fiji continued to play an active role in the APG's mutual evaluation activities. Two officials from Fiji attended the APG Assessor Workshop in 2010. The FIU coordinates Fiji's contribution to the APG mutual evaluation program that will continue in 2011.

### Egmont Group Requirements

The Fiji FIU is required to comply with the Egmont Group requirements on information sharing and the Egmont Charter. In 2010, the FIU received seven requests for information from other Egmont Group members. The FIU made four requests for information through the Egmont Group. The FIU continued to observe all confidentiality protocols associated with information received through the secure Egmont Group network.



# Mission 3

Assist in the detection,  
investigation and  
prosecution of money  
laundering and terrorist  
financing offences.

# DETECT AND INVESTIGATE MONEY LAUNDERING AND TERRORIST FINANCING

## SUSPICIOUS TRANSACTION REPORTS

Financial institutions are required under the FTR Act and the FTR Regulations to submit to the FIU, reports of any 'suspicious transactions', including attempted suspicious transactions that may be related to a "serious offence, a money laundering offence or an offence of the financing of terrorism".<sup>2</sup>

### Suspicious Transaction Report Form

**Fiji FIU**  
Fiji Financial Intelligence Unit

**Suspicious Transaction Report (STR)**

Please Complete in Ink and Capital Letters

Reporting of suspicious transactions is required under section 14 of the FTR Act 2004 and Part 3 of the FTR Regulations.

Failure to report or reporting false or misleading information may result in fines of up to \$30,000 or 5 years imprisonment or both or a fine of up to \$150,000 for a corporate body.

**PART A - IDENTITY OF PERSON CONDUCTING THE SUSPICIOUS TRANSACTION**

**1 Full Name (Title, Given Names and Surname)**

**2 Date of Birth**

**3 Occupation, Business or Principal Activity**

**4 Business Address (Physical and PO Box)**

**5 Residential Address (Cannot be a PO Box)**

**6 Citizen of Fiji**

**7 NON FIJI CITIZEN - Fiji Contact Address**

**8 Is this Person a Signatory to an Account(s) Affected by this Transaction?**

**Details of Account(s):**

**9 How was the identity of this person confirmed?**

**10 Is a photocopy of ID document/s attached?**

If more than one person is involved please provide the same details contained in Sections 1 - 10 for each person, where appropriate, and attach.

Page 1 of 4

Form: STR 1 - Schedule 1, FTR Regulation 24, (Jan 2008)

Suspicious transactions are reported to the FIU by financial institutions upon completing and submitting a Suspicious Transaction Report (STR) form.

The STR's are a critical source of intelligence as they link to other transactions or activities that are not captured in other reporting requirements of the FIU and vice versa.

<sup>2</sup> "Serious Offence": means an offence of which the maximum penalty prescribed by law is death, or imprisonment for not less than 6 months or a fine of not less than \$500 under the Proceeds of Crime Act.

Section 14 of the FTR Act states that the suspicious transaction reporting obligation arises in two instances; where a financial institution:

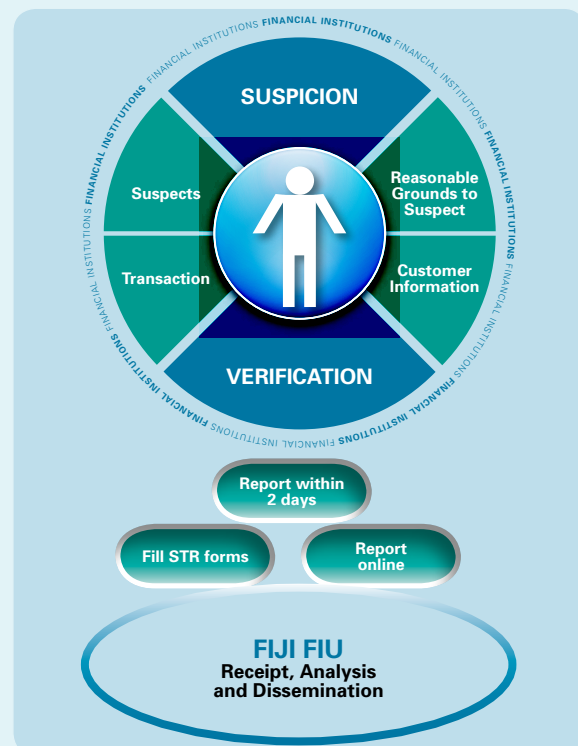
#### Section 14 FTR Act

- 1) "suspects or has reasonable grounds to suspect that a transaction or attempted transaction may be related to the commission of a serious offence, a money laundering offence or an offence of the financing of terrorism or an act preparatory to an offence of financing of terrorism".
- 2) "has information it suspects or has reasonable grounds to suspect may be -
  - i) relevant to an investigation or prosecution of a person or persons for a serious offence, a money laundering offence or an offence of the financing of terrorism;
  - ii) of assistance in the enforcement of the Proceeds of Crime Act 1997;
  - iii) related to the commission of a serious offence a money laundering offence or an offence of the financing of terrorism;
  - iv) preparatory to an offence of the financing of terrorism".

The financial institution must as soon as practicable after forming that suspicion, but no later than two working days, report the transaction or attempted transaction to the FIU.

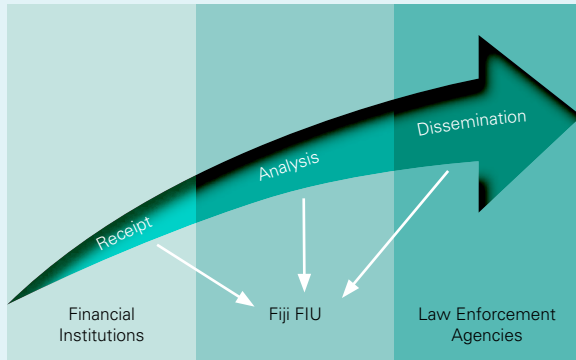
The phrase 'suspects on reasonable grounds' interpreted by financial institutions could either be based on value judgements (subjective) or facts of evidence that support the suspicion (objective).

## DETECTION AND REPORTING OF SUSPICIOUS TRANSACTIONS



A transaction or information that would arouse suspicion due to inconsistency with a customer's known, legitimate business or personal activities or with the normal business of that type of account would be a reportable transaction as an STR to the FIU.

**FIU'S INTELLIGENCE FRAMEWORK**



Source: Fiji FIU

A financial institution which fails without reasonable excuse to comply with reporting of suspicious transactions to the FIU commits an offence and is liable on conviction-

- for an individual – to a fine not exceeding \$30,000.00 or to a term of imprisonment not exceeding five years or both;
- for a body corporate – to a fine not exceeding \$150,000.

In 2010, 629 STRs were reported to the FIU (Table 12; Graph 1). This reflects a decline of 16 percent compared to 750 STRs reported to the FIU in 2009.

**TABLE 12: SUSPICIOUS TRANSACTIONS REPORTED**

| Year | Total STRs | Monthly Average STRs |
|------|------------|----------------------|
| 2006 | 215        | 18                   |
| 2007 | 268        | 22                   |
| 2008 | 479        | 40                   |
| 2009 | 750        | 63                   |
| 2010 | 629        | 52                   |

Source: Fiji FIU

**GRAPH 1: SUSPICIOUS TRANSACTIONS REPORTED**



Source: Fiji FIU

## CASE USE OF 'THIRD PARTIES' FOR ALLEGED DRUG TRAFFICKING ACTIVITIES

A money laundering syndicate with connection to an offshore jurisdiction, (Country A) is suspected of utilising third parties based in Fiji to receive money from overseas that is believed to be drug proceeds.

The 'cash' was sent via the overseas jurisdiction to a local remittance service provider for the following reasons: 'purpose of buying a taxi'; 'payment for export'; and 'payment of university fees'.

The FIU established that a taxi driver received FJ\$98,500 within a period of 16 months.

Another recipient reported to be an 'exporter' received FJ\$178,570 within a year and a student received FJ\$121,300 within 11 months. The funds were received through a local remittance service provider within a period of 23 months from a group of individuals/entities from (Country A). The recipients insisted that funds are paid in cash over the counter. The local remittance service provider became suspicious and lodged an STR with the FIU.

Further analysis undertaken by the FIU showed that the taxi driver did not maintain any motor vehicles. The case was disseminated to a law enforcement agency and the case is under investigation.

Offence:

- ▶ Drug Trafficking
- ▶ Money Laundering

Indicators:

- ▶ Customer profiles are inconsistent with large cash receipts
- ▶ Common sender of funds from the same jurisdiction
- ▶ Funds are received in cash
- ▶ Use of third parties to conduct transactions

The FIU received an average of around 50 STRs per month from financial institutions in 2010 compared to an average of around 60 STRs per month in 2009 (Graph 2).

**GRAPH 2: MONTHLY SUSPICIOUS TRANSACTION REPORTS**

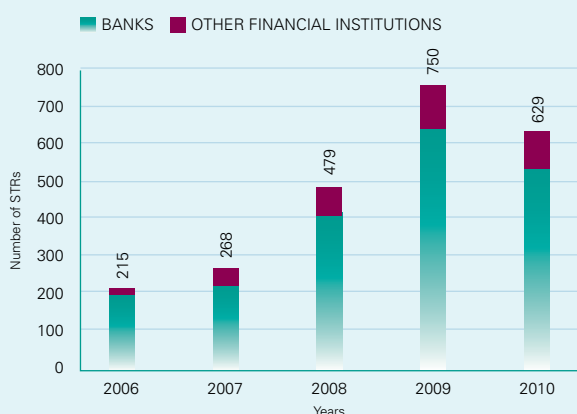


Source: Fiji FIU

### Reporting Financial Institutions

Various financial institutions including 'members of the public' submitted STRs to the FIU (Table 13; Graph 3). Commercial banks continued to be the largest provider of STRs compared to the other reporting sectors.

**GRAPH 3: SUMMARY OF REPORTING FINANCIAL INSTITUTIONS**



Source: Fiji FIU

The money remittance service providers are another sector which filed a sizeable number of STRs to the FIU. The STRs received from this sector are mainly on individuals that are victims of possible advance fee fraud schemes whereby minimal amounts of money are initially remitted. Advance fee fraud schemes always instruct victims to use money remittance service providers because these methods of payment are usually irreversible, untraceable and at times can be completely anonymous.

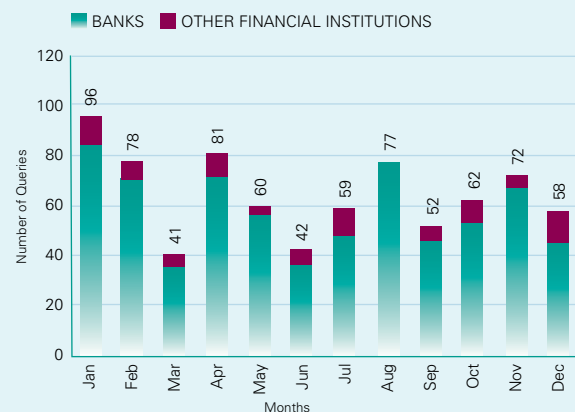
Generally, the FIU has noted that the other financial institutions, including the designated non-financial businesses and professions (DNFBPs) have also reported quality STRs to the FIU in 2010.

### FIU Enquiries with Financial Institutions

The FIU has powers to obtain information from relevant financial institutions under Section 14(3) and Section 25(1)(h) of the FTR Act.

In 2010, a total of 778 queries for further information were made by FIU from commercial banks (699) and other financial institutions (79) (Graph 4).

**GRAPH 4: MONTHLY FIU QUERIES TO FINANCIAL INSTITUTIONS - 2010**



Source: Fiji FIU

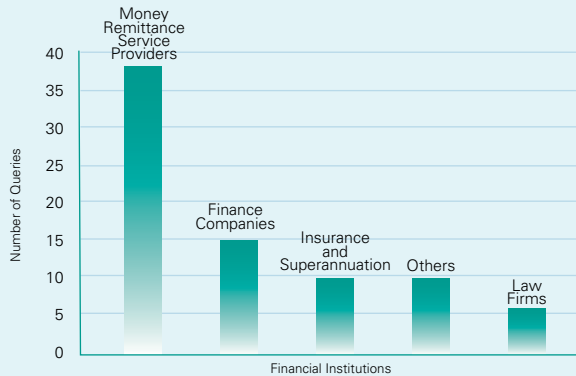
**TABLE 13: SUMMARY OF REPORTING FINANCIAL INSTITUTIONS**

| Financial Institutions and Persons Reporting | Number of STRs Received |            |            |            |            |
|--|-------------------------|------------|------------|------------|------------|
|  | 2006                    | 2007       | 2008       | 2009       | 2010       |
| Commercial Banks                             | 209                     | 231        | 412        | 641        | 538        |
| Money Remittance Service Providers           | 0                       | 17         | 43         | 86         | 75         |
| Finance Companies                            | 0                       | 10         | 4          | 6          | 1          |
| Members of the Public                        | 5                       | 7          | 9          | 10         | 6          |
| Regulatory Authorities                       | 1                       | 3          | 0          | 0          | 4          |
| Law Firms                                    | 0                       | 0          | 2          | 2          | 1          |
| Accounting Firms                             | 0                       | 0          | 2          | 0          | 1          |
| Insurance Companies & Superannuation         | 0                       | 0          | 6          | 4          | 3          |
| Real Estate Businesses                       | 0                       | 0          | 1          | 0          | 0          |
| Others                                       | 0                       | 0          | 0          | 1          | 0          |
| <b>TOTAL</b>                                 | <b>215</b>              | <b>268</b> | <b>479</b> | <b>750</b> | <b>629</b> |

Source: Fiji FIU

The queries by FIU were made to various financial institutions that are covered under the FTR Act, including commercial banks, finance companies, money remittance service providers and law firms (Graph 5).

**GRAPH 5: FIU QUERIES TO FINANCIAL INSTITUTIONS (EXCLUDING COMMERCIAL BANKS)**

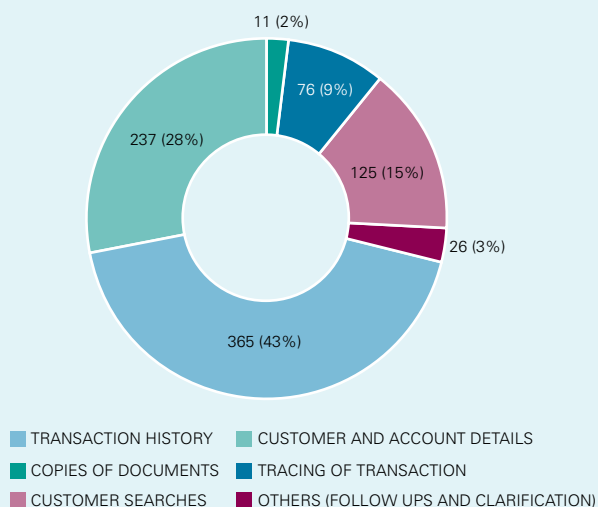


Source: Fiji FIU

Financial institutions must provide further information to the FIU or a law enforcement agency that is carrying out an investigation arising from, or relating to, the information contained in the STR. FATF compliance methodology for essential criteria 26.4 states that the FIU should be “authorised to obtain from reporting parties additional information needed to properly undertake its function”.

The queries sent to financial institutions included requests for the transaction history of a customer, the details of an account and the customer, copies of documents such as identification documents, tracing of a financial transaction and customer searches (Graph 6).

**GRAPH 6: NATURE OF FIU QUERIES TO FINANCIAL INSTITUTIONS**



Source: Fiji FIU

### Value of Transactions Reported as Suspicious

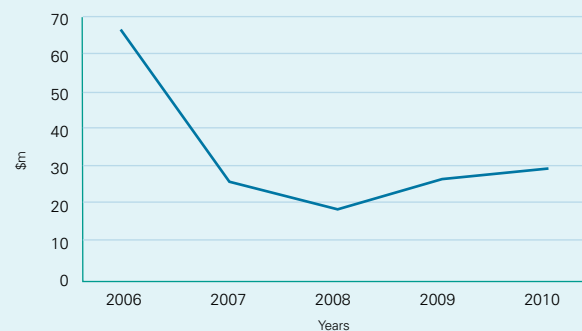
The total annual value of suspicious transactions that were reported to the FIU in 2010 increased to \$32 million from \$26 million in 2009 (Table 14; Graph 7).<sup>3</sup> The average value of a transaction reported to the FIU in 2010 as suspicious was \$51,000 compared to \$35,000 in 2009. This was due to an increase in higher value transactions reported as suspicious in 2010.

**TABLE 14: TOTAL VALUE OF TRANSACTIONS REPORTED AS SUSPICIOUS**

| Year | Total Value (\$ million) | Number of STRs | Average Value reported (per STR) |
|------|--------------------------|----------------|----------------------------------|
| 2006 | \$65.9                   | 215            | \$306,000                        |
| 2007 | \$26.3                   | 268            | \$98,000                         |
| 2008 | \$19.2                   | 479            | \$40,000                         |
| 2009 | \$26.3                   | 750            | \$35,000                         |
| 2010 | \$32.1                   | 629            | \$51,000                         |

Source: Fiji FIU

**GRAPH 7: TOTAL VALUE OF TRANSACTIONS REPORTED AS SUSPICIOUS**



Source: Fiji FIU

### Analysis of Suspicious Transactions by Transaction Value

There is no monetary threshold under the FTR Act for reporting suspicious transactions. Therefore, STRs submitted to the FIU can involve information or transactions of any amount.

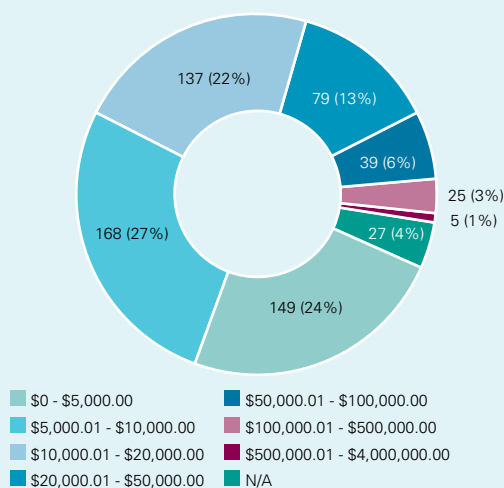
Although the monetary value of the transaction can be an important indicator for raising suspicion, past trend shows that suspicious transactions do not always involve substantial dollar amounts.

<sup>3</sup> The number of STRs reported and the funds that are involved in suspicious transactions do not necessarily indicate the size of money laundering activity in Fiji. However, these transactions have been subject to a greater level of scrutiny by reporting financial institutions and have been flagged and reported as questionable, unusual and suspicious transactions. The figure suggests money laundering symptoms, risk and vulnerabilities in Fiji.



Majority (73 percent) of the STRs submitted by financial institutions in 2010 were reported on transactions below \$20,000.00 and 51 percent of value of transactions reported was below \$10,000.00 (Graph 8).

**GRAPH 8: TRANSACTION VALUE OF STRS FOR - 2010**

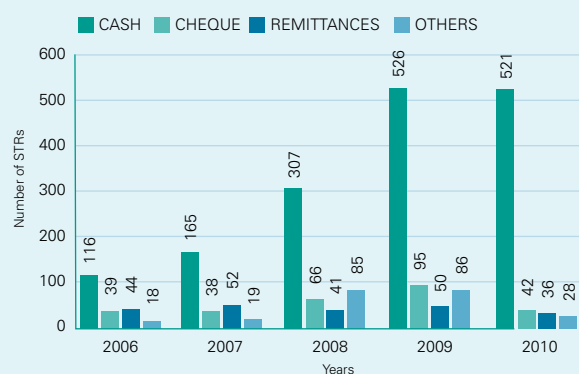


This shows that reporting financial institutions remain vigilant in scrutinising lower value transactions as well when implementing their STR framework. However, a notable large value as well as low value STR has resulted in successful investigations and prosecutions.

#### Analysis of Suspicious Transactions by Instrument Type

'Cash' continued to be the primary financial instrument type that is reflected in the STRs reported to the FIU in 2010. Out of the 629 transactions reported as suspicious in 2010, 521 (83 percent) of these transactions involved cash transactions (Graph 9).

**GRAPH 9: ANALYSIS OF SUSPICIOUS TRANSACTIONS BY INSTRUMENT TYPE**



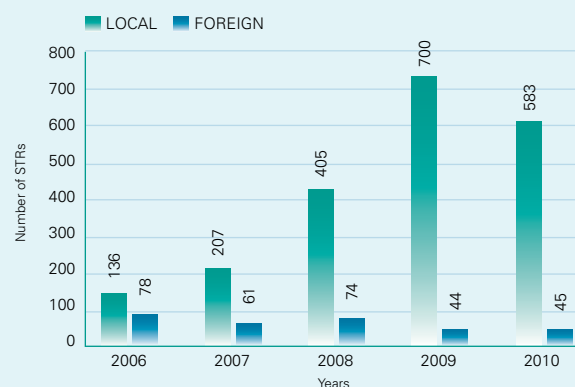
The types of financial instruments involved in STRs include:

1. Cash (local and foreign currency);
2. Cheque (bank cheques/drafts, personal and company cheques);
3. Remittances; and
4. Other instruments (account-to-account transfers, credit cards and travelers cheques).

#### Analysis of Suspicious Transactions by Currency Type

Majority (93 percent) of the STRs in 2010 involved Fiji currency (Graph 10).

**GRAPH 10: ANALYSIS OF SUSPICIOUS TRANSACTIONS BY CURRENCY TYPE**



#### Analysis of Suspicious Transaction Reports by Customer Type

There were 563 (90 percent) STRs reported on transactions conducted by individuals or personal customers and 66 (10 percent) by corporate or business entities in 2010 (Graph 11).

**GRAPH 11: ANALYSIS OF SUSPICIOUS TRANSACTIONS BY CUSTOMER TYPE**



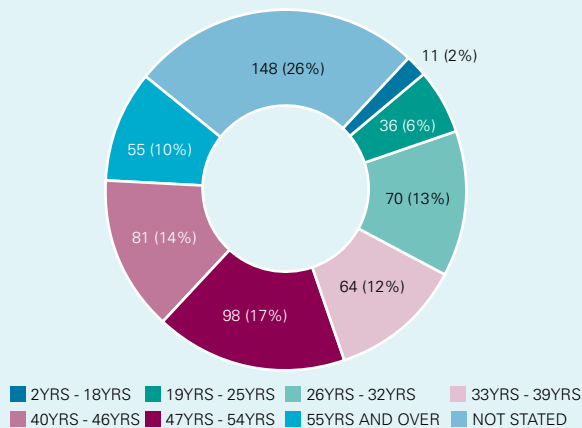
The number of STRs on legal entities such as companies had slightly declined by four percent in 2010 from 2009. It was also noted that transactions involved in majority of the STRs on individuals were indirectly linked to legal entities such as companies and sole proprietorships.

#### Analysis of Suspicious Transaction Reports by Customer Age

One of the key identification factors for financial institutions while conducting transactions for their customers or establishing a business relationship is the date of birth of the customer.

31 percent of STRs on individuals was reported on customers between the ages of 40 and 55 (Graph 12). 11 STRs were reported on minors (age between 2 years to 18 years) in 2010 compared to 9 in 2009. However, businessmen continue to use bank accounts of minors to conduct “business-like” transactions. This trend has been declining since 2009.

**GRAPH 12: ANALYSIS OF SUSPICIOUS TRANSACTION REPORTS BY CUSTOMER AGE**



In 2010, the Government introduced compulsory tax identification number (TIN) registration that is being implemented by the FRCA. This would address the use of minor's accounts for tax evasion purposes.

In 2010, there was a significant decrease in the STRs that did not have details of the date of birth of customers from 35 percent in 2009 to 26 percent in 2010. This shows that there is an improvement in the data quality of STRs.

#### Analysis of Suspicious Transaction Reports by Geographical Location of Reporting Institutions

Financial institutions are required to implement compliance with the STR provisions of the FTR Act across their various branches or offices. Therefore, the FIU receives reports on suspicious transactions that were conducted at different locations around Fiji.

In 2010, the Central/Eastern Division continued to be the main geographical location where suspicious transactions were conducted and reported to the FIU (Graph 13).

A factor contributing to the large number of STRs reported from the Central/Eastern Division is the large concentration of economic and commercial activities in this division.

#### Analysis of Reasons for Suspicious Reporting

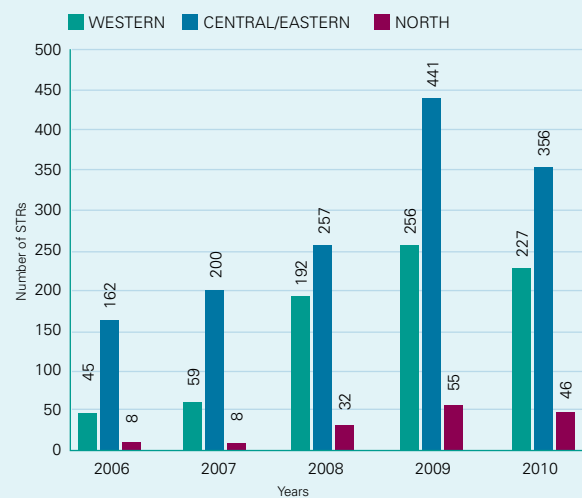
A financial institution may consider the following factors to detect and report a transaction as suspicious:

- ▶ Customer's usual occupation or business activity;
- ▶ Customer's transaction history;
- ▶ Income level and source of income;
- ▶ Complexity, frequency and size of transaction;
- ▶ Customer's general background and profile (such as age, citizenship, etc).

These factors individually may seem insignificant but when considered together may raise questions on appropriateness and normality of customers' transaction(s).

The above mentioned indicators can also be based on known money laundering typologies. Financial institutions are required under the FTR Act to know their customers in order to identify transactions that are appropriate and normal for a type of customer (Table 15).

**GRAPH 13 : ANALYSIS OF SUSPICIOUS TRANSACTIONS BY GEOGRAPHICAL LOCATION OF REPORTING INSTITUTIONS**



**TABLE 15: EXAMPLES OF REASONS FOR REPORTING TRANSACTIONS AS SUSPICIOUS**

|     |   |
|-----|---|
| 1.  | "Shareholders & directors of this particular local company were reported in FIU Alert Notice on the local company"  |
| 2.  | "Customer was reported on the World Check database as arrested in 2006 for possession of narcotics"   |
| 3.  | "Client claims that source of funds was from conversion of foreign cash and it was later established that conversion was not done at local commercial bank/money exchange dealer" |
| 4.  | "Client did a large cash deposit declaring source of funds as "horse-betting"   |
| 5.  | "Client refused to state the source of funds as per FIU requirement... deposited funds into his safe deposit box"   |
| 6.  | "Encashment of \$15,000.00 from bank account and later \$20,000.00 was deposited into account. Notes deposited were soiled and mutilated"   |
| 7.  | "US\$300,000 foreign cheque found to be counterfeit is provided by a law firm"  |
| 8.  | "Deposit of \$10,000 in \$20 bills and source of deposit is not disclosed...Customer is reportedly a registered money lender"   |
| 9.  | "Customer picks up cash from this particular FX Dealer and always states that funds are for 'taxi purchase' and always insists to pick cash over the counter"                     |
| 10. | "Source of funds said to be from another local commercial bank but cash smells like mothballs"  |
| 11. | "Client is a pastor and has opened a new term deposit account and also maintains several other banking facilities with local commercial bank"                                     |
| 12. | "Customer is a known drug dealer and source of funds said to be cash funds from a local securities & broking services providing company"  |
| 13. | "Previously reported individual did not give sufficient information and has been frequently sending funds to beneficiaries in South Africa"                                       |

## MONEY LAUNDERING TRENDS

### Emerging Trends

- ▶ Human trafficking and smuggling syndicates – In 2010, there was an increase in the number of human trafficking and smuggling syndicates detected in Fiji. In most cases, the victims pay money to agents based in their home country.
- ▶ Money mules – Fiji residents are being targeted for money mule operations whereby individuals as well as business entities would use their bank accounts to remit funds abroad that are usually linked to cyber crime activities or an attempted encashment of fraudulent financial instruments.

### Declining Trends

- ▶ Use of shell companies in Fiji – there has been a general decrease in the number of reported shell companies over the years.

### Continuing Trends

- ▶ Tax Evasion – the Fiji FIU continues to note STR cases for possible tax evasion such as the use of family members' (including minors) personal bank accounts to hide business proceeds.
- ▶ Local individuals continue to be victims of advance fee frauds. This type of scheme involves persuading individuals to send money as fees in the hope of realising a significantly larger gain.

## MONEY LAUNDERING CASES: SUCCESS STORIES FOR FIJI

### Defrauding Tax Authority Lands Fraudster for Money Laundering Charges

A scheme to defraud the local tax authority eventuated in 2003 that involved a local businessman who stated that he was the 'company director' of a holiday resort in Fiji. This resort was a "shelf company" set up to facilitate VAT refund cheques that had been fraudulently obtained by the 'company director' who was colluding with employees of the tax authority.

The 'company director' opened a bank account under the name of his resort company at one of the local commercial banks and used this account to deposit the forged VAT refund cheques totaling approximately \$270,000.

The commercial bank reported this as STRs to the FIU.

In 2010, the 'company director' was sentenced to one count of money laundering and two counts of causing payment of money by virtue of a forged instrument. A sum of \$85,000 that was still in the bank account was ordered by the Court to be returned to the tax authority.

This case is Fiji's second successful money laundering conviction under the Proceeds of Crime Act 1997.

### High Court orders "Non-Conviction based Civil Forfeiture on property of Money Launderers"

A syndicate of money launderers colluded to hide 'illegal funds' that were acquired in a fraudulent scheme involving the alteration of company cheques belonging to an island resort in Fiji.

The main suspect in the case was employed as an accounts clerk at the island resort. During his term of employment, he falsified 84 company cheques belonging to the island resort by altering the cheques to be payable to himself, a company owned by his accomplice and to his other associates.

One of the associates in the money laundering scheme was the clerk's sister who was a bank officer at the bank where the island resort's business account was maintained. She facilitated the deposits of the falsified cheques into the bank account of the suspect and the company owned by his accomplice and special answer requests for the cheques to be deposited into accounts maintained at other banks.

A total of approximately \$0.5 million was obtained and laundered through this fraudulent scheme.

The High Court ordered six motor vehicles, residential property and \$5,000 in a local bank account to be forfeited to the State as 'tainted property' obtained through this fraudulent scheme.

## CASH TRANSACTION REPORTS

Section 13(1) of the FTR Act and Section 25 of the FTR Regulations requires financial institutions to report to the FIU any cash transaction of \$10,000 and above. Cash includes coin or paper money; bank drafts, bank cheques, bearer bonds, travelers cheques, postal notes and money orders.

### Cash Transaction Report Form

**Fiji Financial Intelligence Unit**

**CASH TRANSACTION REPORT (CTR) \$10,000 OR MORE**

Please Complete in Ink and Capital Letters

Reporting of cash transactions is required by law under Section 13(1) of the FTR Act 2004 and Part 3 of the FTR Regulations.

For the purpose of CTR reporting, "Cash" means any coin or paper money that is designated as legal tender in the country of issue and includes bank drafts, bank cheques, bearer bonds, travellers' cheques, postal notes and money orders.

Failure to report or reporting false or misleading information may result in fines of up to \$30,000 or 5 years imprisonment or both or a fine of up to \$150,000 for a corporate body.

**PART A - IDENTITY OF PERSON CONDUCTING THE CASH TRANSACTION**

**1 Full Name** (Title, Given Names and Surname)

**2 Date of Birth**

**3 Occupation, Business or Principal Activity**

**4 Business address** (Physical and PO Box)

**5 Residential Address** (Cannot be a PO Box)

**6 Citizen of Fiji?**

Yes ☐ No ☐ Mark with a Tick ☒

**7 NON FIJI CITIZEN - Fiji Contact Address**

**8 Is this Person a Signatory to an Account(s) Affected by this Transaction?**

Yes ☐ No ☐ Mark with a Tick ☒

**Details of Account(s):**

(1) Account Title / Name:

Financial Institution: Branch / Office / Agency:

Account Number:

(2) Account Title / Name:

Financial Institution: Branch / Office / Agency:

Account Number:

**9 How was the identity of this person confirmed?**

(1) ID Type:

ID Number:

Issuer:

(2) ID Type:

ID Number:

Issuer:

**10 Is a Photocopy of ID Document/s Attached?**

Yes ☐ No ☐ Mark with a Tick ☒

If more than one person involved please provide same details contained in Sections 1-10 for each person, where appropriate, and attach.

Page 1 of 4 Form: CTR 2 - Schedule 1, FTR Regulation 24, (Jan 2008)

### Section 13(1) FTR Act

- 13 (1) A financial institution must, in the prescribed form and manner, report to the Unit any transaction of an amount in cash exceeding \$10,000 or such other amount as may be prescribed in the course of a single transaction (or its equivalent in foreign currency), unless the recipient and the sender in the transaction are financial institutions carrying on the business or activity set out in paragraph (a) of the Schedule.

### Section 25 FTR Regulations

- 25 (1) For the purposes of section 13(1) of the Act, a financial institution must report to the Unit any transactions of an amount in cash of \$10,000 and above or its equivalent in foreign currency except as provided for in sub regulations (2) and (3).
- (2) Pursuant to section 42(a) of the Act, a financial institution set out in sub regulation (3) need not report the following class of transactions of an amount in cash of \$10,000 and above or its equivalent in foreign currency;
- (a) transactions with established retail customers, as specified in writing by the Unit except transactions involving the selling of vehicles, vessels, farm machinery, aircraft, jewellery, or other high value commodities;
  - (b) transactions with Fiji government authorities;
  - (c) routine pay-roll transactions;
  - (d) transactions with other class or type of customers, as specified in writing by the Unit.
- (3) Sub regulation (2) applies to a financial institution carrying on a business or activity of:
- (a) banking;
  - (b) an insurer; or
  - (c) foreign exchange.
- (4) A financial institution must report transactions under sub regulation (1) in Form 2 as set out in the First Schedule – Cash Transaction Report (CTR).

## CASE STUDY

### SOLICITATION OF SECRET COMMISSION INTO FAMILY MEMBERS ACCOUNTS

The senior purchasing clerk of a Fiji company received kickbacks from overseas suppliers.

The FIU established that the kickbacks were sent into the personal bank account of the clerk's mother-in-law. The mother-in-law's bank account was also reported in a STR on the grounds that as a housewife she was receiving frequent and large telegraphic transfers from overseas companies.

Within two years, 20 inward international remittances totalling approximately \$86,000 were deposited into the mother-in-law's bank account. The FIU established that a number of these overseas companies were suppliers of merchant goods for the company where the clerk was employed. This is a criminal offence of 'secret commissions' under the Fiji Crimes Decree.

Offence:

- ▶ Secret Commission
- ▶ Fraud

Indicators:

- ▶ Customers profile is inconsistent with large cash deposits
- ▶ Use of family members' accounts
- ▶ "Back-to-back" withdrawals

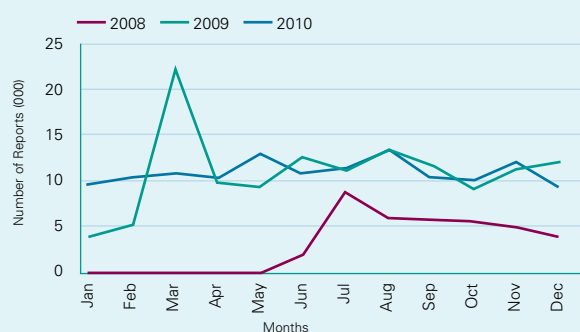
The FIU received 133,487 cash transaction reports (CTR) in 2010 or an average of around 11,000 CTRs per month (Table 16; Graph 14). This is an increase of one percent from 2009.

**TABLE 16: CASH TRANSACTIONS REPORTED**

| Month        | 2008               | 2009           | 2010           |
|--------------|--------------------|----------------|----------------|
| January      | 2,190 <sup>4</sup> | 4,209          | 10,040         |
| February     |                    | 5,236          | 10,576         |
| March        |                    | 22,112         | 10,814         |
| April        |                    | 9,678          | 10,366         |
| May          |                    | 9,476          | 13,013         |
| June         |                    | 12,654         | 10,935         |
| July         | 8,779              | 11,424         | 11,633         |
| August       | 5,994              | 13,408         | 13,400         |
| September    | 5,863              | 11,777         | 10,672         |
| October      | 5,607              | 9,309          | 10,159         |
| November     | 4,982              | 11,201         | 12,157         |
| December     | 4,136              | 12,063         | 9,722          |
| <b>TOTAL</b> | <b>37,551</b>      | <b>132,547</b> | <b>133,487</b> |

Source: Fiji FIU

**GRAPH 14: MONTHLY CASH TRANSACTION REPORTS**



Source: Fiji FIU

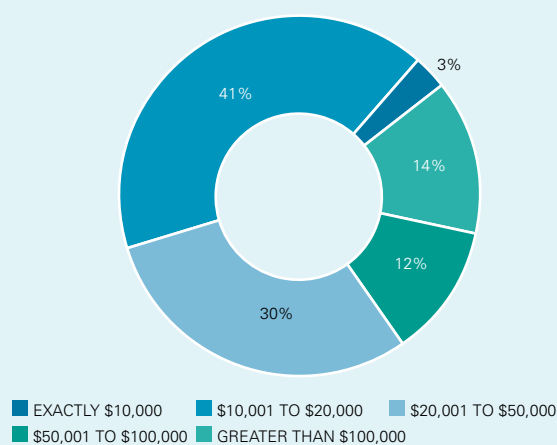
The CTR reporting requirement came into effect in January 2008. Some financial institutions were allowed time to

develop their IT systems to electronically report CTRs to the FIU. As a result, these financial institutions commenced full reporting of CTRs in 2009 and included submission of CTRs for 2008.

Although individual CTR transactions are not analysed manually, they are used as an important source of information in the FIU's analysis, investigation and profiling process. The CTR information also contributes to the FIU's electronic data mining and alert monitoring system.

The majority (74 percent) of CTRs received by the FIU were for cash transactions below \$50,000 (Graph 15).

**GRAPH 15: TRANSACTION VALUE OF CTRs**



Source: Fiji FIU

A large majority (99 percent) of the CTRs were reported on transactions involving Fiji currency. The majority (99 percent) of the total CTRs received during 2010 were reported by commercial banks (Table 17).

**TABLE 17: CASH TRANSACTIONS REPORTED BY SECTOR**

|                        | Banks   | FX Dealers | Finance Companies | Law Firms | Accounting Firms | Insurance & Superannuation | Securities | TOTAL          |
|------------------------|---------|------------|-------------------|-----------|------------------|----------------------------|------------|----------------|
| 2009                   | 130,965 | 214        | 915               | 67        | 2                | 366                        | 18         | <b>132,547</b> |
| 2010                   | 131,557 | 419        | 1,000             | 140       | 6                | 354                        | 11         | <b>133,487</b> |
| % of total CTRs (2010) | 99%     |            |                   | 1%        |                  |                            |            | 100%           |

Source: Fiji FIU

<sup>4</sup> There was sporadic reporting of CTRs during this period as this was the early stages of implementation of the CTR framework.



## ELECTRONIC FUND TRANSFER REPORTS

Section 13(2) of the FTR Act and Section 26 of the FTR Regulations requires financial institutions to report to the FIU all international electronic fund transfers.

### Electronic Fund Transfer Report Form

The FIU received 315,634 electronic fund transfer reports (EFTR) in 2010 or an average of around 26,000 per month (Table 18; Graph 16). This is an increase of four percent from 2009. There is no monetary threshold for EFTRs.

**TABLE 18: ELECTRONIC FUND TRANSFER TRANSACTIONS REPORTED**

| Month        | 2008          | 2009           | 2010           |
|--------------|---------------|----------------|----------------|
| January      |               | 19,307         | 25,974         |
| February     |               | 28,571         | 19,181         |
| March        | 3,055         | 21,725         | 24,881         |
| April        |               | 18,199         | 25,930         |
| May          |               | 26,937         | 28,191         |
| June         |               | 19,656         | 29,582         |
| July         | 9,413         | 30,876         | 25,710         |
| August       | 11,163        | 18,034         | 26,168         |
| September    | 12,282        | 19,243         | 19,973         |
| October      | 16,234        | 26,541         | 35,668         |
| November     | 24,771        | 51,624         | 28,842         |
| December     | 18,940        | 22,667         | 25,534         |
| <b>TOTAL</b> | <b>95,859</b> | <b>303,380</b> | <b>315,634</b> |

Source: Fiji FIU

### Section 13(2) FTR Act

- 13 (2) A financial institution that carries on the business or activity set out in paragraph (a) or (f) of the Schedule must report to the Unit in the prescribed form and manner –
- the sending out of the Fiji Islands at the request of a customer of any electronic funds transfer exceeding \$10,000, or any other prescribed amount (or its equivalent in foreign currency), in the course of a single transaction;
  - the receipt from outside the Fiji Islands of an electronic funds transfer, sent at the request of a customer, of an amount exceeding \$10,000 or any other prescribed amount (or its equivalent in foreign currency), in the course of a single transaction.

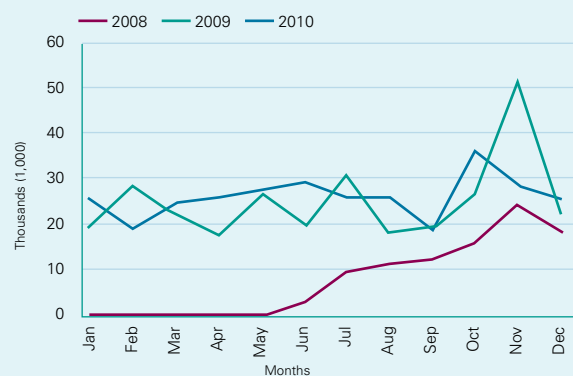
### Section 26 FTR Regulations

- 26 (1) For the purposes of section 13(2) of the Act, a financial institution that carries on the business or activity set out in paragraph (a) or (f) of the Schedule to the Act must report to the Unit –
- the sending out of the Fiji Islands, at the request of a customer, any electronic funds transfer;
  - the receipt from outside the Fiji Islands of any electronic funds transfer, sent at the request of a customer.
- (2) A financial institution must report transfers under sub regulation (1) in Form 3 as set out in the First Schedule –Electronic Funds Transfer Transaction Report (EFTR).

The EFTR reporting requirement came into effect in January 2008. Some financial institutions were allowed time to develop their IT systems to electronically report EFTRs to the FIU. As a result, these financial institutions commenced full reporting of EFTRs in 2009 and included submission of EFTRs for 2008.

Although individual EFTR transactions are not analysed manually, they are used as an important source of information in the FIU's analysis, investigation and profiling process. The EFTR information also contributes to the FIU's electronic data mining and alert monitoring system.

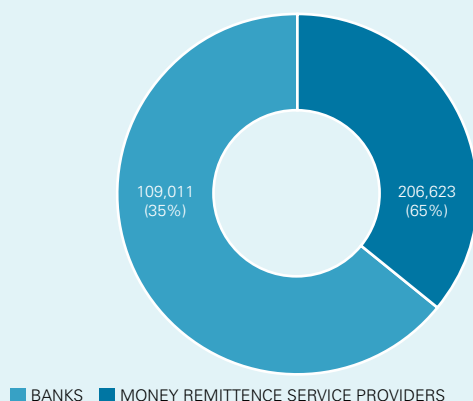
**GRAPH 16: MONTHLY ELECTRONIC FUND TRANSFER REPORTS**



Source: Fiji FIU

The FIU receives EFTRs from the commercial banks and money remittance service providers. The majority of EFTRs (65 percent) received during 2010 were from the banking sector (Graph 17).

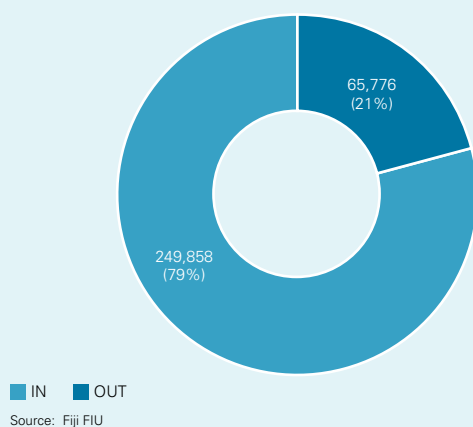
**GRAPH 17: EFTRS RECEIVED BY SECTOR**



Source: Fiji FIU

EFTRs may involve remittances into Fiji (inward) or remittances out of Fiji (outward). Majority (79 percent) of EFTRs received during 2010 were for inward remittances (Graph 18).

**GRAPH 18: DIRECTION OF EFTRS RECEIVED**



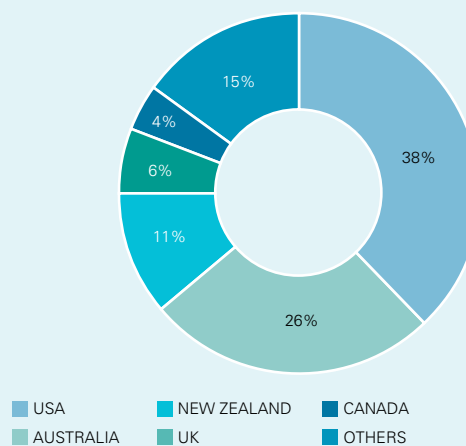
Source: Fiji FIU

Inward and outward international remittance transactions reported to the FIU involved the following five major countries: USA, Australia, New Zealand, United Kingdom (UK) and Canada (Graph 19-20).

Other countries included Afghanistan, American Samoa, Anguilla, Argentina, Austria, Bahrain, Bangladesh, Barbados, Belgium, Benin, Bermuda, Bhutan, Bolivia, Bosnia Herzegovina, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Cayman Islands, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic,

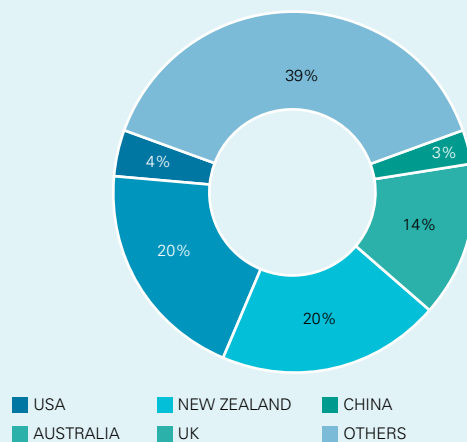
Denmark, Ecuador, Egypt, Estonia, Ethiopia, Finland, France, French Polynesia, Gambia, Georgia, Germany, Gibraltar, Greece, Grenada, Guam, Guatemala, Guernsey, Guinea, Haiti, Hong Kong, Hungary, India, Indonesia, Iraq, Ireland, Isle of Man, Israel, Italy, Jamaica, Japan, Jersey, Jordan, Kenya, Kiribati, Korea, Kuwait, Latvia, Lebanon, Liberia, Luxembourg, Macau, Madagascar, Malaysia, Maldives, Malta, Marshall Islands, Mexico, Monaco, Mozambique, Nepal, Netherlands, New Caledonia, Niger, Nigeria, Niue, Norway, Oman, Pakistan, Panama, Philippines, Papua New Guinea, Poland, Portugal, Romania, Russian Federation, Samoa, Saudi Arabia, Sierra Leone, Singapore, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Tonga, Trinidad Tobago, Turkey, Tuvalu, UAE, Uganda, Ukraine, Uruguay, Vanuatu, Vatican City state and Vietnam.

**GRAPH 19: EFTRS: COUNTRIES INVOLVED IN INWARD REMITTANCES TO FIJI**



Source: Fiji FIU

**GRAPH 20 - EFTRS: - COUNTRIES INVOLVED IN OUTWARD REMITTANCES FROM FIJI**



Source: Fiji FIU

## BORDER CURRENCY REPORTS

All travelers into and out of Fiji are required to declare to Customs officials if they are carrying currency or negotiable bearer instruments of \$10,000.00 or more (or its equivalent in foreign currency).

Travelers are required to make a declaration in the first instance on the arrival or departure cards and then fill out a Border Currency Reporting (BCR) form available at all the entry and exit ports in Fiji. These BCRs are submitted by FRCA to the FIU for further analysis.

### Border Currency Report Form

**FIJI Revenue & Customs AUTHORITY**

**BORDER CURRENCY REPORT (BCR)**

**\$10,000 OR MORE**

**FijiFIU**  
Fiji Financial Intelligence Unit

**Complete this form if you are carrying \$10,000 or more in Currency**

Currency Reporting at the Border is required under section 32 (1) of the Financial Transactions Reporting Act 2004 and Part 6 of the FTR Regulations 2007. Complete this form if you are carrying currency or negotiable bearer instruments with a combined value of FJD10,000 or more or its equivalent in foreign currency. "Currency" means the cash of the Fiji Islands or of another country that is designated as legal tender and which is customarily used and accepted as a medium of exchange in the country of issue. "Negotiable Bearer Instrument" means a document representing ownership of debts or obligations, including bills of exchange, promissory notes, or certificates of deposit, whether made payable to the bearer or not. The term "currency" is used throughout this form and includes cash and negotiable bearer instruments.

**Criminal and civil penalties will apply under the Financial Transactions Reporting laws for failure to declare currency or for providing false or misleading information.**

### Section 32(1) FTR Act

- 32 (1) Any person who leaves or arrives in the Fiji Islands with more than \$10,000.00, or such other amount as may be prescribed, in currency or negotiable bearer instruments on his or her person or in his or her baggage without first having reported the fact to the Fiji Islands Revenue & Customs Authority commits an offence and is liable upon conviction to a fine not exceeding \$60,000.00 or imprisonment for a term not exceeding 10 years or both.

### Section 39 (1) FTR Regulations

- 39 (1) For the purpose of section 32(1) of the Act, a person who departs or arrives in the Fiji Islands with \$10,000 and above in currency or negotiable bearer instruments on his or her person or in his or her baggage must be-
- (a) declared in the first instance on the Fiji Islands arrival card or the Fiji Islands departure card; and
  - (b) reported to the Fiji Islands Revenue and Customs Authority in Form 4 set out in Schedule 1, and shall contain such details as are set in the form.

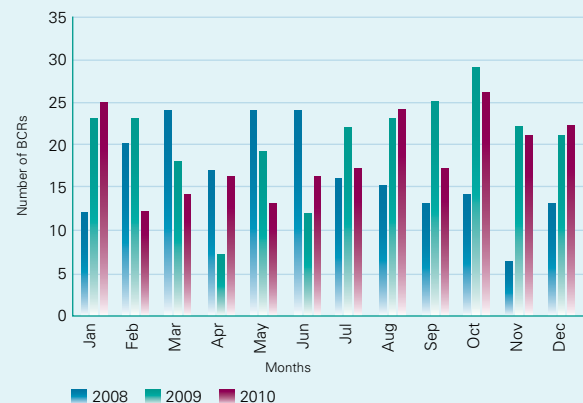
In 2010, 223 BCRs were submitted to the FIU compared to 244 BCRs in 2009 (Table 19; Graph 21).

**TABLE 19: BORDER CURRENCY REPORTS RECEIVED**

| Persons Declaring                       | 2008       | 2009       | 2010       |
|---|------------|------------|------------|
| Declarations made by inbound travelers  | 98         | 139        | 119        |
| Declarations made by outbound travelers | 100        | 105        | 104        |
| <b>Total</b>                            | <b>198</b> | <b>244</b> | <b>223</b> |

Source: FRCA & Fiji FIU

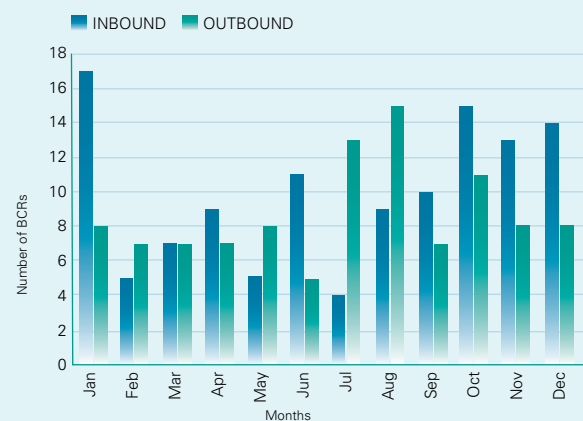
**GRAPH 21: COMPARISON OF DECLARATION MADE BY TRAVELERS BY MONTH**



Source: Fiji FIU

On average, there were more declarations made by inbound travelers compared to outbound travelers (Graph 22). This is primarily due to restrictions under the Exchange Control Act on export of currency.

**GRAPH 22: DECLARATION OF BORDER CURRENCY BY TRAVELERS IN 2010 BY DIRECTION OF MOVEMENT**



Source: Fiji FIU

## BCR CASE STUDY 1

An Asian national was found in possession of US\$9,500 in \$100 notes that was packed in a paper bag that was hidden inside his backpack when arrived in Fiji in a fishing boat. The traveler failed to declare the currency at the entry port upon his arrival. The border control officials were later advised that the funds were reportedly for payment for his workers as he owned the fishing boat in Fiji.

## BCR CASE STUDY 2

An employee of a hardware company in Fiji departed for a Pacific Island country carrying FJ\$30,000.00 cash with him. He did not obtain any Exchange Control approval from the Reserve Bank of Fiji and did not declare the cash at Nadi International Airport when he departed Fiji. However, on arrival at the Pacific island country destination, customs officers discovered the FJ\$30,000 currency.

The total value of currency declared by travelers in the BCRs in 2010 was \$7.9 million compared to \$8.0 million in 2009 (Table 20).

**TABLE 20: VALUE OF BORDER CURRENCY REPORTS RECEIVED**

| Persons Declaring          | Value of Currency Declared (F\$ million) |            |            |
|----------------------------|--|------------|------------|
|                            | 2008                                     | 2009       | 2010       |
| Travelers Arriving in Fiji | 3.4                                      | 4.2        | 3.9        |
| Travelers Departing Fiji   | 3.8                                      | 3.8        | 4.0        |
| <b>Total</b>               | <b>7.2</b>                               | <b>8.0</b> | <b>7.9</b> |

Source: FRCA & Fiji FIU

Failure to declare currency at the border is an offence under the FTR Act. If convicted, a person is liable to a fine of up to \$60,000 or imprisonment of a maximum of 10 years or both.

## CASE DISSEMINATION REPORTS TO LAW ENFORCEMENT AGENCIES

The FIU analyses financial transaction information received from financial institutions and develops intelligence. The FIU then disseminates the appropriate intelligence to relevant law enforcement agencies for their formal investigations. These investigations may be linked to suspected proceeds of crime, money laundering and other serious offences.



### BORDER CURRENCY REPORTING & EXCHANGE CONTROL REQUIREMENTS



| ACTIONS REQUIRED BY A PERSON WHO IS TRAVELLING OUT OF FIJI  | Obtain Approval from Reserve Bank of Fiji | Declare YES on the Departure Card | Fill Out a BCR Form |
|---|---|-----------------------------------|---------------------|
| IF Departing Traveller is Carrying:   |   |                                   |                     |
| <b>F\$10,000 or more OR its equivalent in Foreign Currency.</b><br>(E.g. approx. amount of F\$10,000: US\$5,500; A\$5,300; NZ\$7,200; JP¥466,000; EU€3,900]. Exchange Rate: Apr 2011  | ✓   | ✓                                 | ✓                   |
| <b>F\$5,000 – F\$9,999 OR its equivalent in Foreign Currency.</b><br>(E.g. approx. amount of F\$5,000: US\$2,750; A\$2,650; NZ\$3,600; JP¥233,000; EU€1,950]. Exchange Rate: Apr 2011 | ✓   | ✗                                 | ✗                   |
| <b>F\$500 or more</b>   | ✓   | ✗                                 | ✗                   |

Travellers must purchase foreign currency only from Commercial Banks or Licensed Foreign Exchange Dealers. Last page of Fiji passports must be endorsed by the Commercial Bank or Licensed Foreign Exchange Dealer with the amount of foreign currency purchased. Foreign passport holders must carry a RBF Form TF issued by Commercial Bank or Licensed Foreign Exchange Dealer showing the amount of foreign currency purchased.

Outbound travellers including emigrants are only allowed to carry Fiji currency notes up to \$500 and foreign currency notes up to the equivalent of F\$5,000 (inclusive of any Fiji currency notes). Travellers can bring any amount of foreign currency into Fiji since there is no restriction by the RBF on import of foreign currency into Fiji. However, travellers must deposit or exchange foreign currency with Commercial Banks or Licensed Foreign Exchange Dealers within one month from date of arrival.

Travellers are required to Declare on Departure Card AND complete the BCR Form if they are carrying currency or negotiable bearer instruments with a combined value of FJD10,000 or more or its equivalent in foreign currency. "Currency" means the cash of the Fiji Islands or of another country. "Negotiable Bearer Instrument" includes, bills of exchange, promissory notes, or certificates of deposit, negotiable drafts, whether made payable to the bearer or not.

FIU intelligence is reported to the law enforcement agencies using a confidential document called a “Case Dissemination Report” (CDR).

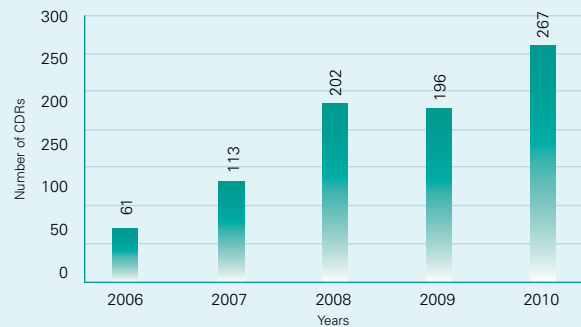
Case dissemination reports refer to the case reports developed from STRs that are disseminated to law enforcement agencies for their further investigations.

In 2010, 267 CDRs were referred to law enforcement agencies compared to 196 CDRs in 2009 (Table 21: Graph 23).<sup>5</sup> The CDRs were developed from STRs received in 2010 and prior to 2010. In some cases, a CDR is disseminated to more than one law enforcement agency.

As in previous years, majority (50 percent) of the CDRs in 2010 were disseminated to FRCA. The number of CDRs that were sent to the Fiji Police Force also increased in 2010. Intelligence that is developed from a single STR is sent in some instances to more than one law enforcement agency as it may involve suspected violations of various laws.

The FIU also, after detailed analysis, filed away 194 STRs during 2010 for future intelligence references. STRs are filed away for future intelligence references and analysis, if after analysis and intelligence gathering, the FIU is able to

**GRAPH 23: CASE DISSEMINATION REPORTS - 2006-2010**



Source: Fiji FIU

reasonably conclude that the transaction or information does not involve a money laundering or other serious offence.

## ADVICE TO FINANCIAL INSTITUTIONS

### Alert Notices to Financial Institutions

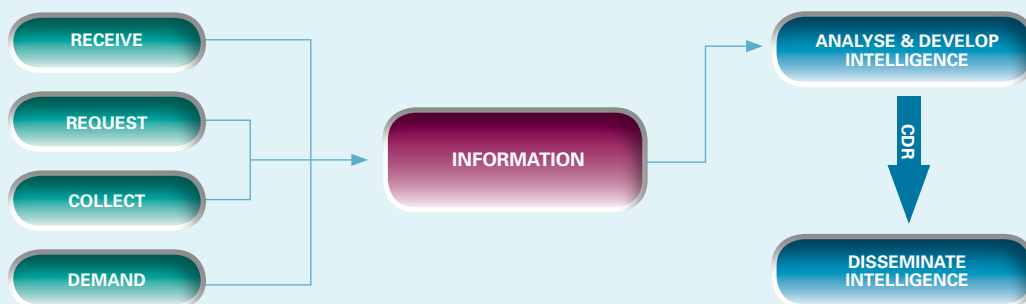
The FIU issues Alert Notices to financial institutions, in order to protect the financial system from being used by adversely reported individuals and business entities. An Alert Notice contains information on adversely reported individuals and/or business entities that require enhanced due diligence and scrutiny by financial institutions.

**TABLE 21: CASE DISSEMINATION REPORTS TO LAW ENFORCEMENT AGENCIES**

| Law Enforcement Agency & Reason for Dissemination  | 2006      | 2007       | 2008       | 2009       | 2010       |
|--|-----------|------------|------------|------------|------------|
| <b>FRCA - Inland Revenue Services</b>  |           |            |            |            |            |
| Possible violations under the Income Tax Act and VAT Decree.   | 14        | 60         | 131        | 143        | 125        |
| <b>Fiji Police Force</b>   |           |            |            |            |            |
| Possible violations under the Proceeds of Crime Act and serious offences under the Crimes Decree.                                      | 12        | 12         | 25         | 37         | 44         |
| <b>Immigration Department</b>  |           |            |            |            |            |
| Possible violations under the Immigration Act and Passport Act.  | 15        | 20         | 7          | 3          | 1          |
| <b>FRCA-Customs Division</b>   |           |            |            |            |            |
| Possible violations under the Customs Act.   | 0         | 0          | 4          | 2          | 0          |
| <b>Transnational Crime Unit</b>  |           |            |            |            |            |
| Possible criminal involvement of foreign individuals and business entities; involvement of regional or international organised crimes. | -         | -          | 26         | 7          | 83         |
| <b>Others <sup>6</sup></b>   |           |            |            |            |            |
| <b>RBF</b>   | 20        | 21         | 9          | 4          | 14         |
| Possible violations under the Exchange Control Act.  |           |            |            |            |            |
| <b>Foreign LEAs</b>  |           |            |            |            |            |
| <b>Total</b>   | <b>61</b> | <b>113</b> | <b>202</b> | <b>196</b> | <b>267</b> |

Source: Fiji FIU

### FIU'S INTELLIGENCE DEVELOPMENT PROCESS



<sup>5</sup> Due to strict confidentiality requirements, this annual report does not discuss details of cases being investigated or prosecuted as a result of the FIU's intelligence. Cases that involved proceeds of crime that were subject to monitoring, restraining, confiscation or forfeiture orders as a result of FIU's intelligence are also not mentioned in this report.

<sup>6</sup> Other Law Enforcement Agencies include the Reserve Bank of Fiji and foreign law enforcement agencies.



Due to the sensitivity and confidentiality of the Alert Notice, financial institutions are advised to circulate the Alert Notices internally with caution.

There were seven such Alert Notices issued by the FIU in 2010. These involved 14 individuals and three entities.

The Alert Notices issued in 2010 related to use of counterfeit cheques in circulation, advance fee fraud activities and other fraudulent activities.

### Directives to Financial Institutions

The FIU has powers under Section 25 (1) (h) of the FTR Act to issue directives to financial institutions to take appropriate steps in relation to any information or report received by the Unit to enforce compliance with the Act or facilitate any investigation anticipated by the FIU or a law enforcement agency.

The FIU issued three such Directives in 2010 to financial institutions. These involved four local individuals who were subject to investigation by law enforcement agencies.

## INVESTIGATIVE ASSISTANCE

### Assistance Provided to Law Enforcement Agencies

The FIU provides investigative assistance to domestic and foreign law enforcement agencies. The request for assistance from the law enforcement agencies are received formally in writing and are related to investigations of suspected money laundering activities and other predicate offences such as forgery and fraud, drug trafficking/dealing, human trafficking, obtaining money by false pretences, larceny and corruption.

These requests can also be related to an investigation initiated by a FIU CDR disseminated to a law enforcement agency.

The FIU received a total of 147 such requests in 2010 compared to 76 requests in 2009 from local law enforcement agencies (such as the Fiji Police Force, Transnational Crime Unit and FRCA) and foreign FIUs.

The FIU also assists law enforcement agencies in their investigations by facilitating the process to trace and freeze suspected proceeds of crime and criminal funds that is suspected to be transacted or held within financial institutions and to also ensure that the funds are immediately secured while the formal investigations into the suspected criminal activity is underway.

During 2010, the FIU also worked closely with the RBF's Exports Proceeds Monitoring Unit to monitor and investigate possible violations by exporters under the Exchange Control Act.

### Request for Assistance from Foreign FIUs

The FIU receives requests for information from foreign FIUs. In 2010, the FIU received seven requests from foreign FIUs through the Egmont Group secure web network.

### Due Diligence

The FIU provides assistance to conduct background and due diligence checks on individuals and entities upon a request made in writing from a Government department or authority. Requesting agencies are required to fill out the FIU request form and provide relevant details on the individuals and businesses that are under scrutiny.

In 2010, the FIU received 43 requests for background and due diligence checks compared to 54 requests in 2009. These checks were conducted on 36 entities and 103 individuals <sup>7</sup> (Table 22).

TABLE 22: REQUESTS FOR BACKGROUND CHECKS FROM NATIONAL AGENCIES - 2010

| Requesting Agency                             | Number of Requests | Number of Checks on Entities | Number of Checks on Individuals |
|---|--------------------|------------------------------|---------------------------------|
| Attorney General's Office/Ministry of Justice | 3                  | 2                            | 10                              |
| Fiji National Provident Fund                  | 2                  | 1                            | 1                               |
| Fiji Trade and Investment Bureau              | 18                 | 20                           | 52                              |
| Reserve Bank of Fiji                          | 19                 | 12                           | 38                              |
| Others  | 1                  | 1                            | 2                               |
| <b>Total</b>                                  | <b>43</b>          | <b>36</b>                    | <b>103</b>                      |

Source: Fiji FIU

<sup>7</sup> A request for background check often includes names of more than one individual or entity.

## MONEY LAUNDERING PROSECUTIONS AND FORFEITURES

'Money laundering' is a criminal offence in Fiji as defined under the Proceeds of Crime (POC) Act 1997 and POC Amendment Act 2005. Fiji has two successful money laundering convictions since the enactment of these laws.

Fiji's first money laundering conviction was in 2005 when a foreign national colluded with a local to set up and operate a company in Fiji that was engaged in "advance fee fraud". A number of foreign nationals sent money to the company in Fiji supposedly as "insurance fee" for "unsecured loans". This case was first reported to the FIU as a STR by a local commercial bank.

The second money laundering conviction was in 2010. This case involved a local individual who defrauded the tax authority by forging VAT refund cheques.

At the end of 2010, a number of money laundering cases involving 16 individuals were before the Court (Table 23). One of these individuals is the local accomplice involved in Fiji's first money laundering conviction case.

The POC Act and the Amendment Act provides for the restraining and forfeiture of tainted assets.

In 2010, 3 restraining orders were granted compared to 1 in 2009. There was 1 forfeiture order granted in 2010 compared

to 2 in 2009. The case involving the forfeiture order granted in 2010 was initially reported to the FIU as STRs from two commercial banks. The Fiji Police Force and the Office of the Director of Public Prosecutions are to be commended for successfully obtaining this forfeiture order as a non-conviction based (civil) forfeiture (Table 24).

## FIJ FIU'S INFORMATION MANAGEMENT SYSTEM ONLINE

As at the end of 2010, 66 financial institutions had registered on FFIMSO which is the FIU's information management system. FFIMSO allows these registered institutions to report their transactions (STR; CTR; EFTR) electronically to the FIU on-line (Table 25).

**TABLE 25: FINANCIAL INSTITUTIONS REGISTERED ON FFIMSO**

| Sector                     | Number of Reporting Entities Registered for On-Line Reporting |
|----------------------------|---|
| Banks                      | 5   |
| Foreign Exchange Dealers   | 7   |
| Finance Companies          | 12  |
| Law Firms                  | 23  |
| Insurance & Superannuation | 8   |
| Accountants                | 6   |
| Securities and Brokers     | 1   |
| Others                     | 4   |
| <b>Total</b>               | <b>66</b>   |

Source: Fiji FIU

**TABLE 23: MONEY LAUNDERING PROSECUTIONS AND CONVICTIONS**

| Year | Number of Money Laundering Prosecutions (persons charged and awaiting trials) | Predicate Offences to Money Laundering  | Number of Money Laundering Convictions |
|------|---|---|--|
| 2009 | 10  | <ul style="list-style-type: none"> <li>► Forgery</li> <li>► Causing payment of money by virtue of forged documents</li> <li>► Uttering forged documents</li> <li>► Possession of illicit drugs</li> <li>► Cultivation of illicit drugs</li> <li>► Larceny by servant</li> </ul> | 0                                      |
| 2010 | 5   | <ul style="list-style-type: none"> <li>► Tax evasion</li> <li>► Corruptly obtaining money</li> <li>► Illegal importation of illicit drugs</li> <li>► Conversion</li> </ul>  | 1                                      |

Source: Fiji Police Force (Anti-Money Laundering Unit), Office of the Director of Public Prosecutions and Fiji FIU

**TABLE 24: RESTRAINING ORDERS AND FORFEITURE ORDERS**

| Year | Number of Restraining Orders | Number of Forfeiture Orders | Serious Offences   | Nature of Assets (Tainted Property)  |
|------|------------------------------|-----------------------------|--|--|
| 2009 | 1                            | 2                           | <ul style="list-style-type: none"> <li>► Robbery</li> <li>► Larceny</li> <li>► Bribery</li> </ul>  | 1 Motor vehicle, Cash (approximately \$69,000), Computer hardware, Jewellery, Furniture, Home appliances, Beddings, Paintings, Timber posts, Shipping container. |
| 2010 | 3                            | 1 (civil forfeiture)        | <ul style="list-style-type: none"> <li>► Misappropriation of funds</li> <li>► Forgery</li> <li>► Causing payment of money by virtue of forged documents</li> <li>► Money laundering</li> <li>► Illegal importation of illicit drugs</li> </ul> | 7 Motor vehicles, 1 Boat, Playstation, Computer hardware, 1 Residential property, Cash (approximately \$16,000).   |

Source: Fiji Police Force (Anti-Money Laundering Unit), Office of the Director of Public Prosecutions and Fiji FIU

The majority (70 percent) of the reports submitted on FFIMSO are EFTRs. FFIMSO received an average of 35,000 financial transaction reports per month in 2010 and 2009 (Table 26). As at the end of 2010, the FFIMSO database had received 1,021,123 financial transaction reports submitted by financial institutions since going live in 2008.

**TABLE 26: AVERAGE NUMBER OF REPORTS RECEIVED MONTHLY ON FFIMSO**

| Year | STR | EFTR   | CTR    | Monthly Total Average |
|------|-----|--------|--------|-----------------------|
| 2008 | 21  | 12,424 | 5,293  | 17,738                |
| 2009 | 60  | 24,776 | 10,631 | 35,467                |
| 2010 | 75  | 24,587 | 10,427 | 35,089                |

Source: Fiji FIU

FFIMSO is also used by FIU staff as a back-end enquiry system to manage the large volume of financial transaction reports received from financial institutions. During 2010, the FIU continued to use FFIMSO in its intelligence processes.

#### FFIMSO 1,000,000th Report

FFIMSO recorded its 1,000,000th financial transaction report on 10 December 2010. This was another milestone for the Fiji FIU.

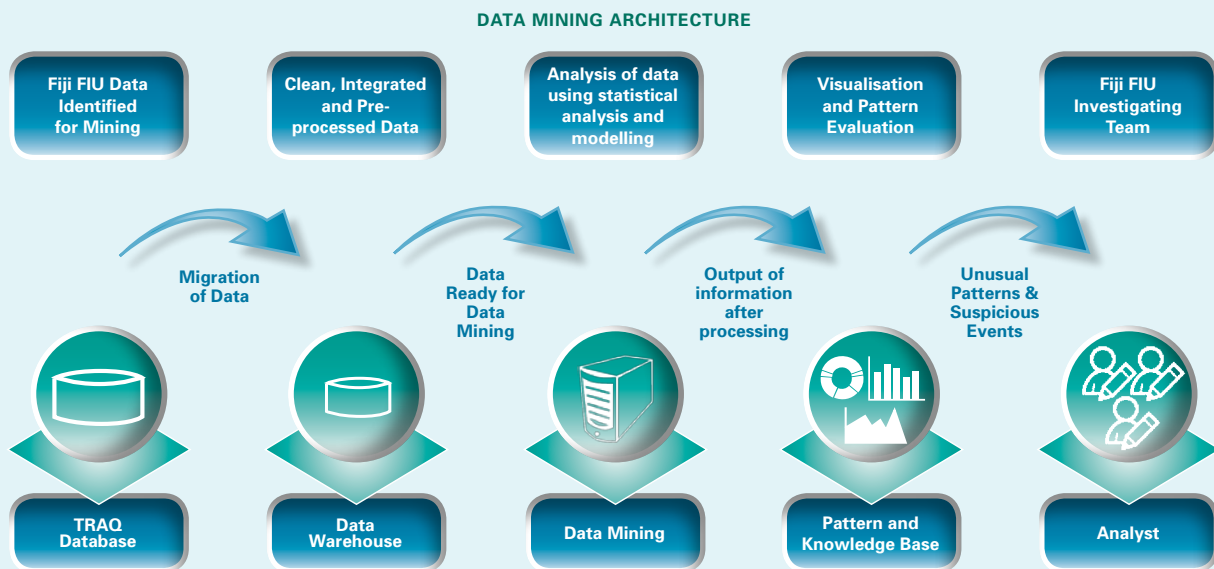
#### FFIMSO Data Mining Project

In 2010, the FIU adopted a new process of analyzing data called “data mining”. Data mining is the process of analyzing large volumes of data through statistical analysis and modeling to look for trends and hidden patterns of unknown suspected money laundering and fraudulent activities (Table 27).

**TABLE 27: LIST OF REPORTABLE FIELDS**

| STR  | CTR   | EFTR                                     | BCR  |
|--|---|--|--|
| Details of Person under suspicion  |   | Details of transaction                   | Details of travel                                |
| 1. Full name   | 1. Full name                                    | 1. Total amount (FJD)                    | 1. Cash direction                                |
| 2. Date of birth   | 2. Date of birth                                | 2. Date of transaction                   | 2. Date of arrival/departure                     |
| 3. Occupation  | 3. Occupation                                   | 3. Date funds available                  | 3. Flight number                                 |
| 4. Business address  | 4. Business address                             | 4. Cash direction                        | 4. Destination of flight                         |
| 5. Residential address   | 5. Residential address                          | 5. Transaction reference number          | 5. Final destination                             |
| 6. Citizen of Fiji   | 6. Citizen of Fiji                              | 6. Sending institution details           | Details of person carrying currency              |
| 7. Non Fiji citizen address  | 7. Non Fiji citizen address                     | 7. Receiving institution details         |  |
| 8. Details of account  | 8. Details of account                           | 8. Foreign amount                        | 6. Full name                                     |
| 9. How was the identity of the person confirmed                              | 9. How was the identity of the person confirmed | Involved party details                   | 7. Date of birth                                 |
| 10. If photocopy of ID documents attached?                                   | 10. If photocopy of ID documents attached?      |  | 9. Ordering customer details                     |
| Details of person/Organisation on whose behalf the transaction was conducted |   | 10. Ordering customer account details    | 9. Non Fiji citizen address                      |
|  |   | 11. Beneficiary customer details         | 10. Passport number                              |
|  |   | 12. Beneficiary customer account details | 11. Country of issue                             |
|  |   | 13. Person identified to receive payment | 12. Residential address                          |
| 11. Full name  | 11. Full name                                   | Additional payment details               | 13. Occupation                                   |
| 12. Occupation   | 12. Occupation                                  |  | 14. Reason for visit                             |
| 13. Business address   | 13. Business address                            | 14. Details of payment                   | 15. Details of currency                          |
| 14. Residential address  | 14. Residential address                         | 15. Sender to receiver information       | 16. Carrying currency on your own behalf         |
| 15. Details of account   | 15. Details of account                          | 16. Carrying currency on your own behalf | Details of person on whose behalf you are acting |
| Details of transaction   |   | 17. Receiver's correspondent             |  |
| 16. Type of transaction  | 16. Date of transaction                         | 18. Sender's correspondent               | Reporting Financial Institution                  |
| 17. Date of transaction  | 17. Cash direction                              | Reporting Financial Institution          |  |
| 18. Transaction description  | 18. Total amount (FJD)                          |  |  |
| 19. Total amount (FJD)   | 19. Foreign amount                              | 19. Type of FI                           |  |
| 20. Foreign amount   | 20. Type of transaction                         | 20. Full name                            |  |
| 21. Instrument details   | 21. Transaction description                     | 21. Branch                               |  |
| 22. Other FI involvement   | 22. Instrument details                          | 22. Business address                     |  |
| 23. Other FI accounts  | 23. Other FI involvement                        |  |  |
| Details of the recipients  | 24. Other FI accounts                           |  |  |
| 24. Full name  | Details of the recipients                       |  |  |
| 25. Occupation   | 25. Full name                                   |  |  |
| 26. Business address   | 26. Business address                            |  |  |
| 27. Residential address  | 27. Residential address                         |  |  |
| 28. Details of account   | 28. Occupation                                  |  |  |
| 29. Grounds for suspicion  | 29. Details of account                          |  |  |
| 30. Any additional information   | 30. Any additional information                  |  |  |
| Reporting Financial Institution  |   |  |  |
| 31. Type of FI   | 31. Type of FI                                  |  |  |
| 32. Full name  | 32. Full name                                   |  |  |
| 33. Branch   | 33. Branch                                      |  |  |
| 34. Business address   | 34. Business address                            |  |  |

Source: Fiji FIU



Comprehensive reports are generated when a certain suspicious indicator is triggered on the FFIMSO database and an alert is created for further action. This is achieved through the FIU's alert and monitoring system which is a proactive approach for data analysis. Every report submitted is closely monitored and necessary actions are taken when there are reasonable grounds for suspicion.

Some of the areas identified through this project are structuring of transactions and non-compliance issues by financial institutions. Structuring of transactions occurs when multiple transactions are conducted by a customer over a short period of time to avoid the reporting threshold. The transaction reports submitted to FIU is also analysed for non-compliance issues. This is to improve the quality of reports submitted by financial institutions to FIU.

The screenshot shows a login interface with the title 'Sign in to ODDS'. It includes input fields for 'FI Code', 'User Id', and 'Password', followed by a 'Login' button. Below the login fields are links for 'Need a user id?' and 'Forgotten your password?'. At the bottom, there is a link for 'Privacy Statement' and a note 'ABOUT SSL CERTIFICATES'.

"Log in" Page for FFIMSO Online Reporting

## CASE STUDY

### COLLUSION TO FRAUDULENTLY DIVERT GOVERNMENT FUNDS: CORRUPTION SCENARIO

FIU received a STR on a clerk at one of the local government department who was colluding with an employee of a commercial bank. The intention of both parties was to collude with each other to commit fraud by "pocketing" local government revenue for service provided to the commercial bank.

A customer of the bank would be required to pay a service fee for database service report to the local government department.

The employee of the bank would collect the service fee from the customer and deposit it into the clerk's personal bank account. The clerk would provide the database service report to the bank employee and immediately withdraw the service fee from his personal bank account and use the money personally.

Between January 2006 and May 2010, 440 transactions totalling over \$25,000.00 was fraudulently credited to the clerk's personal bank account for the payment of service fee for database checks at the government department.

#### Offence:

- ▶ Fraud
- ▶ Corruption

#### Indicators:

- ▶ Customers' profile is inconsistent with large cash deposits
- ▶ "Back-to-back" withdrawals at a local commercial bank

# Mission 4

Provide timely and  
quality information  
and advice to our  
stakeholders.

# PROVIDE TIMELY AND QUALITY INFORMATION TO STAKEHOLDERS

## FINANCIAL INSTITUTIONS AND INDUSTRY GROUPS

In 2010, the FIU disseminated information to financial institutions through meetings, formal notifications, policy advisories, statistical reports and training presentations. Regular meetings were held with individual financial institutions, as and when needed, to discuss and communicate AML policy requirements.

The FIU held 5 AML Compliance Officers' Forum aimed at briefing compliance officers on key policy issues and developments (Table 28).

**TABLE 28: AML COMPLIANCE OFFICERS FORUMS - 2009**

| Month    | Sector                                     | Issues Discussed  |
|----------|--|---|
| March    | Insurance                                  | ▶ customer identification and verification requirements   |
| October  | Banks                                      |   |
|          | Finance Companies                          |   |
| November | Accounting Firms                           | ▶ identification and reporting of suspicious transactions |
|          | Law Firms                                  |   |
|          | Foreign Exchange Dealers & Money Remitters | ▶ AML training issues                                     |
|          | Securities                                 |   |

Source: Fiji FIU

The FIU provided relevant information to industry groups through its participation at RBF coordinated forums with the Association of Banks in Fiji (ABIF), Finance Companies Association and Foreign Exchange Dealers Association (Table 29).

**TABLE 29: RBF AND INDUSTRY FORUM ATTENDED BY FIU - 2010**

| Forum                                | Date of Meeting     |
|--------------------------------------|---------------------|
| ABIF                                 | 24 March            |
| Finance Companies Association        | 10 March; 13 May    |
| Foreign Exchange Dealers Association | 18 March; 18 August |

Source: Fiji FIU

## GOVERNMENT AGENCIES

The FIU is a member of various government Committees namely the National AML Council, the three AML Working Groups; CTOG; EPMU Inter-Agency Committee and the E-Money Taskforce. The FIU provided information and advice on AML matters through the meetings of these Committees in 2010.

Throughout 2010, the FIU also provided written updates and advice on AML issues and developments to a number of government agencies as requested or when necessary.

The FIU also provides advice to the RBF on AML compliance issues when required and through the AML Supervisors/Regulators Working Group.

## PUBLIC AWARENESS

The FIU provided information to members of public on AML issues and initiatives during 2010 through its website, media interviews, formal press releases and annual publications, in particular the FIU Annual Report and RBF Annual Report and Quarterly Review.

## INTERNATIONAL COMMUNITY

During the year, the FIU also liaised with various international agencies, providing them with information and advice on the AML framework and developments in Fiji.

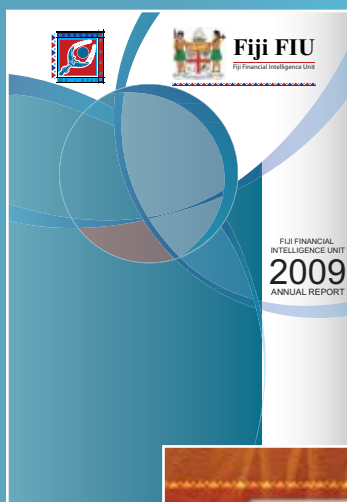
The Annual APG Plenary in 2010 was a key forum for updating the APG and the international community on major AML initiatives for the year and the progress made by Fiji in meeting the international AML standards. The FIU also provided regular updates to the Egmont Group on AML issues and developments in Fiji during the year. The following reports were prepared and submitted to the international organisations:

**TABLE 30: REPORTS TO INTERNATIONAL ORGANISATIONS**

| Report                                 | Organisation |
|--|--------------|
| Fiji Country Report                    | APG          |
| Technical Assistance Matrix            | APG          |
| Fiji Mutual Evaluation Progress Report | APG          |
| FIU Updates                            | Egmont Group |

Source: Fiji FIU

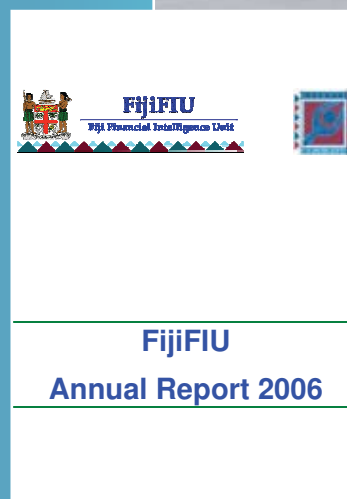




Media articles on related AML issues



FIU annual publications



# Mission 5

Develop and utilise  
skilled staff.

## DEVELOP AND UTILISE SKILLED STAFF

### PROFESSIONAL DEVELOPMENT OF STAFF

Continuing professional development of FIU staff was achieved through a combination of formal trainings, participation at technical forums, regular on-the-job training and six-monthly performance appraisals and performance feedback (Table 31).

FIU staff were the first students to enroll for the CBT money laundering and investigative courses provided at the National AML Learning Centre. Six staff completed the money laundering CBT course during the year.



FIU staff undertaking courses at the National AML Learning Centre. From front to back: A. Raman; L. Kubuabola; S. Naicegucegu; E. Rokobuli

**TABLE 31: TRAININGS, CONVENTIONS - 2010**

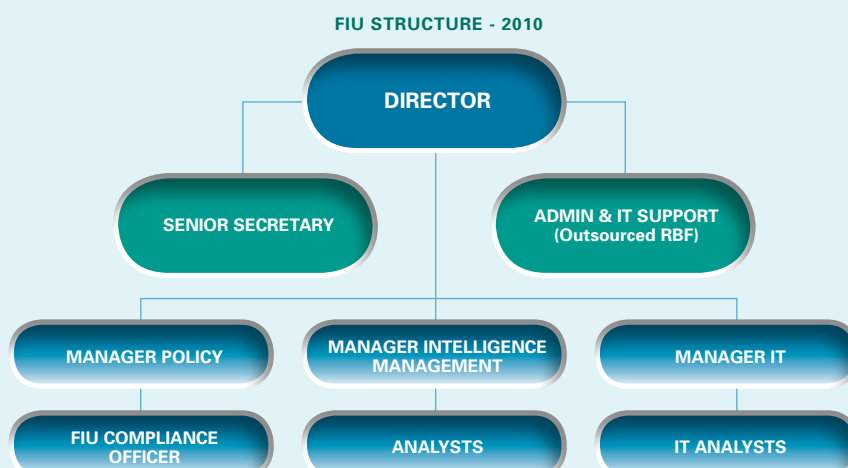
| Date           | Trainings & Conventions                                       | Funding  |
|----------------|---|--|
| 22-26 February | Proceeds of Environmental Crime Workshop                      | Australian Transaction Reports and Analysis Centre (AUSTRAC) ; AMLAT; University of Wollongong |
| 7-9, 12 April  | TRIM Training   | FIU budget   |
| 19-21 May      | Proceeds of Crime & Money Laundering Workshop                 | FIU budget   |
| 21-23 June     | AUSTRAC Conference on AML/CFT Leadership                      | AUSTRAC  |
| 3-5 August     | AFI Pacific Islands Central Banks Working Group Workshop      | FIU budget   |
| 4-8 October    | Egmont Group/World Bank Tactical Analysis Course              | Canadian Government; World Bank  |
| 7 October      | National AML Conference                                       | FIU budget   |
| 23 October     | Fiji Institute of Bankers Convention                          | FIU budget   |
| 16-20 November | Strategic Implementation Planning Framework Regional Workshop | APG  |
| 23 November    | Funds Management & Valuation Workshop                         | FIU budget   |

Source: Fiji FIU

### STRUCTURE OF THE FIU

At the end of 2010, the FIU had eight permanent staff and two staff on secondment from partner agencies (Fiji Police Force and FRCA). This is an increase of one permanent staff

from 2009. The FIU also has one place for a trainee worker from a local tertiary institution as part of the RBF's on-going on-the-job program for local tertiary institutions. In 2010, three trainee workers were engaged with the FIU on three month attachment programs.



Source: Fiji FIU

## ADMINISTRATION AND FUNDING

### FUNDING & EXPENDITURE

The FIU continued to receive funding support from the RBF in 2010. The FIU's total expenditure for 2010 was \$561,052 compared to \$589,310 in 2009. This is a decrease of four percent from 2009 (Table 32). The 2010 expenditure of the FIU is incorporated into the 2010 financial statements of the RBF and is audited as part of its 2010 annual accounts.

The RBF also provided other administrative support services to the FIU in 2010 in the areas of human resource management, information technology services, security services, accounting and other general administrative services.

TABLE 32: FIU FUNDING & EXPENDITURE

|                                    | 2008             | 2009             | 2010             |
|------------------------------------|------------------|------------------|------------------|
| Operating Expenditure <sup>8</sup> | \$440,926        | \$586,246        | \$525,437        |
| Capital Expenditure                | -                | \$3,064          | \$35,615         |
| <b>TOTAL</b>                       | <b>\$440,926</b> | <b>\$589,310</b> | <b>\$561,052</b> |

Source: Reserve Bank of Fiji

### INDIRECT ASSISTANCE

The FIU received indirect funding assistance from FRCA and the Fiji Police Force through the secondment of their staff with the FIU in 2010. The salaries of these seconded officers were fully funded by their respective agencies.

Technical assistance was also received from the UNODC during the year for the set up of the National AML Learning Centre at the FIU office. The Centre's computer hardware was fully funded by the British High Commission Office in Suva.

The FIU also received funding assistance from AUSTAC, the Egmont Group and the World Bank in 2010 to send staff to various technical AML/CFT trainings (Table 31).

The FIU acknowledges the support and assistance provided by these partner and donor agencies in 2010.

# Jail for tax scam

By SHALVEEN CHAND

THE High Court in Suva has implicated a joint enterprise in a tax scam between Fiji Islands Revenue and Customs Authority staff and a man who was sentenced to two years in jail for laundering more than \$200,000 of taxpayers' money.

Salendra Sen Sinha, 34, was convicted of two counts of causing payment of money by virtue of forged instrument and one count of money laundering.

Justice Daniel Goundar in a ruling stated that the only inference that can be drawn is that the cheques were forged by someone inside Fiji Islands Revenue and Customs Authority and then given to the accused as part of a conspiracy.

Sinha created a shell company called Honeymoon Beach Resort and received two cheques valued at

\$272,219.57 as tax returns. He then deposited the money into a Westpac Bank account.

Of the sum deposited in the bank, only \$85,000 remains which the court has ordered to be returned to FIRCA.

"The facts indicate that you were part of a scheme with others to defraud the Fiji Islands Revenue and Customs Authority," said Justice Goundar.

"Your offending shows a high degree of planning and sophistication. You involved others, including the employees of FIRCA, to assist you to perpetrate the fraud and to obtain funds that belonged to the taxpayers. You managed to obtain two forged cheques of FIRCA," he said.

Sinha spent more than two years in remand while awaiting trial. He was sentenced to two years in Natabua Prison.

Fiji Time article - Saturday, October 30, 2010

<sup>8</sup> The Reserve Bank provides additional financial support for the FIU in the terms of office space and overhead costs.

## NATIONAL AML COUNCIL

### STR CASE STUDY INVOLVING LOW VALUE TRANSACTION

A cash deposit of \$7,000.00 in the bank account of Mr. A in March 2010 reported as a “gift for travel expenses” was reported to the FIU as a suspicious transaction. Mr. A is a kava dealer by profession. In April 2010, it is reported that the amount of \$7,000.00 was then transferred to Mr. B’s bank account. Mr. B is employed as a supervisor at a local gas/fuel station and there was a recent robbery at the same local gas/fuel station in March 2010. The case was disseminated to Fiji Police Force for further investigations.

### STR CASE STUDY INVOLVING CASH TRANSACTION

Person X reportedly kept \$180,000.00 in a safe deposit box since 2003 at a local commercial bank A. In April 2010, the person approached commercial bank B with hard cash of \$180,000.00 to deposit into his personal account but could not provide satisfactory reason for source of funds. Person X is reported to be director of a liquor retail and wholesale company.

### STR CASE STUDY INVOLVING TRAVELERS CHEQUES

A fraud scheme had been brought to the attention of the FIU involving members of the public who responded to a job advertisement in the local newspaper. They later received a letter with fake travelers’ cheques from USA. The travelers cheques were FAKE AMERICAN EXPRESS TRAVELERS CHEQUES which the members of the public tried to encash at commercial banks in Fiji.

The FIU issued alert notice to commercial banks and foreign exchange dealers to exercise extreme caution when approached for encashment of these travelers’ cheques from customers.

### ESTABLISHMENT & MEMBERSHIP

The National AML Council is established under Section 35 of the FTR Act and is Fiji’s national AML coordination committee. The members of the National AML Council are:

1. Permanent Secretary for the Ministry for Justice, as Chairperson;
2. Director of the FIU;
3. Director of the Office of Public Prosecutions;
4. Commissioner of Police;
5. Governor of the RBF; and
6. Chief Executive Officer of FRCA.

The Council may invite other persons to attend the Council meetings. As at end of 2010, the Director of the Immigration Department was the only invited member of the Council and participated in the activities of the Council in 2010.



## NATIONAL AML COUNCIL MEMBERS 2010



**MR. CHRISTOPHER PRYDE**  
Solicitor General & Permanent  
Secretary for Justice &  
Chairman of the Council



**MR. BARRY WHITESIDE**  
Acting Governor of the  
Reserve Bank of Fiji



**MR. JITOKO TIKOLEVU**  
Chief Executive Officer,  
Fiji Revenue and Customs  
Authority



**MR. IOWANE NAIVALURUA**  
Commissioner, Fiji Police Force



**MS. AYESHA JINASENA**  
Director, Office of the Director  
of Public Prosecutions



**MR. RAZIM BUKSH**  
Director, Fiji Financial  
Intelligence Unit



**MR. NEMANI VUNIWAQA**  
Director, Immigration  
Department (co-opted  
member since 2009)



## FUNCTIONS OF THE COUNCIL

The functions of the Council are provided for in Section 35(5) of the FTR Act and are:

1. to advise the FIU and the Minister on any matters relating to the prevention of money laundering or the financing of terrorism;
2. to make recommendations to the Unit and the Minister on any matter relating to the prevention of money laundering or the financing of terrorism;
3. to assist the FIU and the Minister in the formulation of policies or strategies relating to the prevention of money laundering or the financing of terrorism and
4. to assist the FIU in coordination between various Government departments and with statutory corporations.

The Council has discussed various AML/CFT policy issues in its meetings ranging from the implementation of the World Bank's 2006 Fiji mutual evaluation recommendations to the drafting of the counter terrorism decree (Table 33).

## COUNCIL STRATEGIC PLAN

The Council held a Strategic Planning Workshop on 18 March 2009 in which a five year strategic plan for the Council was formulated.

The vision of the National AML Council for the next five years is "a money laundering-free Fiji that advances economic growth and security." The Council's missions are to:

- a) provide sound and timely policy advice to relevant stakeholders;
- b) support an effective legislative and institutional AML/CFT framework;
- c) promote integration & co-operation amongst relevant stakeholders;
- d) ensure compliance with international AML/CFT standards.

To support this vision and missions, the Council has identified six strategic goals as follows:

- a) enhance Fiji's legislative framework to eliminate

**TABLE 33: NATIONAL AML COUNCIL MEETINGS DISCUSSION PAPERS**

| Date | Number | Title  |
|------|--------|--|
| 2008 | 1.     | Reorganisation of the National AML Officials Committee and Establishment of the AML Working Group        |
|      | 2.     | Compliance with International Standards on Combating Money Laundering and the Financing of Terrorism     |
|      | 3.     | Work Program of the National AML Council   |
|      | 4.     | Update on Implementation of the World Bank's Recommendations on Fiji's AML/CFT Framework                 |
|      | 5.     | Report on the APG Workshop on the Regulation of Non-Profit Organisation (21-25 April 2008)               |
|      | 6.     | Reports from AML Working Groups  |
|      | 7.     | Update on Fiji's Counter Terrorism Initiatives Towards Complying with Global Counter Terrorism Framework |
| 2009 | 8.     | National AML Council Strategic Plan  |
|      | 9.     | Preliminary Assessment of FIU's Administration & Independence  |
|      | 10.    | Update on the Forfeited Assets Fund Project  |
| 2010 | 11.    | Reports from AML Working Groups  |
|      | 12.    | Final Report on the UNODC Review of FIU's Administration & Independence                                  |
|      | 13.    | Reports from AML Working Groups  |
|      | 14.    | ICRG (Financial Action Task Force) Report – ICRG and its implication on Fiji                             |
|      | 15.    | Reports from AML Working Groups  |
|      | 16.    | Update on implementation of World Bank mutual evaluation report (2006) & FATF/APG review process         |
|      | 17.    | Reports from AML Working Groups  |

Source: Fiji FIU

## COUNCIL MEETINGS

The FTR Act does not specify how often the Council must meet in a year. However, the Council meets quarterly in a year as a practice. The National AML Council held its first meeting on 27 February 2008. As at end of 2010, the Council has met 12 times since its first meeting (Table 34).

**TABLE 34: COUNCIL MEETINGS - 2008-2010**

| 2008         | 2009       | 2010        |
|--------------|------------|-------------|
| 27 February  | 4 February | 24 February |
| 7 May        | 6 May      | 12 May      |
| 29 September | 8 October  | 18 August   |
| 2 December   | 5 November | 3 November  |

Source: Fiji FIU

overlapping/conflict in legislations and to mitigate emerging crimes.

- b) conduct on-going review and strengthening of AML/CFT framework to ensure compliance with international standards and to mitigate emerging typologies.
- c) report regularly to Government & Parliament on the Council's work.
- d) enhance the work of the FIU.
- e) encourage networking and sharing of information between agencies.
- f) develop the capacity of the Council.

The detailed strategies and action plan for achieving these goals are outlined in the Council's Strategic Plan which can be obtained from the FIU website.

## COUNCIL WORKING GROUPS

The National AML Council has three working groups whose overall objectives are to provide support and advice to the Council and to facilitate networking and information sharing amongst relevant national agencies. The members of the

Working Groups are representatives from relevant agencies who contribute towards Fiji's AML initiatives. The FIU is a member and provides the secretariat to the Council as well as its three Working Groups. The Working Groups are chaired by representatives of other government agencies.

### NATIONAL AML COUNCIL & WORKING GROUPS



The terms of reference of each Working Group are determined by the Council (Table 35). The Working Groups provide updates at the National AML Council meetings.

- iv. supervision of financial institutions for compliance with the FTR Act;
- v. enforcement of the FTR Act;

**TABLE 35: TERMS OF REFERENCE OF AML WORKING GROUPS**

| AML Legislation Working Group   | AML Supervisors & Regulators Working Group   | AML Law Enforcement Working Group  |
|---|--|--|
| <ul style="list-style-type: none"> <li>▶ To facilitate the review of relevant laws to ensure that Fiji has an effective and globally acceptable legislative framework for combating money laundering and other related offences.</li> <li>▶ To facilitate the ratification of relevant international conventions.</li> <li>▶ To administer the forfeiture asset fund.</li> <li>▶ To facilitate matters relating to international assistance and extradition.</li> </ul> | <ul style="list-style-type: none"> <li>▶ To facilitate networking and sharing of information amongst regulators regarding the supervision of financial institutions for compliance with the FTR Act.</li> <li>▶ To conduct joint AML compliance programs.</li> <li>▶ To advise the Council on financial institution's compliance with legislative AML requirements.</li> </ul> | <ul style="list-style-type: none"> <li>▶ To facilitate networking amongst law enforcement agencies to enable:               <ul style="list-style-type: none"> <li>a) better sharing of information amongst agencies;</li> <li>b) the effective investigation and prosecution of money laundering and other related financial offences; and</li> <li>c) sharing of technical expertise and resources</li> </ul> </li> <li>▶ To advise the Council on issues relating to investigation and prosecution of money laundering and other related offences.</li> </ul> |

The Working Groups met on several occasions in 2010 (Table 36).

**TABLE 36: WORKING GROUP MEETINGS - 2010**

| Working Group                          | Number of Meetings |
|--|--------------------|
| Legislation Working Group              | 3                  |
| Supervisors & Regulators Working Group | 2                  |
| Law Enforcement Working Group          | 6                  |

The Working Groups have provided recommendations to the Council on various issues including:

- i. AML/CFT legislative provisions;
- ii. drafting of regulations for the implementation of provisions of the Proceeds of Crimes Act;
- iii. implementation of the World Bank's mutual evaluation recommendations;

- vi. money laundering related investigations and prosecutions.

## COUNCIL'S ACTIVITIES IN 2010

The Council held four meetings in 2010.

Key activities of the National AML Council in 2010 included further consultation and finalisation of the Council Strategic Plan which was developed in 2009.

In 2010, the Council deliberated on the UNODC report on the review of the FIU administrative arrangements and independence which was conducted in 2009. The Council endorsed the findings and recommendations of the UNODC Report.

A key function of the Council in 2010 was to drive and oversee the drafting of relevant regulations for the implementation of the various provisions of the Proceeds of Crime Act relating to the management of restraint and forfeited assets. The AML Legislation Working Group has been tasked by the Council to liaise with relevant agencies on this project which will continue in 2011.

The Council also monitored the status of Fiji's implementation of the World Bank 2006 mutual evaluation recommendations. The Council followed up with the various Working Groups on outstanding recommendations from the 2006 mutual evaluation report.

The Council also contributed to the 2nd National AML Conference which was held during the year. 4 members of the Council, namely the CEO of FRCA, Director of Public Prosecutions, Director of Immigration and the Director of the FIU were speakers at the Conference.

## CASE STUDY TAX EVASION THROUGH USE OF PERSONAL ACCOUNT

The FIU received a number of STRs on a customer of a commercial bank who deposited funds into his personal bank account totalling \$2 million within a year. The customer operated a video rental shop.

Offence :

- ▶ Tax Evasion

Indicators:

- ▶ Large cash transactions on the personal bank account
- ▶ Amount of deposits into the business account are inconsistent with the amount of deposits in similar business in the area

## APPENDICES

### APPENDIX 1: GUIDELINES ISSUED BY THE FIU

| Guideline Reference | Title   | Date Issued     | Purpose of Guideline   |
|---------------------|---|-----------------|--|
| Guideline 1         | Suspicious Transactions                                   | 26 October 2007 | To provide guidance on how to identify suspicious transactions and report these suspicious transactions.   |
| Guideline 2         | Reporting a Suspicious Transaction by Paper               | 26 October 2007 | To provide guidance to financial institutions on how to complete a "suspicious transaction report" form.   |
| Guideline 3         | Reporting Cash Transactions of \$10,000 or above by Paper | 22 May 2009     | To provide guidance to financial institutions on how to report cash transactions of \$10,000 and above using the paper report forms.   |
| Guideline 4         | Customer Identification & Verification                    | 20 August 2009  | To explain the customer identification and verification requirements of the FTR Act and Regulations and provide practical guidance on how to apply these customer verification requirements. |

Source: Fiji FIU

### APPENDIX 2: POLICY ADVISORIES ISSUED BY THE FIU

| Reference | Subject   | Purpose of Advisory   | Issue Date        |
|-----------|---|---|-------------------|
| 1/2007    | Customer Due Diligence of Existing Customers' Accounts  | To explain how and when due diligence is to be applied to existing customers of financial institutions  | 15 March 2007     |
| 2/2007    | Customer Due Diligence of Customers Who Have Insufficient or No Official Identification Documents             | To provide further guidance on how due diligence is to be applied to new customers who have insufficient or no official identification documents  | 11 April 2007     |
| 3/2007    | Identification and Verification of a Customer's Signature   | To provide further guidance on how to identify and verify a customer's signature  | 26 April 2007     |
| 4/2007    | Identification and Verification of Occasional Customers   | To provide further guidance on how to identify and verify occasional customers  | 14 June 2007      |
| 5/2007    | Risk Based Approach   | To provide guidance on how to apply the FTR Act and Regulations on a risk based approach  | 22 June 2007      |
| 6/2007    | Application of Exemption Provisions for Reporting of Cash Transactions  | To provide guidance on how to apply the exemption provisions relating to cash transaction reporting requirements  | 9 July 2007       |
| 7/2007    | Record Keeping  | To provide further guidance on the record keeping requirements of the FTR Act   | 11 July 2007      |
| 1/2008    | Identification and Verification of Customers of Insurance Providers   | To provide further guidance to insurance companies, brokers and agents on their obligations to identify and verify their customers' identity.   | 23 January 2008   |
| 2/2008    | Identification and Verification of Clients and Beneficiaries of Employer Funded Group Life Insurance Policies | To provide guidance on how insurance companies and intermediaries can apply the identification requirements to clients of employer funded group life insurance policies.  | 24 November 2008  |
| 1/2010    | Identification and Verification of a Customer's Signature   | To provide guidance on how to identify and verify a customer's signature. This Advisory supersedes and replaces Policy Advisory 3/2007 of 26 April 2007.  | 11 August 2010    |
| 2/2010    | Use of Referee Letter to Verify a Customer's Identity   | Pursuant to Section 4(4)a of the FTR Act, to allow financial institutions to rely solely on a letter from a suitable referee to verify a low risk customer who does not have or is unable to provide any formal identification documents.                             | 27 August 2010    |
| 3/2010    | Refugee Identity Card   | To advise financial institutions of the identification documents pertaining to customers who have been granted Asylum Seeker and Refugee status by the Fiji Government.   | 17 September 2010 |
| 4/2010    | Identification of Customers of Telephone Financial Services   | To provide guidance to telephone service providers that provide financial services to customers on the customer identification requirements under the FTR Act and how it relates to the Decree on Compulsory Registration of Customers for Telephone Services (2010). | 17 September 2010 |

Source: Fiji FIU

## APPENDIX 3: NATIONAL AML LEARNING CENTRE COURSES

| Course Code - Name  | Module ID | Module Name                                  |
|---|-----------|--|
| <b>FIU101 - Money Laundering</b><br>Number of Modules: 6<br>Estimated Total Duration: 5Hrs                            | 851       | Understanding Money Laundering               |
|   | 852       | Laundering Methods                           |
|   | 853       | Traditional Financial Institutions           |
|   | 854       | Non-Traditional Institutions                 |
|   | 855       | Money Laundering Havens                      |
|   | 856       | Financial Intelligence Unit                  |
| <b>FIU102 - Advanced Money Laundering</b><br>Number of Modules: 7<br>Estimated Total Duration: 6Hrs                   | 857       | Financial Investigations                     |
|   | 858       | Financial Records                            |
|   | 859       | Informants                                   |
|   | 860       | Undercover Operations                        |
|   | 861       | Net Worth Analysis                           |
|   | 862       | Search Operations                            |
| <b>FIU103 - Interdiction Techniques For Land Controls</b><br>Number of Modules: 12<br>Estimated Total Duration: 18Hrs | 863       | Financial Interviewing                       |
|   | 201       | Interdiction Techniques for Land Controls    |
|   | 202       | Risk Assessment for Land Controls            |
|   | 203       | Risk Profiling for Land Controls             |
|   | 204       | Selection Methods for Land Controls          |
|   | 205       | Preliminary Observation for Land Controls    |
|   | 206       | Document Review for Land Controls            |
|   | 207       | Behavioural Indicators for Land Controls     |
|   | 208       | Questioning for Land Controls                |
|   | 209       | Cargo Risk Indicators for Land Controls      |
|   | 217       | The Review of Passports for Land Controls    |
|   | 218       | Body Carry for Land Controls                 |
| <b>FIU104 - Interdiction Techniques at Airports</b><br>Number of Modules: 13<br>Estimated Total Duration: 20Hrs       | 220       | Conclusion to Interdiction for Land Controls |
|   | 207       | Behavioural Indicators at Airports           |
|   | 301       | Interdiction Techniques at Airports          |
|   | 302       | Risk Assessment at Airports                  |
|   | 303       | Risk Profiling at Airports                   |
|   | 304       | Selection Methods at Airports                |
|   | 305       | Preliminary Observation at Airports          |
|   | 306       | The Review of Airline Tickets                |
|   | 307       | The Review of Passports at Airports          |
|   | 309       | Questioning Persons at Airports              |
|   | 310       | Air Cargo Risk Indicators                    |
|   | 311       | Air Baggage Risk Indicators                  |
| <b>FIU105 - Interdiction Techniques at Seaports</b><br>Number of Modules: 11<br>Estimated Total Duration: 17Hrs       | 312       | Body Carry at Airports                       |
|   | 313       | Conclusion to Interdiction at Airports       |
|   | 207       | Behavioural Indicators at Seaports           |
|   | 401       | Interdiction Techniques at Seaports          |
|   | 402       | Risk Assessment at Seaports                  |
|   | 403       | Risk Profiling at Seaports                   |
|   | 404       | Selection Methods at Seaports                |
|   | 405       | Preliminary Assessment of Cargo              |
|   | 406       | Cargo Documents                              |
|   | 409       | Questioning Persons at Seaports              |
|   | 410       | The Review of Passports at Seaports          |
|   | 411       | Body Carry at Seaports                       |
| <b>FIU106 - Precursor Chemicals</b><br>Number of Modules: 2    Estimated Total Duration: 3Hrs                         | 420       | Conclusion to Interdiction at Seaports       |
|   | 601       | Interdiction of Precursors                   |
| <b>FIU107 - Controlled Deliveries</b><br>Number of Modules: 2    Estimated Total Duration: 4Hrs                       | 602       | Clandestine Laboratories                     |
|   | 701       | Understanding Controlled Deliveries          |
| <b>FIU108 - Risk Management</b><br>Number of Modules: 5<br>Estimated Total Duration: 6Hrs                             | 702       | Planning and executing a controlled delivery |
|   | 921       | Introduction to Risk Management              |
|   | 922       | Risk Management at Land Controls             |
|   | 923       | Risk Management at Airports                  |
|   | 924       | Risk Management at Seaports                  |
| <b>FIU109 - Human Trafficking</b><br>Number of Modules: 3<br>Estimated Total Duration: 4Hrs                           | 925       | Conclusion to Risk Management                |
|   | 550       | Understand Human Trafficking                 |
| <b>FIU110 - Understanding Intelligence</b><br>Number of Modules: 3<br>Estimated Total Duration: 5Hrs                  | 551       | Human Trafficking Process                    |
|   | 552       | Identifying and Dealing with Victims         |
|   | 951       | Introduction to Intelligence                 |
| <b>FIU111 - Basic Analysis</b><br>Number of Modules: 6<br>Estimated Total Duration: 6Hrs                              | 952       | Application of Intelligence                  |
|   | 953       | The Intelligence Cycle                       |
|   | 955       | Introduction to Basic Intelligence Analysis  |
|   | 956       | The Association Matrix                       |
|   | 957       | Association Link Chart                       |
|   | 958       | Event Flow Chart                             |
| <b>FIU112 - Search Techniques</b><br>Number of Modules: 4<br>Estimated Total Duration: 8Hrs                           | 959       | Commodity Flow Chart                         |
|   | 960       | Developing a Conclusion                      |
|   | 501       | Performing a Car Search                      |
|   | 502       | Performing a Container Search                |
|   | 503       | Performing a Search of Persons               |
|   | 504       | Performing an Aircraft Search                |

Source: Fiji FIU

## GLOSSARY

|               |  |
|---------------|--|
| ABIF .....    | Association of Banks in Fiji                       |
| ADB .....     | Asian Development Bank                             |
| AML .....     | Anti-Money Laundering                              |
| APG .....     | Asia Pacific Group on Money Laundering             |
| AUSTRAC ..... | Australian Transaction Reports and Analysis Centre |
| BCR .....     | Border Currency Report                             |
| CBT .....     | Computer Based Training                            |
| CDD .....     | Customer Due Diligence                             |
| CDR .....     | Case Dissemination Report                          |
| CTF .....     | Combating the Financing of Terrorism               |
| CGAP .....    | Consultative Group to Assist the Poor              |
| CTOG .....    | Counter Terrorism Officials Working Group          |
| CTR .....     | Cash Transaction Report                            |
| DNFBP .....   | Designated Non-Financial Business and Profession   |
| EFTR .....    | Electronic Funds Transfer Report                   |
| EPMU .....    | Export Proceeds Monitoring Unit                    |
| ESW .....     | Egmont Secure Website                              |
| FATF .....    | Financial Action Task Force                        |
| FCA .....     | Finance Companies Association                      |
| FFIMSO .....  | Fiji FIU Information Management System Online      |
| FICAC .....   | Fiji Independent Commission Against Corruption     |
| FRCA .....    | Fiji Revenue and Customs Authority                 |
| FIU .....     | Financial Intelligence Unit                        |
| FSRB .....    | FATF style regional body                           |
| FTIB .....    | Fiji Trade & Investment Bureau                     |
| FTR .....     | Financial Transactions Reporting                   |
| FX .....      | Foreign Exchange                                   |
| ICRG .....    | International Co-operation Review Group            |
| IDR .....     | Information Dissemination Report                   |
| IMF .....     | International Monetary Fund                        |
| KYC .....     | Know Your Customer                                 |
| LTA .....     | Land Transport Authority                           |
| MER .....     | Mutual Evaluation Report                           |
| MOA .....     | Memorandum of Agreement                            |
| ODPP .....    | Office of the Director of Public Prosecutions      |
| POC .....     | Proceed of Crime                                   |
| RBF .....     | Reserve Bank of Fiji                               |
| STR .....     | Suspicious Transaction Report                      |
| UNCAC .....   | United Nations Convention Against Corruption       |
| UNODC .....   | United Nations Office on Drugs and Crime           |



## SELECTED KEY EVENTS IN 2010

**JANUARY**

15 Launch of the RBF/FIU 2009 Work Plan

**FEBRUARY**

4 Signed MOA with Malaysia FIU  
10 First Exports Proceeds Monitoring Unit Interagency Committee Meeting  
22-26 Environmental Crime Workshop, Sydney, Australia  
24 National AML Council Meeting

**MARCH**

29 Compliance Officers' Forum - Insurance sector

**APRIL**

7-9 TRIM training for FIU staff  
14 Signed a MOA with the RBF and FRCA for establishment of the EPMU Interagency Committee

**MAY**

3 -7 Visit by UNODC team to install CBT courses in the National AML Learning Centre  
12 National AML Council Meeting  
19-21 Proceeds of Crime and Money Laundering Workshop, Suva  
24 New Senior FIU Officer, Analysis and Intelligence Management commenced duties with FIU

**JUNE**

16 Launch of Mobile Phone Banking Service in Fiji  
21 – 23 AUSTRAC's 2010 Conference on AML/CFT Leadership, Kuala Lumpur  
27 June – 1 July Egmont Group Plenary Meeting, Cartagena, Columbia

**JULY**

5 – 8 Attachment Visit - Cook Islands FIU  
12 - 16 APG Annual Plenary Meeting and Technical Assistance Forum, Singapore  
19 - 22 Pacific Regional Meeting on the Ratification and Implementation of the UNCAC, Samoa

**AUGUST**

3 - 5 AFI Pacific Islands Central Banks Working Group Workshop  
11 Released Policy Advisory 1/2010 on Identification and Verification of a Customer's Signature  
18 National AML Council Meeting  
23 Released 2009 FIU Annual Report  
27 Released Policy Advisory 2/2010 on Use of Referee Letter to Verify a Customer's Identity

**SEPTEMBER**

14 FIU Interactive Planning Workshop  
17 Released Policy Advisory 3/2010 on Refugee Identity Card  
17 Released Policy Advisory 4/2010 on Identification of Customers of Telephone Financial Services

**OCTOBER**

4 Compliance Officers' Forum – Banking and Finance Sector  
7 2nd National AML Conference, Suva  
4-8 Egmont Group/World Bank Tactical Analysis Course, Kuala Lumpur  
21 Compliance Officers' Forum – Accountants and Lawyers  
23 Fiji Institute of Bankers Convention, Suva

**NOVEMBER**

3 National AML Council Meeting  
16-20 Strategic Implementation Planning Framework Regional Workshop, Wellington  
18 Compliance Officers' Forum –Foreign Exchange and Remittance Sector  
22 Launch of the National AML Learning Centre  
23 Funds Management and Valuation Workshop, Suva

**DECEMBER**

2 Compliance Officers' Forum – Securities sector  
10 Received 1,000,000th Financial Transaction Report on FFIMSO Database



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