



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Report on Fiji Intelligence Unit Annual Report 2015



PARLIAMENT OF THE REPUBLIC OF FIJI
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Chair's Foreword

The Standing Committee on Economic Affairs was tasked by Parliament to review the Fiji Intelligence Unit (FIU) Annual Report 2015.

Upon completion of deliberations and consultation with relevant stakeholders such as the Ministry of Justice, Fiji Police Force, Fiji Independent Commission Against Corruption (FICAC), Fiji Revenue and Customs Authority and Reserve Bank of Fiji (RBF), the Committee was in agreement that FIU be commended for their work to date.

To further strengthen their abilities to combat ever growing criminal activities taking place globally, the Committee has made recommendations which will enhance their efforts should they become a stand-alone entity in the future. Other recommendations include capacity building and the establishment of clear demarcations of inter-related agency roles. The Committee commends the capacity building efforts being carried out by the Fiji Police Force in support of FIU and urge that this practice be continued.

I thank the Hon Members involved in the production of this Report and also the Parliamentary Staff who assisted.

On behalf of the Standing Committee on Economic Affairs, I commend this Report to Parliament.



HON. LORNA EDEN

CHAIRPERSON

Introduction

The Fiji Intelligence Unit (FIU) is an independent and administrative statutory agency of the Fiji Government. In its 10 years of operation, it continues to be the lead agency when it comes to combatting money laundering and related serious crimes which are on the rise in Fiji. According to the Annual Report of 2015, the FIU's role as a financial intelligence body in Fiji has become an integral part and contributor in successfully investigating and prosecuting money laundering and other serious crimes.¹

The Committee commends the work being undertaken by the FIU which covers:

- a) Administration of the Financial Transactions Reporting Act 2004.
- b) Enforcing compliance by financial institutions
- c) Combatting money laundering, terrorism financing, proliferation financing and other serious crimes.

The FIU does not have formal investigative powers to arrest and charge suspects or restrain properties. The FIU does not have a prosecutorial role.²

¹ FIU 2015 Annual Report

² FIU 2015 Annual Report

List of Recommendations

The Committee notes that FIU is relatively new (2006) and while it has performed extremely well, there are areas that need to be addressed when benchmarking with other agencies. The Committee recommends the following:

Recommendation 1

FIU needs empowerment to enforce compliance as noted by the APG (Asia Pacific Group) on anti- money laundering.

The Committee recommends that the Financial Transactions Reporting Act 2004 be reviewed to strengthen their function given the dramatic developments of criminal activities globally.

In the review, powers to invoke sanctions could also be given to FIU, similar to that of RBF, the Land Transport Authority and other agencies.

Recommendation 2

FIU needs to continue to build capacity to address the gaps that exist with law enforcement agencies to be able to carry out their work effectively on money laundering investigations and to trace proceeds of crime and what happens when assets are forfeited and restrained. The Committee commends the capacity building being carried out specifically by the Fiji Police Force in support of FIU i.e. training of specialist officers and would urge FIU to continue in this direction.

Recommendation 3

The Committee also notes that there are six Leading Agencies making up the Anti-Money Laundering (AML) Council and would recommend that a clear demarcation of roles of each agency be defined as there is the possibility of overlapping of roles particularly between FIU, FICAC and the Fiji Police Force.

Recommendation 4

The Committee notes that FIU operates under the wings of RBF but in other jurisdictions it operates independently. The Committee understands that it will gradually progress towards full independence as a stand-alone entity and would recommend that the process towards independence is properly resourced each step of the way.

Conclusion

The Standing Committee on Economic Affairs has fulfilled its mandate approved by Parliament which was to examine the 2015 Annual Report of the FIU. The Committee believes that the FIU has made tremendous progress in the fight against money laundering and other criminal activities such as smuggling of drugs into Fiji and therefore puts forward four recommendations which we believe will strengthen the FIU's mission of implementing an effective intelligence management framework.

APPENDICES

**COPIES OF SUBMISSIONS RECEIVED BY THE STANDING COMMITTEE ON
ECONOMIC AFFAIRS**

VERBATIM NOTES OF THE MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS HELD AT THE COMMITTEE ROOM (WEST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON THURSDAY, 27TH OCTOBER, 2016 AT 9.15 A.M.

Submittee: Fiji Police Force

In Attendance:

- | | | | |
|----|---------------------|---|-------------------------------|
| 1) | Mr. Isikeli Ligairi | - | Deputy Commissioner of Police |
| 2) | Mr. Robert Turaga | - | Legal Officer |
| 3) | Mr. Aiyaz Ali | - | Inspector |
| 4) | Mr. Subramani Sami | - | Corporal |
| 5) | Mr. Sanjeev S. | - | Constable |

MADAM CHAIRPERSON.- Good morning gentlemen. On behalf of our Standing Committee on Economic Affairs, I would like to welcome the Fiji Police Force and thank you for coming to present to us morning on the Fiji Financial Intelligence Unit Annual Report 2015.

(Introduction of Committee Members)

So once again thank you very much for coming this morning and we look forward to hearing your presentation and we may have some questions during the presentation and we will interject. Whoever is speaking, could we make sure that we use the microphones so that it is all recorded. Vinaka.

MR. I. LIGAIRI.- Honourable Madam Chair, Members of the Standing Committee, firstly we want to express our appreciation for being called this morning to express and share our experience in terms of the questions that have been raised.

Before the presentation this morning, I have the honour of introducing the team. On my right is the Legal Officer for Police, Mr. Robert Turaga. On my left is Inspector Aiyaz Ali who is responsible for money laundering in the Fiji Police, next to him is Corporal Subramani, sitting at the back is Constable Sanjeev and of course, I am the Deputy Police Commissioner of Police, Isikeli Ligairi.

I shall hand over the floor now for the presentation to Inspector Aiyaz Ali. Thank you.

MR. A. ALI.- Thank you, Sir. A very good morning to you all. The scope of my presentation will include a brief introduction of money laundering. What is money laundering in Fiji; our Unit background; our legal framework; the resources that we have and the training that we underwent; our stakeholders; the level of co-ordination and the types of co-ordination we have with them.

Just an explanation of what is money laundering or definition. We have some cases of interest that we are investigating currently with the unit, some new and emerging and continued trends that we have seen in Fiji and some of our challenges and the way forward.

To begin with, it is defined by Financial Action Task Force (FATF) which is the international watch dog for money laundering globally. It says money laundering is the world's largest financial crime whereby money, criminal proceeds amounting to USD \$1.6 trillion which is equivalent to \$3.6 million of the global GDP is laundered annually.

Money launders continuously look for new routes for laundering their funds. Economies with growing and developing financial centres with inadequate controls are particularly vulnerable. So this is

a statement by FATF which is the watch dog. Money laundering in Fiji in that case from the global arena coming to Fiji, Fiji is no exception. Approximately \$113 million which is equivalent to \$2.5 million of our GDP is laundered annually. This figure came through a national risk assessment which was held last year through the engagement of a consultant from Australia and that figure was determined using a standard formula in assessing national risk.

The main vulnerable sectors that we have identified in Fiji are our banking sector. Most of the money launderings occur in our banking sector. Our Foreign Exchange (FX) dealers, money remittance, legal professions where their trust accounts are being used to launder funds. Some of these accountants are facilitating money laundering. We had our mutual evaluation last year, conducted by the assessment team from Asia Pacific Group on Money Laundering and these are some of the gaps that they have identified which concerns our unit. One was the investigation of terrorist financing. So far we do not have any case of terrorist financing in Fiji but we anticipate that we might have in future and that is one of the gaps that we lack.

The other industry that they have seen is the cruise liners. We have a lot of cruise liners coming into Fiji and we do not have that capability to check if there are launders who are bringing in money into Fiji. Sir, on the right there is a *Fiji Times* cutting which says that we lose approximately \$100 million annually.

Background: our unit was established in 2003. It is operational from CID headquarters which is located at 53 Suva Street, Toorak. Our mandate is to investigate money laundering, terrorist financing and other predicate offence which are related to money laundering such as drugs, fraud, human trafficking, burglary, robbery which concerns financial aspect.

Why an Anti-Money Laundering (AML) Unit in Fiji? This is like I said a requirement by the financial action taskforce, an international requirement, that is one of the reasons why we have the AML Unit and it was initially setup for the mechanism of networking the Suspicious Transaction Report (STR) that comes from the Fiji Financial Intelligence Unit and to streamline the sharing of information intelligence between the FIU and the Fiji Police Force.

The initial setup was for that and then come 2005, we had the first money laundering case in Fiji. Australian National, Timothy O'Keefe was operating as an advanced fee fraud and he was subsequently investigated and convicted in Fiji. That was our first money laundering case in Fiji.

The roles and functions of our unit: We are to enforce the Proceeds of Crime Act, the Unexplained Wealth Provision, the Crimes Decree, Financial Transaction Reporting Act, Illicit Drug Control Act, Exchange Control Act and other related Acts and legislations that we have in Fiji which involves money laundering.

Analysis and Investigation of suspicious transaction report. These are referrals from the Financial Intelligence Unit. We also conduct parallel covert investigations along predicate offence. This is to identify proceeds that are acquired from the predicate offence and ensure effective investigation and prosecution of money laundering cases, request for restraining and forfeiture application in respect of proceeds of crime that are identified or which are acquired through illegal means, provide report to AML Council in terms of statistics, the burning issues from the legal side and from the law enforcement side that we have.

Seizure and maintenance of proceeds of crime. We also conduct training and awareness in terms of money laundering in Fiji. This is to tertiary institutions within the organisation and other law enforcement agencies in Fiji. The team is also a member and chair of the AML working groups. There

are three working groups within the AML framework in Fiji and it is the focal point for coordinating money laundering and terrorist finance investigation within the Fiji Police Force.

Legal Framework: these are some of the legislation that we utilize. The Principal Act, Proceeds of Crime Act 1997 then it had an amendment in 2004. This is where the offence of money laundering and the application forfeiture applications are made and the powers of the Police, investigating powers are stipulated. Then we had the Proceeds of Crime Amendment in the 2012 Decree which has the Unexplained Wealth Provisions. Proceeds of Crime Management and Disposal of Property Regulation also came in 2012, this is in respect of management disposal of proceeds of crime which are forfeited to the State.

We also have the Financial Transaction Reporting Act. This has the offences against the financial institutions that we have in Fiji; the banks, FX dealers, accountants and lawyers. It also has the border control reporting, when we have visitors coming in and out of the country who fail to declare money in their possession in excess of FJ\$10,000 Fijian. We also use the Extradition Act in the case if there is a fugitive, reason being money laundering is transnational. It only does not confine within Fiji. We also use our Criminal Procedure Code and Decree.

Mutual assistance request: in terms of seeking assistance from other jurisdictions and the Exchange Control Act in terms of movement of currency in and out of Fiji.

International obligation: why is money laundering criminalised in Fiji? It is derived from the Vienna Convention and then followed by the Palermo Convention. I have been reliably informed that Fiji is yet to ratify but I believe there is political will in terms of implementing the provisions of this Act. And then we the International Watch Dog, like I said earlier, the Financial Action Taskforce.

This taskforce gives standards in terms of monitoring money laundering and these are the two books that they have. One is the recommendation in terms of technical compliance – the laws and the powers that we have and this is the methodology which gives assessors the effectiveness of what we do in terms of the legislation that we have. So our assessment that we had last year was based on this methodology. All the criteria's are here and the ratings are given based on this methodology.

HON. V.R. GAVOKA.- Chair, can I ask the gentleman to just elaborate a bit on the Palermo Convention that we have yet to ratify? You are suggesting that you need political will to ratify it, what are the implications of these? What are aspects of it that you think it would impact on Fiji, hence the reluctance at this point to ratify it?

MR. A. ALI.- Sir, these conventions are international instruments. Once Fiji has signed and ratified; there will be ease of communication between two jurisdictions and there will be a platform set in terms of communication and sharing of information. In the absence of that, some jurisdictions are reluctant to share information, so those are the drawbacks that we can have if these are not ratified.

MADAM CHAIRPERSON.- I think you said that there is a political will, so obviously the Government is just going through the motions that are necessary to ratify.

MR. A. ALI.- That is very correct. There is a political will, even though we have not ratified.

MADAM CHAIRPERSON.- Yes.

MR. A. ALI.- This is the AML Framework coming from the international to regional and then to national. We have the Financial Action Task Force (FATF) which gives us the recommendations and

methodologies. Then we have the Asian/Pacific Group on Money Laundering (APG). We have 41 member countries and Fiji is one of the members of that. In the local context we have the National AML Council where the heads of the law enforcement are members of this group and then we have these three working groups; The Supervisory Working Group which looks after the financial institution in terms of supervision and monitoring, the Legal Working Group which looks after in terms of legislation if there are gaps or weaknesses or deficiencies in our legislation, and the Law Enforcement Working Group which shares information in terms of the new trends and how we can combat money laundering collectively.

Stakeholders: These are some of our stakeholders. We have the Intelligence Unit in terms of sharing information and providing information in terms of money laundering. We have the Department of Immigration which assists us in terms of travel records, Revenue and Customs in terms of giving us tax records and Customs importation and exportation records. Investment Fiji in terms of giving us details of a foreign investors who have businesses in Fiji. Registrar of Companies in terms of providing us details of companies, shareholders, directors and their financial reports. Registrar of Titles is also another key stakeholder in terms of when we are trying to identify proceeds of crime if one of launderers had acquired a property and they assist us in identifying the location of the property, the type of the property, the transfer and value of the property - how much it was purchased for.

In terms of external we have the New Zealand Police, Australian Federal Police and the FBI. All these three are based at the Embassies in Fiji. So they also assist if we have a request in terms of money laundering from these jurisdictions.

Co-ordination, I will put an emphasise on FIU; we have an existing MOU with them. This is in terms of our engagement in regards to sharing of information and a full time secondment of a Fiji Police Officer at FIU.

There are national and international focal points for Fiji in terms of AML Framework. The two major exercises that we undertook last year - the National Risk Assessment and the Mutual Evaluation Report, FIU was the focal point for all law enforcement agencies in Fiji with the international stakeholders.

Co-ordinates AML Working Group meetings: FIU is the secretariat for all the three Working Groups and is also a chair of one of the working group. As I have said, we have a Fiji Police Officer seconded there since 2006 when FIU was established. They also do proactive dissemination of case reports (CDR). This enabled us to act quickly and freeze funds which would be laundered if there is a delay. So there is a proactive approach that the FIU has. They also facilitate our investigation request in terms of doing background checks and in terms of identifying a property. They have a number of databases at their disposal with FIU, that is, the Births Deaths and Marriages (BDM), LTA, Immigration, the World-Check, Egmont Group, they all these databases at their disposal.

Fiji Police Officers: We have six officers who have direct access to their database. These authorised officers are allowed to go and access their database and retrieve whatever information that we need. We also use this special powers that the Director FIU has and this is in relation to Section 25 of FTR Act. Once we identify that there is proceeds sitting in a bank, the Director has powers to immediately apply for a freezing order, and that we are able to get within one or two days.

Apart from that, they are able to put meaning to a lot of data or information that is given. This is a typical example of a chart that they had provided in a migration scam case. If you look at the contents of it, if it is narrated it will come around to six or seven pages but this is all in one page - in link chart, it

gives meaning and makes us investigators easily understand and conduct our investigations. So this is one of the many charts that they have provided.

In terms of resources we fall under the Director CID. I currently head the Unit and I have two additional Sergeants, three Corporals and three Officers who are attached to the team.

Training: These are some of the training that the team members have undergone. We have a young graduate Bachelor of Commerce in Economics and Accounting. A very junior officer who has just joining the Force and with this qualification, we are looking forward to give him more experience and utilise his expertise in terms of money laundering investigation. We have also received local training from the Office of the DPP in terms of filing, restraining and forfeiture of applications and other trainings that we have received at our Police Academy.

We have also received some overseas training from the FBI in terms of interview in relation to money laundering, Australian Federal Police in terms of financial investigation, Interpol and Asia Pacific Group on Money Laundering in terms of cybercrime and assessor training in terms of this methodology and recommendation.

What is money laundering? There is a lot of definition of money laundering. It simply says that money laundering is a process. It involves multiple processes, there is an initial stage of the money laundering which is placement, then comes layering and then integration. So these are the series of actions through which the income of illegal origin which is derived from illegal activity are concealed, these guys or make to appear legitimate. So the main objective for the money launderers is to evade detection so that it is not seized. They avoid prosecution and also avoid taxation. That is the main aim of the launderers worldwide, they launder money.

What are we looking for at the Unit? There are two core functions of the Unit; one is that, we are not interested in the offence that has been committed. We are trying to ascertain as to where the funds go after committing the offence. We are not only confined locally, we also look at other jurisdictions if funds are being transferred offshore.

Secondly we are looking at the assets, the assets that the perpetrator has acquired after committing an illegal activity. Recently you must have read in the papers that we did a numbers of seizures in the Navosa in relation to drug cultivation. So that is the core function of the Unit, that is what we are looking for.

In terms of cases, we have a number of cases but these are some of the major cases that we have. We will just give an outline of a case brief, the amount involved that will show the magnitude and the complexity of the case and the offending period. In the first one there is an allegation of misuse of co-operative funds. These are active cases so I will not be using any names or naming any companies that are involved. It involved \$600,000 and if you are looking at the offending period, it was just within one year that they were able to misuse this amount of money. In terms of document we have about 25 cartons of documents that we are still analysing. In the other one, there is a company in relation to a foreign investor. A fellow shareholder who is a local shareholder prepared a fake sales and purchase agreement document and obtained money. For example, if the sales price was \$10, he made it \$20 and pocketed the half but in this case, he pocketed \$1.2 million.

There is another one, local entity conspired with a staff of a renowned company in Fiji and obtained money on the pretext of providing services. Actually, they were getting paid for the services that they had never provided. So, this is, we are looking at \$700,000. So, these are some of the big cases that we have within the unit.

The next one is a member of an organised Biker Group from Australia which had colluded with one of the officials from the Customs and they were able to launder money into Fiji. Like I said, we are the focal point for receiving all the STRs and disseminations from FIU. These are some of the cases that has resulted to conviction from the referral or assistance from the FIU.

First case, there was an officer working at the Registrar of Titles, he had colluded with a bank officer on the pretext of getting partial withdrawal from the FNPF. Funds were deposited into account and subsequently laundered, it was not a big amount but there were multiple transactions of \$30 each, so we are looking at \$3,000. He was convicted for two years imprisonment, suspended for three years.

Just recently, assisted in processing fake tax returns amounting to \$113,000, charged for money laundering and got six years imprisonment.

Stolen cash from our local HFC bank, a staff had given a fake approval and obtained \$100,000. He was charged, taken to court and he is convicted for 34 months imprisonment.

This is another case, where a local had altered a FRCA cheque. Initially, we used to receive cheques in our post box and recently it has been electronically deposited into an account. So what he did was, he intercepted the cheques from the post office, altered it from \$2,000 to \$47,000 and cashed it. He was convicted for four years imprisonment.

This involves a bank officer with ANZ, he was working with the operation centre in Kalabu – Quest. He was in charge of a suspense account and then he had colluded with some of his colleagues and schoolmates and was transferring funds into their accounts and subsequently benefitting from that. This involves in excess of \$350,000. He got imprisoned for eight years.

Bogus VAT claims, this is one of the jewellers in Suva, initial allegation that came was \$2 million, that he had obtained through bogus VAT claims and he was convicted for four years.

HON. DR. B. LAL.- Mr. Chairman, just one question. In cases like that have you been able to recover some of the money that they have tried to obtain or they have just been given prison terms?

MR. A. ALI.- Thank you, Sir. Some of the cases are not immediately reported. Sometimes they discover that when they have their financial audit and it is reported, say after six months or a year and by that time the money that they have okayed has gone, but if the cases are reported immediately, yes we do recoveries.

This is a case involving FEA. One of the staff had colluded with a local businessman and had a partner in the bank. They had made fictitious cheques on the pretext of doing contractual work for FEA. The not negotiable cheques were blindly cashed by the bank officer and the cash was given to the partner who was a local businessman. She is convicted for six years and by the time it was reported, the FEA staff and the business partner, who had Australian permanent resident and citizenship had fled to Australia. We are in the process of extraditing them to Fiji to face the charges. However, the bank officer was charged and is imprisonment for six years.

Sir, this is a case concerning the FRCA staff who was processing fictitious tax returns. This is in excess of \$350,000 and he was sentenced to 12 years imprisonment.

Another case concerning Vinod Patel, the personal secretary of one of the directors was forging

the signature of the director and was able to withdraw \$470,000. She is being convicted for seven years imprisonment.

A case concerning our public trustee, one of the staff had obtained money, pretending to the beneficiary of people who are under age of 18 and was able to obtain \$88,000. He received a suspended sentence, this sentence is subject to appeal.

Stolen cheques from Turtle Island, \$858,000. This was the first civil forfeiture case in Fiji where we had seized six vehicles and a house in Nadi, all the six accused persons were convicted ranging from six years to two years and we had made a lot of seizures in terms property and cash. Stolen cheque that was altered from \$1,000 to \$85,000 and cashed, he was convicted for two years imprisonment. These are some of the successful cases that were dissemination by the FIU or assisted by the FIU during the investigation.

Moving on in terms of emerging and continued trends

HON. P. SINGH.- Sir, before I forget, sorry, these cases are brought in under the Proceeds of Crimes Decree, is it?

MR. I. LIGAIRI. – Proceeds of Crimes Act.

HON. P. SINGH.- And also Crimes Decree?

MR. A. ALI.- Sometimes they are alternative offences under the Crimes Decree.

HON. P. SINGH.- Have you successfully prosecuted anyone for Proceeds of Crime? The actual proceeds that they have benefitted from?

MR. A. ALI.- Sir, the offence under the Proceeds of Crime is the offence of money laundering. So they are prosecuted for the criminal offence of money laundering. Once we seize proceeds, it is not a criminal case, it becomes a civil application in terms of forfeiting the assets that they have acquired and we have a number of cases that we have.

HON. P. SINGH.- That is the Turtle Island case you referred to?

MR. A. ALI.- Yes, Sir. These are civil proceedings which are done in Civil High Court in terms of the properties.

The emerging trends that we have, the recent one, there is a LTA impersonation, there are a group of people who are impersonating to be LTA officers and giving assurance to the members of the public that they will be issuing vehicle permits and we have seen a trend that they use a third party bank account to launder their funds. They do not come in contact with the victims, they use a third party whose bank account is used and we have seen that normally they utilise these social welfare recipients who have bank accounts. We have also seen visa and employment scams, most of us receive these e-mails giving us promises that they will be given employment abroad, we have seen these e-mails also in the *Fiji Times* or *Facebook*. There are lucrative offers and they are asked to remit funds through FX dealers in order to get employment or migration overseas.

Sometimes we have also seen, they sent fraudulent cheques to these victims and they are asked to encash the cheques here and part of them are kept by these victims and the remainder are remitted to

these perpetrators who are sitting in foreign land. The difficulty here, sometimes it is very difficult to trace which country are from? Are they from Nigeria or South America or from China? It makes us very difficult to track them.

Drug cultivation and importation, this has improved. We have seen this to be a very lucrative business. There is increase cultivation of drugs. In the past operations, when we go and do raids in Navosa or Kadavu, we used to uproot 5,000 or 6,000 plants. The last operation that we had, we uprooted 44,000 plants. That shows it has intensified and they see this as a lucrative business and once they end this business they acquire a lot of valuable properties, twin cabs, 4-wheel drives, 3 tonnes, solar panel, generators. If you go in the interior you will see that their house is like a house somewhere in Namadi Heights. We have seen that some of them have set up front line legitimate business and behind they are peddling drugs, and they continue to do further illegal activities.

Continue with the trends: Computer-related offences, this is very common in online purchasing. As we all aware that now we have moved from the traditional purchasing using the credit and the LC, and now we have moved to online because we have internet access so the demand from the supplier is that, it is a 30:70 payment. You do an upfront 30 percent payment and then after delivery, do a 70 percent. So what we have seen is that, if I am doing business with a hacker, he/she will hack into his email. For example, if my email is vern@gmail.com, the trend we have seen is that, they will insert an additional character – it would be a dot or an asterisk or a letter. I, after hacking his email I become him and I send email to the guy saying, “Could you remit the funds to this”, and the funds are redirected to the hacker. After that, that email disappears and the person disappears. It is also difficult to trace which country they are hacking from.

Online hacking, hacking through phishing; there are multiple emails that are sent to individuals on the pretext saying that they are updating the security features of the internet banking and if you are not providing (I believe most of us would have received these emails) your username and password, your services of internet banking would be suspended. Some of the businessmen without internet banking, they cannot survive. They heavily rely on this facility and they provide. Once they provide, at the same time we have seen they engage as a money mule locally. Funds are transferred into his account and then the money are remitted to the hacker. Most of these communications done with the money mule is in the pretext of lucrative employment or relationship for love and some of them we have sympathy letters like; “I am the wife of the former head of a Nigerian State who owns a big oil refinery in Africa and I am caught up with a legal court in Nigeria and I need your assistance to become the beneficiary so that I can transfer the money”, and we have seen people become a victim of this.

Scheming devices: This is a new trend and we have seen these devices installed in our ATMs. There is a camera and also a card reader installed. If you see in our ATM they have covered the keypad now so that once you type the pin, it is not visible in the camera so the camera captures the pin and all those data is stored in the card. That card is then linked to a remote wireless location where they are able to get all these data. Once they have that, they create a normal card and they put in all those data and that is become a card. Those are used in the ATMs to withdraw. We have seen that these perpetrators are foreigners who normally from China and Eastern Europe countries.

This is a picture of a scheming device that was installed in Fiji. This is the memory card which stores the data and this is the camera which captures the pin. These are installed in the ATM, you cannot say that something additional is installed. It properly fits into the ATM and this how they are able to capture all the details of the card holders and create clone cards and then withdraw funds.

In terms of challenges, I have a big list. The first is sharing and accessing of information locally and internationally. As I have said FIU provides us with a lot of information but they work only on week

days (Monday to Friday from 8.00 a.m. to 4.00 p.m.), Police works 24/7. Sometimes in the weekend when we urgently need these information we are not able to get them. Also we have problems getting information from international jurisdiction since there is a lot of online crimes committed concerning China. That is a difficulty.

Resources: Manpower, office space and another key challenge that we have is the storage of the proceeds of crime that we seize. When these proceeds are seized, they are kept at every police station and they are not housed properly. So they are always deteriorating in value. I will give one example, if you go to Ba Police Station, those items that were seized have completely deteriorated.

We also need recruiting of expertise. As I had said we need forensic accountants. As I had mentioned in a case earlier we have about 20 plus cartons of documents - payment vouchers and bank statements, so we need forensic accountants to analyse and give us a meaning to this volume of documents.

We also need lawyers and asset managers. This is in relation on the type of property that we seize. Sometimes we seize outboard engines, hazardous chemicals but we do not have the expertise on how to keep these things.

Case management: This is a concern for us, we need a case management to keep accurate data and cases are stored properly so that if we need statistics to strategies our operations, we have data at our disposal. Now everything is maintained in hard copies and it makes it difficult for us to access these data.

Legislative: We need powers for listening to intercept communications. This powers is only given in the Illicit Drugs Act and we do not have this powers under the Proceeds of Crime Act. As I had said money laundering is initially a covert operation. When there is a predicate offence that is going on, we run a parallel money laundering offence to identify the proceeds and the funds that is being acquired.

We are covert, reason being if we go overt, the perpetrator will immediately dispose the proceeds that he has in possession. So it is very important for us to have this powers.

Improve technical capabilities in terms of data extraction, analysis and safe storage of these electronic devices. Now, we have seen the trend that people have moved from traditional into the cyber space and use electronic devices to commit crimes.

In terms of our expertise, our suggestion is either we recruit or we could outsource from other law enforcement agencies or from other places.

Another challenge that we have is keeping up with the emerging trends. Crime continues to evolve day in and day out and sometimes, we Police Officers are outdated. When there is a new trend that comes in, we are not aware of this.

Timely co-operation from foreign jurisdictions: Sometimes when there is a foreign jurisdiction involved, we use our Interpol to request for details. Sometimes what is urgency for us could be a normal request for the corresponding jurisdiction. Another difficulty is the time difference, so sometimes we do not get timely information.

Understanding cyber aspects of money laundering: This is something new for the organisation – cyber. It becomes difficult for us to understand.

Unexplained wealth: This is another new provision for us. There is lack of awareness on this provision. We are yet to have a case of unexplained wealth before our courts, so this is another challenge.

Lack of knowledge: We have seen this with our officers, they lack the knowledge in terms of money laundering and explained wealth provisions.

Way forward: We are looking forward to get a remote access of the FIU database. Currently we have to go to the building at RBF which is only Monday to Friday from 8.00 a.m. to 4.00 p.m. However, if we are given remote access, we will be able to 'read only' access and we will be able to access this on 24/7 basis.

Full enforcement of all MLOs, this is terms of regulation which says that properties that are seized after the restraining order is being granted become the responsibility of the Attorney-General to look after these properties. However we have seen and experienced, Police keeps it from the date of the seizure until it is disposed. So it is an additional burden to us.

Enforcement of unexplained wealth provision – in a Pecuniary Penalty Order, there is a provision which is not being utilized yet in Fiji. Recruit expertise, forensic accountants, lawyers specialized in money laundering and terrorist financing. More specialized training, the team needs in terms of unexplained wealth, terrorist financing, since our mutual evaluation last year has identified that there are gaps in terms of investigating terrorist financing. We are looking forward for improved coordination with other jurisdictions. That brings to the end of my presentation and thank you very much.

MADAM CHAIRPERSON.- Thank you very much, Inspector Ali for a very interesting and thorough presentation as this will give our Committee a better understanding of money laundering in Fiji. We also thank you for sharing your challenges with us, all of which have been noted.

Before I open the floor to Committee Members for questions, could you perhaps elaborate a little for the benefit of our Committee and for the record how lawyers are involved in money laundering? Just a couple of situations.

MR. A. ALI.- Thank you, Madam. Sometimes their trust accounts are being used to facilitate transactions. For example, if a foreigner comes in with illegally obtained money to acquire a property in Fiji, and normally for the conveyance work the trust accounts are used. We have seen in the past some of the solicitors have knowledge of the source of these funds, however they process these transactions.

Sometimes we have seen there is a provision in the Proceeds of Crime Act as an effective control. For example, if I have bought a property for \$100,000 and if I know the Police is coming to seize it, I will transfer it to him. In order to transfer that I will need a solicitor. So the initial value of the property is say, \$100,000, so we have seen a number of cases the solicitor does that transfer for \$10,000. So he just trying to disguise or conceal the ownership. So these are some of the cases that we have seen where solicitors are able to facilitate money laundering.

MADAM CHAIRPERSON.- My last question is, you mentioned some cases of altered cheques. The one with FRCA, I think you said was one of them. Are these cheques so arts fully altered that the bank tellers do not pick up the changes or is it usually the bank teller involved as well? Do we have master forgers in the country?

MR. A. ALI.- Thank you, Madam. Like I said initially we used to receive the physical cheque in our postal box and upon analysis we had discovered that FRCA uses laser printing on the cheques and

laser printing are very easy to peel off. So we had one person who was doing it in Fiji, we had asked him to show us how he did it.

So what he physically does is, he folds it and peels off the payee, the amount and the amount in words, the date remains and then he makes photocopies and use typewriter. He gives a trial and error, and when it fits at the right place then he puts the original cheque and overwrites it.

It is very difficult to detect. Even I remember one of the cases I took to the FRCA Officer, "can you tell me what is wrong with this cheque?". She said, "it is fine."

I said can you check with the system? She almost fell off her chair.

MADAM CHAIRPERSON.- Thank you for that. I now open the floor to Committee Members to ask any questions.

HON. P. SINGH.- So it is not only confined to the lawyer's trust account, the accountants have trust accounts, I believe real estate agents are a bigger problem at the moment because none of them operate their trust accounts. This is what we got from FIU in the report. So what is your department recommending on that front in terms of surveillance?

MR. A. ALI.- I think Sir, the real estate, it should be a mandatory requirement on them to report all transactions they conduct in terms of real estate to the FIU. Therefore FIU is able to scrutinise those transactions and if they discover there are some false or illegal activity involved then that could be referred to the Police for investigation.

HON. P. SINGH.- I think one of the checks and balances that FIU presented was a transaction exceeding \$10,000 has to be reported to the Reserve Bank or FIU, either with the banks or lawyers or anyone. Is that not applicable to lawyers as well?

MR. A. ALI.- It is.

HON. P. SINGH.- It is, but they do not do it.

MR. A. ALI.- They fail to do so.

What I have learnt from FIU, so far there is only one solicitor that has raised a suspicious transaction.

HON. P. SINGH.- And Sisir, the other one on your challenges, you mentioned you needed surveillance listening devices for your covert operations. I mean the whole scheme is about covert operations.

I think that is one very debatable exception because it may infringe on the constitutional right of a person. This is something that you have to explore more. The surveillance, eavesdropping that we call, supposing you tap my mobile

MADAM CHAIRPERSON.- Privacy.

HON. P. SINGH.- Yes. We have the Privacy Act, the constitutional provisions so I do not know how you are going to get over that.

MR. I. LIGARI.- As has been mentioned, Honourable Member, there is only one legislation at this point in time, that is the Illicit Drugs Act.

However, we have cases whereby the judges have allowed that piece of evidence to be admissible in Court where we utilized these listening devices. But it is a challenge at this point in time. We are looking forward where it can be legislated. We are thinking of serving justice, that is where we are coming from, but I know there will be....

HON. P. SINGH.- I know you have got all good intentions about it.

MR. I. LIGARI.- Yes.

HON. P. SINGH.- But as you know that laws are to be applied with restraint and sparingly as possible. It may give you so much powers that you can go around, in some cases you may go roughshod on someone, particularly politicians like us. Thank you.

MR. I. LIGARI.- Thank you, Sir.

HON. V.R. GAVOKA.- Chair, correct me if I am wrong, Deputy Commissioner, in some jurisdictions the laws are also very strict to protect the privacy of the citizenry but when you do need to go to that step of eavesdropping on someone, you make an application, so is that how it is done here because that would give us a sense of comfort but it cannot be at the whims of the Police through a court sanctioned action.

MR. I. LIGARI.- Yes, Honourable Member, that is right.

MADAM CHAIRPERSON.-I would think that they would need justifiable cause to eavesdrop or tap and obviously get a court order. Otherwise, it is not admissible in court. I am not lawyer but I watch a lot of crime movies.

MR. I. LIGARI.- We have what we call the "affidavits", it is sworn in front of the Judge and then

HON. DR. B. LAL.- Madam Chair, on the issue of unexplained wealth. It may be an easy thing to handle people in Fiji but the investors that come in, we have seen that they buy properties, land or something like that but there is no development taking place. There are a lot of false promises or something like that and there is a lot ill-talk about who approved it, how did they come in and so forth. How can you explain that? Where did they get money to come and buy those expensive properties and other things here?

MR. A. ALI.- Thank you, Sir. All the investors who come in Fiji are scrutinised by Investment Fiji and also now they are scrutinised by FIU in terms of the source of fund they bring. I believe after that scrutiny, it is deemed to be clean money by FIU in terms of the source of fund they bring. I believe after that scrutiny, it is deemed to be clean money that they bring into Fiji and invest in the properties or real estates that we have in Fiji.

HON. V.R. GAVOKA.- Inspector Ali, you appeared to have a Unit that is highly specialised and you need some very highly trained people. Let me just give you a bit of background we also scrutinise the reports of other organisations in Fiji and one of the issues that continues to challenge them is the loss of specialised and highly trained people overseas. In the greater scheme of things with the Police Force,

do you reward your people separately from the general Police reward system to enable you to retain your specialised people? Perhaps, the Deputy Commissioner could answer that.

MR. I. LIGAIRI.- Thank you , Sir. In terms of rewarding our people we have our system in place and that is through promotion. Only through promotion because you understand that the increment into salaries has now stopped and we are not doing that. However, as I said, we reward our people by promoting them "yes" in the organisation.

HON. MEMBER.- (Inaudible)

MR. I. LIGAIRI.- Yes, when there are cases that they solve, that is another way by recognising their effort and then giving out commendation.

HON. V.R. GAVOKA.- What I am saying here Deputy Commissioner is that, your people can be highly trained and then poached by the private sector because the offer from the private sector is much greater than what the Police offers. I know it is a difficult one, you have an organisation to look after but I think we are talking about here highly trained officers who were trained by the FBI, I mean the kind of trained you get, not many in Fiji can get that and to lose someone to a private sector for someone else, to me it is very tragic. You would have to be offering reward packages that are comparable to the private sector or indeed overseas because the way it is, you can be very easily snatched by other countries to go to abroad. That is where I am coming from because we want Fiji to be a safe place for business and we want the investors to know that it is a country that has laws and laws that are properly executed, and the execution arm is also very strong. I guess that is where I am coming from, Deputy Commissioner.

HON. P. SINGH.- Just on the same note, I will give an example, when you left us Inspector Ali, you have invested heavily in him and he heads the Unit. Now, with all this wealth of knowledge, I mean, we were in one of the workshops and our counterparts from the Pacific Islands commended Fiji for that Turtle Island case where this girl went to prison, her brother and everyone. You were able to retrieve the assets and you sold them, so that was complete from A to Z done by your Department and, of course, in collision with FIU and everyone. When we hear these kind of commendations, it is very encouraging and we thank the Police Force. We commend you for that.

Coming back to the issue on what my colleague said, if you are going to lose Inspector Ali tomorrow, it will be a big lost to your Department. Of course, we have people in the lower ranks who can come up but the investment on return, I think what my Honourable colleague is saying is; how do we incentivise or hold him back? That is probably something you can look into, you do not need to give an answer now.

The other one I am after, Madam Chair, is the extraditions. We have a lot of local fugitives living in Australia and New Zealand who have absconded but I believe it is a very cumbersome process to get them back. Do we have a treaty with Australia and New Zealand?

MR. A. ALI.- Thank you, Sir. Some of these fugitives have gone abroad and they either become citizens of that particular country or hold permanent residence and that becomes very difficult to extradite. It has to go through a full court process and that takes a lot of time. The concerned jurisdiction is concerned about their citizens and they do not easily give up for them to be extradited to Fiji. That is the difficulty we encounter and that is why we have a lot of fugitives abroad.

MADAM CHAIRPERSON.- Thank you, Inspector Ali. You mentioned as part of your challenges that you have a manpower shortage and that two of your options would be either to increase

the size of the Unit or outsource. Do you believe that we have the expertise available locally for you to increase the size of your Unit locally?

MR. A. ALI.- Yes, Madam Chair, we have that.

MADAM CHAIRPERSON.- Thank you.

HON. V.R. GAVOKA.- Inspector Ali on the Palermo Convention, you did say that some jurisdictions are not willing to share information freely with us and to be part of that fraternity. I assume that when there is any dealings with those countries, red light would go out right away to mandating a special scrutiny of that particular issue. Is that the way you handle it now?

I say this because a lot of traders are trading with those countries. They may not be sharing information but we could be buying from them or we could be exporting to them. So how do you deal with those types of cases, those who were not part of Palermo Convention and yet have dealings with Fiji?

MR. A. ALI.- Thank you, Sir. The information that we are sharing based on this Instrument in respect of the Fiji Police are critical information that we need in terms of criminal involvement. I believe if Fiji has ratified and signed that Convention with that particular country, then the information would be flowing freely. There will no red lights in terms of sharing of information.

HON. P. SINGH.- Madam Chair, I think from memory the Vienna Convention sets out the concept. The Palermo and the subsequent Conventions layout the logistics and the specific. So Fiji has specifically looking at this Convention before ratifying, is who do you share with? How open you want to be? Which nations are involved? Which jurisdictions are involved? So these are some of the questions that are before the Government before they ratify a treaty.

MR. A. ALI.- Apart from that, Sir, we also have our Interpol which Fiji is a member country and we use them in terms of getting information.

HON. DR. B. LAL.- One of the things you talked about was the ATM where they tried and somehow copied those things. As soon as you find a solution, there will be someone who will be able to find another way of tackling that. So I hope we have a system with the banks and others who will have constant checks, that people are not trying to divide something new on to that.

Secondly, on Sunday just before the news I think the Police put up all the wanted people or something and then you see it. A number of people who have obtained especially money from the public and others who disappeared and are not seen for a very long time. I would assume that they have just gone past our airport without our people being able to trace or take note of that. Those are my views on that.

HON. V.R. GAVOKA.- There was a frightening phenomenon where about 40 or 44 people came to the country and they just went about illegally drawing money from ATMs. That is frightening to have a horde of people like that. My question to you is, was that the first group that came to Fiji that we managed to interdict what they were doing or had other parties come through in the past and succeeded and then encouraged these people to follow? How do we stop that? Do they now know that you cannot come to Fiji and do these things?

MR. A. ALI.- Thank you, Sir. This is not the first case but this was one of the largest groups that came and we were able to detect and six of them were charged and they are convicted in Fiji. That would

send a stern warning to the people who are involved in this, that Fiji is not the place to do this. Initially, they were coming but in smaller syndicates and I think that gave them motivation to send a larger group.

HON. V.R. GAVOKA.- Chair, to the Deputy Commissioner, Sir, I am from Nadroga/Navosa and the fact that our people are engaging in this thing is quite painful. I have always maintained that if there is no demand, there is going to be no growing up there. I brought this up in Parliament a number of times that we have to interdict the network, the supply chain or curb the demands in the demand centres like Suva, Lautoka. It must be very obvious to us on who is benefitting from this demand in Suva and Lautoka. That to me is where the focus should be. Part of the equation is also planting, but I am firm believer in that you curb the demands, the growing up in the hills will also decrease. So, how are we attacking or approaching the demand of this especially the players. There must be some big players here. I believe there is a very sophisticated network and we have to interdict that and bring the major players to justice. I brought this many times in Parliament, I made the example of heroine being grown in Afghanistan and funding the market in Europe and all those places. They only do that because there is demand in Europe and in the major centres.

MR. I. LIGAIRI.- Thank you, Sir, you are right. There is a demand in the supply side. We are addressing both at this point in time. That is why we asking the members of community to come up and notify the Police of information where they think that people are peddling with drugs and at the same time, we are targeting this in the towns and cities and we are also targeting those who are cultivating and supplying. So, it is not a one way traffic, we are double- pronged in addressing both sides and that is what we doing right now.

MADAM CHAIRPERSON.- I think I understand where Honourable Gavoka is coming from. It is almost a three-pronged or four-pronged attack. You have got the grower, then you have then you have the dealer but then the demand is also the user which is everywhere. So, wherever you cut that supply will hurt. So, if it is not coming out of the ground then the user cannot get it, the dealer cannot sell, so it is quite a complicated circle. Do we have any other questions?

We have our next presentation in out 10 or 15 minutes. So, I thank you once again for sharing your knowledge with us and I would like you to join us morning tea. *Vinaka*.

The Committee adjourned at 10.19 a.m.

The Committee resumed at 10.40 a.m.

Submittee: Fiji Independent Commission against Corruption (FICAC)

In Attendance:

- | | | | |
|----|--------------|---|------------------------|
| 1) | Mr. R. Aslam | – | Manager Legal |
| 2) | Mr. F. Tora | – | Financial Investigator |
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MADAM CHAIRPERSON.- Good morning, gentlemen. On behalf of our Committee of Economic Affairs, I would like to welcome you. This is the team from Fiji Independent Commission Against Corruption (FICAC), we have Mr. Aslam and Mr. Tora. We brought here today to hear from you on the Fiji Financial Intelligence Unit Annual Report 2015.

(Introduction of Committee Members)

I will give you the floor gentlemen for your presentation and we could interject from time to time with questions, if you do not mind. Thank you.

MR. R. ASLAM.- Honourable Chair and the Honourable Members of the Committee, first of all thank you very much for the invitation. We are delighted to do this presentation today to this Parliamentary Committee. I am the Manager Legal of FICAC. Basically my responsibilities are to look after the cases out and inside the court. I do prosecutions and also supervise cases of FICAC and with my colleague Mr. Frank Tora, he is a Financial Investigator of the Investigation Department and his one of the investigators whose liaises with FIU very closely on investigations.

I believe the Honourable Members would have received the brief outline we sent yesterday. We apologise for the late delivery. In that letter we had mentioned that up until June 2016, the co-operation we had with FIU was a very nominal one because we did not have jurisdiction to take over Proceeds of Crime investigations or investigate and prosecute any money laundering offences. This power has been given to FICAC by way of Act No. 13 of 2016, the amendment to FICAC Promulgation.

Basically the idea of this presentation is firstly to give a very overall picture about FICAC and what we do in FICAC and then to show how the work of FIU is assisting FICAC in investigations. Without saying much, if I may take the Honourable Members to my presentation, here I have mentioned that it is a specialised law enforcement agency, especially created to combat corruption in the public sector. Fiji ratified the United Nations Convention against Corruption (UNCAC) in 2007 and after the ratification it is one of the obligations for the State-party to establish a specialized organization handling the matters pertaining to corruption in the public sector.

The FICAC Promulgation was implemented in 2007 and through FICAC Promulgation, an institution called Fiji Independent Commission against Corruption (FICAC) established and the powers were given to FICAC to handle various matters pertaining to anti-corruption. Not only investigation and prosecution but also prevention and other matters as well. Further in 2013 under Constitution of Fiji under Section 115, the powers of FICAC was further entrenched and recognised the establishment and that also was helpful to bring FICAC matters forward then establish within the legal justice system in the country with some sort of certainty.

These are four main functions of FICAC. We receive complaints from the public and we also receive complaints from Government institutions, and we also have a toll-free line. We also act on

anonymous complaints on whistleblower policies and after receiving complaints, we assess the complaint and if the complaint has relevance to anti-corruption or corruption-related investigations, the Deputy Commissioner will then refer the matter for investigation. At that juncture, the complaint will go to the Investigation Department which is handled by a difference manager and there are investigators, who come from senior police background and we also have junior investigators from the graduate level, we have recruited them, who come from the accountancy background, so we have two types of investigators – general investigators and also financial investigators.

Once the investigations are completed, the files will be referred to the Legal Department which is responsible for prosecution and the Legal Department will assess that investigation independently. If there is evidence the matters will be taken to court with the approval of the Commissioner, if there is no evidence we will recommend that the matter be closed.

This is the reactive arm of FICAC. We also have a proactive arm which is Prevention and Awareness. We do Prevention and Awareness programmes in Government institutions and also in public forums. Under FICAC Promulgation the Commission has powers to advise the Government institutions, the Permanent Secretaries and heads of Institutions or Authorities with regard to good governance or better practice in terms of controlling or eliminating corruption within their institutions. That is the statutory obligation that FICAC has and we have powers to summon or request for documents put in into any activity of any Government institution, and also we will advise the institution.

Having said that, if I may take the Honourable Members to the next slide, our work with the Fiji Financial Intelligence Unit (FIU) is directly linked to our investigations, so the investigators and the Investigation Department is responsible for liaising with the FIU or receiving information that we need from FIU.

Just to give an overview of the basic jurisdictions of FICAC, these are the areas that we have jurisdiction to investigate and prosecute. Our main mandate is prevention of bribery in this country. That is under Bribery Promulgation and any offence under the Electoral Decree or Political Parties Decree or any corrupt or any illegal activity that occurred in any of the elections. Under Section 8 of the Electoral Decree, the FICAC has jurisdiction to conduct investigations and prosecutions.

Thirdly, the Crime Decree, this is the general criminal law of the country and this includes bribery offences, fraud, corruption, abuse of office and many other offences under this. Broadly FICAC has jurisdiction to take over any offence under Crimes Decree, however, as per the mandate given to FICAC under the Constitution and the FICAC Promulgation, we restrict our work only to corruption-related investigations under Crimes Decree.

Penal Code; sometimes we still receive offences that were committed prior to 2009 so the Penal Code is somewhat relevant in our work.

Finally, proceeds of crimes and money laundering; as I have said before, the amendment came into force in June 2016. Before June 2016, FICAC did not have jurisdiction to conduct investigation or institute any proceedings under the Proceeds of Crime Act or do any other money laundering investigation.

Honourable Members of the Standing Committee, our investigations are within these jurisdictions so basically in our investigation when we require certain information with regard to a suspect or a suspected financial transaction, one of the main places that we rely on is FIU. However, the information we receive from FIU is not deemed as evidence and we cannot use it in court as evidence, so this is the first contact point for us to establish or have some sort of idea of the suspected person or the transaction

during the preliminary inquiries or even in the full investigation stage at any time we request information from FIU with regard to financial transaction of the suspected persons. This is how and where FICAC and FIU work together with regard to investigations. Even under bribery investigations or any fraud or any other abuse of office matters, if we suspect any illegal transaction and if we think that FIU may have that information and if they can give us within a short time period, we have an Memorandum of Understanding with FIU and we have direct access to the Director and we will request for information or else we will send our officers to the Director of FIU and request for the information about this. That is in the starting point.

In the investigations, if we see that the FIU report contains relevant material that we may use in the investigation, then we will see the lawful way to obtain the evidence, that is, through the search warrant of the court and we will go to the banks or any other authorities to extract that evidence so that the evidence will become lawfully exhibits later on in our cases.

After the last amendment to the FICAC Promulgation we have been given additional responsibilities, I would say, rather than additional powers under the Proceeds of Crime Act. This is one of the areas that we lack in jurisdiction. We had some serious investigations and prosecutions last year and in within our investigations, we have seen proceeds of crimes and money laundering offences being committed, unfortunately we did not have jurisdiction to take over at that time. So, we did not have an option but either to refer the matter to the Police or FIU, or to find the different alternative way or alternative offence to tackle the situation.

There are some cases right now going on in court with regard to illegal transactions occurred in the country but we have not relied upon proceeds of crimes or money laundering in those cases because we did not have jurisdiction. Now with the extra responsibilities given to FICAC, by all means, we can take over those investigations. On the other hand, these offences occur in tandem. We see a serious offence under Bribery Promulgation being occurred, but the proceeds have been later on diverted into various other institutions or out of the country. So that may not be captured within the Bribery Promulgation, so we will definitely have to have jurisdiction to tackle that situation.

Prior to June 2016 we did not have powers, now we have the powers. The reason why I am highlighting this is that, this is the area where FICAC and FIU will have to work very closely, particularly on money laundering because we, undoubtedly, will be relying on the financial transactions of the suspected person, and the best way of receiving that transaction is through FIU at the inception of the investigation.

There was a consequential amendment to the Proceeds of Crime Act by way of Section 19 of the FICAC Promulgation which gives powers to FICAC to take over any proceeds of crimes or money laundering investigation. This is something we have not done previously in FICAC - money laundering but now with the powers coming in, we see the need that we have to have better co-operation with FIU in the future and also to empower our own officers to become experts in this area in terms of investigating money laundering and also prosecuting money laundering. At the moment FICAC is working on that line.

Honourable Members of the Committee, that is how FIU assists us (FICAC) in our day to day work in the investigations of the Commission. Apart from that, as I mentioned we have an MOU with FIU. The MOU was signed in 2009 basically to share information between the two institutions. As I mentioned earlier, if we need any information with regard to any of the pending cases, we will obviously require that information from Director FIU and they have always co-operated with us. Likewise, FIU if they think the matter should be referred to FICAC, we receive certain referrals from FIU as well in terms of corruption related investigations and if evidence prevailed then we will usually take over those

investigations as well. The information we receive is mainly for profiling the suspects and the suspected business transactions.

Apart from those law enforcement aspects, FICAC has been participating in Anti-Money Laundering Councils from 2014. We were an invitee to this Council and the Deputy Commission nominated senior officers to this particular council and we have provided advice and guidance to the Council as and when required through our members when it comes to corruption related matters and we have always actively participated in their discussions but FICAC was not a deciding member in that particular Council as of now. Apart from that, FICAC is also part of the Law Enforcement Working Committee, I believe there are three working committees under Anti-Money Laundering Council which are:

- (i) Legal Group Working Committee;
- (ii) Law Enforcement Working Committee; and
- (iii) Supervisory and Regulatory Working Committee.

Out of the three, the FICAC takes part in only one working committee for the time being – Law Enforcement Working Committee. We have also contributed there efficiently in terms of enhancing their work in Anti-Money Laundering Council.

FICAC has contributed in 2015 for the National Risk Assessment Programme coordinated by FIU and we have made our submission to the Asia Pacific Group (APG) that came to assist the National Risk Assessment. We have made our submission in terms of United Nations Conventions against Corruption where asset recovery is one of the key responsibilities that should be given to a specialised investigation authority like FICAC. This asset recovery basically is under Proceeds of Crime but this was not given prior to 2016, so we have made our submission and it was reiterated in their report as well that FICAC should be given these powers under Proceeds of Crimes Act, consequently we received that power this year.

Basically, that is how FICAC and FIU co-operate and assist each other in their work and in the future in light of new responsibilities given to FICAC, we see that the co-operation will definitely enhance and we will work more closely because we see that many money laundering investigations or many cases under Proceeds of Crimes will be taken over by FICAC. In that event, we will have to work very closely with FIU and we are very positive with our previous experience that FIU and FICAC will work together. That is a very brief outline and that is how I can at this moment inform this Honourable Committee how FICAC and FIU work and we are glad to answer any questions if the Honourable Members have any.

MADAM CHAIRPERSON.- Thank you very much, Mr. Aslam and Mr. Tora. Before I open up the floor to our Committee Members to ask any questions they may have, I have one. Earlier this morning we heard from the Fiji Police Force and a couple of weeks ago we also had presentation from FIU, in your opinion is there any overlapping between yourself and the Fiji Police Force or are there definitive roles that each of you play.

MR. R. ASLAM.- Theoretically, there could be overlapping because although FICAC is an expert organisation, police also can do the same investigation so there could be overlapping. The areas where we do not overlap is investigations pertaining to election related matters where the Electoral Decree is very clear that the investigation should be handled by FICAC alone. Apart from that, the general crimes, any offences under the Crimes Decree, the police also can investigate and FICAC also can investigate but this has been overcome through mutual understanding between two authorities. We have a way of double checking with the police whether they have done the same investigation or they have taken over, if they are doing the investigation, up to what level they have gone. If they have completed a substantial

amount of investigation, we will never interfere. So, in terms of law yes, there could be overlapping but so far there is no confrontation or inconsistency. We have sorted out this matter mutually but also at the same time, under the 2013 Constitution, FICAC has power to take over any investigation pertaining to corruption related matters conducted by any other institution that includes police, DPP and any other law enforcement agencies.

We have not taken away an investigation as of now, we would like to co-operate with other institutions as well and have a good understanding with them and mutually come to an agreement. I believe the Deputy Commissioner and the Police Commissioner also have very good terms and they refer the matter to each other, so in short overlapping could be there but we are careful not to mix up our work with each other.

MADAM CHAIRPERSON.- So, it would be safe for us to assume that between FIU, Fiji Police and FICAC you all share information freely between each other?

MR. R. ASLAM.- Yes, Madam.

MADAM CHAIRPERSON.- Between the three units?

MR. R. ASLAM.- Yes, Madam.

NADAM CHAIRPERSON.- Thank you.

Committee Members, do you have any questions?

HON. V.R. GAVOKA.- Thank you, Madam Chair. That was the question in my mind. When you look at the situation for Fiji, as parliamentarians we want to make sure that Fiji subscribes to all the laws and rules about transparent, good governance so that there is a high degree of confidence in doing businesses in Fiji, especially for the businesses community and it behoves us to be fully equipped to do what needs to be done.

As the Madam Chair just mentioned that we had briefing by the police this morning and they have a highly specialised team totally committed to money laundering and you have your area of speciality. I think this overlapping thing will continue to be an issue, given the limited resources of the country, the Police would like to have more in terms of resources and people and all that. There has to be an effort to harmonise agencies, to strengthen Fiji and to strengthen what is here. I mean, we already know that we are limited by resources so we must make the most of what we have - you, FICAC and the Police. So my observation is that, there will be a need for a lot more work to be done to harmonise these two very well-equipped organisations with powers, but harmonising what they do as opposed to the grey areas that can compromise the efforts that we are trying to do here. That is just my observation, you might want to say something to that.

MR. R. ASLAM.- Thank you, Honourable Member.

Honourable Chair, I entirely agree with your comment. If I may add a little more to that; of course, we have a very skilled unit in CID, tackling money laundering matters. Money laundering is a very vast area. It includes the money that could come from illicit drugs activities or illicit financial assistance to terrorists and many other activities. However, from FICAC what we are looking into is, illicit activities through corruption. We do not look into drug-related matters or terrorism issues. In terms of tackling money laundering in general, Police has a wider and bigger responsibility.

FICAC comes as an expert agency to takeover corruption-related matters and as I said, money laundering is not one of our main jurisdictions. What we have seen is, in serious corruption-related crimes, money laundering happens as a secondary offence or it occurs in tandem. In that event it would be a waste of resources to separate that part of investigation and send it to Police because they will have to start the investigation again from the beginning. So since we have covered, let us say four-thirds of the investigation, it is easy for us to complete the rest with regard to corruption-related matters and complaints. I believe this is how we should work, the Police obviously have a bigger role and I think in the future with better discussions through all these agencies, we would be able to demarcate our lines clearly - firstly not to interfere with each other's work and secondly, how best we can cooperate with each other to enhance our work, to complete an investigation in a very short time period and in a very effective manner. So I agree with you Honourable Gavoka on that point.

HON. P. SINGH.- Madam Chair, just on the same one, yours is a specialised law enforcement agency and a specific duty to combat corruption-related matters. Is that so?

MR. R. ASLAM.- That is right.

HON. P. SINGH.- In the public sector.

MR. R. ASLAM.- In the public sector.

HON. P. SINGH.- And whereas the Police have general, they investigate public, private, all over.

MR. R. ASLAM.- That is right.

HON. P. SINGH.- So I think this is where the demarcation is, but you have more powers under the Constitution than the Police (I believe) in corruption-related matters; is that correct?

MR. R. ASLAM.- Yes, that is correct.

HON. P. SINGH.- Having said that, FIU is basically an intelligence gathering unit. That is how I look at it.

MR. R. ASLAM.- Yes.

HON. P. SINGH.- Intelligence comes in handy to FICAC, Police and other agencies who are in need of it. They do not have the prosecution powers. As alluded to us by FIU that in some five to ten years' time down the line, they want to be independent of Reserve Bank of Fiji and a standalone agency of their own, do you think if they come in and seek powers of the investigation and prosecution part of your work, would that be possible or would that be too many of an agency doing the same work?

MR. R. ASLAM.- A very interesting question. Honourable Prem Singh. As far as I understood, the way the FIU work around the world, they are supervisory and regulatory work. Subject to correction, I have not seen investigation or prosecution powers anywhere in the world that is given to any FIU but having said that, we cannot exclude in the future if need arises for the powers been given to FIU. I think at that juncture it should be very carefully considered and assess the situation and take a decision at that juncture. But right now, I do not see that possibility happening anytime in the recent future.

HON. P. SINGH.- Thank you.

Before Act No. 38 came into place, I think Parliament enacted this in June the Police used to undertake the work that you are going to do in respect of proceeds of crime and money laundering. I

believe they had their own investigative arm - the CID Unit or the forensic guys and then you had the same, the prosecution people prosecuting and, of course, achieving results in a certain case or whatever.

Now that FICAC has assumed its powers to investigate and prosecute for two particular areas, that is, money laundering and proceeds of crime, I believe most of the crimes that have been committed also has proceeds of crime type to it. From your experience, what would be a quantified measure? How much money would there be in terms of proceeds from crime that are to be prosecuted under the new law?

MR. R. ASLAM.- If I understand the Honourable Member's question correctly, you are asking me whether there is an approximate amount in terms of one year?

HON. P.B. SINGH.- Yearly basis.

MR. R. ASLAM.- It is very difficult to predict because you never know who will commit crimes in the next year. So in my experience it could vary even from \$100 to 300 million. We have seen \$100 or \$200 being illegally laundered through the financial system up to one or two point million. It is very difficult give a definite figure but it differs, it depends on the activity.

On the other hand it is very difficult to audit because sometimes the investigation takes more than one, two or three years and the amount also differs. Sometimes we see a clear money laundering has taken place but there is no sufficient evidence to prove the entire amount, for example, \$6 million could be involved but we only have evidence to prove about \$4 million or \$2 million. So the actual amount of the crime may be higher but since we lack evidence, we will not be able to prove everything so what we take to court could be a part of it. It is very difficult to give an accurate figure in that line.

HON. DR. B. LAL.- I have two very simple issues. One of the things I have noted during my past career as Permanent Secretary, people write all sorts of complaints to FICAC. You transfer a teacher, there is a complaint. A teacher is promoted, there is a complaint. You go on, the list is long. I have always been wondering; how would you be able to tackle so many things?

MR. R. ASLAM.- Thank you and a very pertinent question, Honourable Member.

Yes, we do receive a lot of complaints, not directly related to corruption and we would say, 80 percent of our complaints comprise non-corruption-related matters. In dealing with that, we refer those matters to the relevant agencies. For example, if it is a disciplinary matter with regards to one Government agency, we refer that matter to them.

We have an Assessment Unit in our Complaints Department and they assess the complaint very carefully and if it is a corruption-related matter and if there is evidence, only then we take over, so the mechanism is referring matters to the relevant agencies.

HON. DR. B. LAL.- The second is, once the complaint is lodged and you carry out your investigation and either you take the person to court or the other thing is the case may be dropped; how does that person know that he or she has been cleared especially if he wants to travel overseas or if items have been confiscated are they released and all these things?

MR. R. ASLAM.- Thank you Honourable Member. If there is a prima facie case at the end of the investigation and the legal assessment, we assess the case very carefully particularly on the strength of the evidence. Secondly, the matter is in public interest or should FICAC take over this matter or should we pass it over to the police or any other agency. So having considered all these factors and then if we

take the matter to court then obviously the suspected person would be informed directly. If we do not take the matter to court, mainly that would be because there is no evidence in that particular case. So if we have taken any property of a suspect or exhibit, we would henceforth release and we will also inform the suspect and we have a mechanism of informing them.

With regard to stop departures, we do not put a stop departure without a reason and we have a statutory obligation to inform the person that there is a stop departure against them within 24 hours of that particular stop departure being implemented. So that is another mechanism we have to inform the suspected person that there would be a risk in this area. In short, yes we have a mechanism of informing the other person. There could be situations seldomly that some people may not know that there is an investigation going on because until we call them for interrogation or we call "caution interviews" a person would not know whether there is any investigation or not. So in the event of an ongoing investigation, we make sure that it will not jeopardise a normal day to day life of a citizen of this country whether they are a suspect or not.

MADAM CHAIRPERSON.- Could I just ask if you have the information, what is the success rate for convictions percentage wise? Just an average.

MR. R. ASLAM.- In terms of prosecution success rate in 2014 and 2015 was 100 percent.

MADAM CHAIRPERSON.- Thank you. So Honourable Committee Members do you have any more question? Thank you very much Mr. Aslam and Mr. Tora. We have learnt a lot from your presentation and this will help us in our deliberations. If you have some time, please join us for a cup of tea, thank you once again.

MR. R. ASLAM.- Thank you for having us.

The Committee adjourned at 11.18 a.m.

The Committee resumed at 11.59 a.m.

Submittee: **Fiji Revenue and Customs Authority (FRCA)**

In Attendance:

- | | | |
|---------------------------|---|-------------------------|
| 1. Mr. Visranath Das | - | Chief Executive Officer |
| 2. Mr. Kumar Sami Goundar | - | Director Revenue |
| 3. Mr. Shameem Khan | - | Acting Director Revenue |
| 4. Mr. Robeen Chand | - | A/PACE |
| 5. Ms. Timaima Rayawa | - | A/NMLS |
| 6. Mr. Muni Ratna | - | NMRC |
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MADAM CHAIRPERSON.- Good morning ladies and gentlemen. Welcome to the Standing Committee on Economic Affairs. This morning we are here to receive your submission on the Fiji Financial Intelligence Unit Annual Report 2015. Thank you once again for accepting our invitation and I will give you the floor and we may interject from time to time with questions if you do not mind, thank you very much.

MR. V. DAS.- Thank you, Madam Chair and Honourable Members of the Standing Committee on Economic Affairs, it is indeed our great pleasure to be invited to update your good selves in the matter of Fiji Revenue and Customs Authority's statutory role and more precisely our role in tackling money laundering in Fiji being a member of the National Anti-Money Laundering Council.

Honourable Members, please allow me to begin by providing you an overview of the Fiji Revenue and Customs Authority. The Fiji Revenue and Customs Authority is a statutory authority constituted under the Fiji Revenue and Customs Authority Act of 1998 that is governed by a Board and administered by a Chief Executive together with more than 800 officers including managers.

Fiji Revenue and Customs Authority's role is to collect taxes and duties on behalf of Government, facilitate trade and travel, protect the border and provide quality advice on tax and customs matters to all its stakeholders.

Honourable Members, I am pleased to inform that FRCA has embarked on a journey to world class and the transition phase has allowed us to welcome many changes from the restructure of the organisation to changes and processes, systems, policies and evidently internal Acts aligning to our constantly changing business environment which is in no way divorced from the globalisation, trade liberalisations, rapidly evolving technology and increasing security risk with regards to illicit trade and terrorism globally. The dynamic FRCA leadership team together with its people has continuously levelled up ensuring that expected outcomes are delivered according to the changing needs.

Honourable Members, our organisation structure now operates in six focus areas namely border forces, compliance intelligence and risk, revenue management, people capability and culture, corporate services and information systems.

Honourable Members, the Director Border Forces oversees border security and controls at airports, seaports, post office and international mail centre, cargo clearance, inspections and primary line passenger processing.

The Director Intelligence, Investigations and Compliance oversees intelligence and risk profiling, fraud investigations and audit compliance.

The Director Revenue Management is responsible for tax revenue, customs revenue, lodgement enforcements, debt management and FRCA customer services.

The Director People and Culture oversees FRCA most valuable asset namely our people, people capability, development and technical capability, human resource services, wellness, health and safety.

The Director Corporate Services superintends policy and strategy, marketing and communications, finance and asset management and legal services.

The Chief Informations Officer administrates strategic and operational technology enablement and knowledge management systems.

This new organisation structure is focussed on one service, one team supporting our new vision of being a world class organisation taking into consideration the broad goals of the Government. The FRCA customer service together with our intel operations are across the country through 10 locations throughout Fiji namely Ba, Labasa, Lautoka, Levuka, Nadi, Rakiraki, Rotuma, Savusavu, Sigatoka and Suva.

Honourable Members, the presentation outline the focus of today's submission is on FRCA's functions and duties as a member of the National Anti-Money Laundering Council. FRCA's role in tackling money laundering and FRCA's partnership and involvement in enhancing the work of FFIU.

Honourable Members, if simply put, money laundering is basically legitimatising of Proceeds of Crime and corruption to the extent of individuals hiding wealth to avoid taxation and confiscation. Therefore, we all share some of the initiatives on the ground for FRCA together with some live and real partnership efforts and outcomes and finally some evidence of case studies.

Honourable Members, pursuant to Section 35(5) of the Financial Transactions Reporting Act, the Council members through the Council should act to advice the FFIU and the Minister on any matters relating to prevention of money laundering or the financing of terrorism:

- To make recommendations to the Unit and the Minister on any matters relating to the prevention of money laundering or the financing of terrorism.
- To assist the FFIU and the Minister in the formulation of policies or strategies relating to the prevention of money laundering or the financing of terrorism and to assist FFIU in co-ordination between various Government departments and with statutory corporations.

Honourable Members, given the work of the National Council being effectively shared through working groups, the FRCA is a chairperson of the Legal Enforcement Working Group of the AML Council in:

- Providing updates to the National AML Council meetings on its achievement, providing advice on the National Implementation and Enforcement of the Financial Transactions Reporting Act;
- Identifying any tax and Customs offences relating to money laundering;

- Addressing any key results constraints and building capacity of the Authority to conduct Tax and Customs-related offences relating to money laundering investigations;
- Instituting a mechanism to collect and regularly review detailed statistics relating to money laundering to assess effectiveness; and
- Partnering of intelligence between FRCA's border and the Fraud Evasion Team with FFIU.

Honourable Members, the major area of collaboration and understanding exists between FCRA and FFIU is in partnership for intelligence. Seizure reports are sent to FFIU for further profiling and intelligence on seizures and detentions done at the border, for example, currencies for violations of the Financial Transactions Reporting Act.

We share a common interest and threats at Fiji's border linked to money laundering, such as the presence of syndicates in the Region in relation to illicit drug importation, human trafficking, illegal transfer of currency at borders, asylum seekers and deportees, forged passports, increased number of cybercrime, spread of outlaw motorcycle gangs and criminal gangs, and last but not the least, terrorist financing. No doubt, there is an immense information and intelligence out there with regards to these possible threats with FRCA and FFIU and its respective regional and international counterparts. Certainly, these presents a great opportunity to capitalise through effective risk profiling and information sharing.

Honourable Members, the supporting structures on the ground enabling this, as well as greater partnership is evidenced by the establishment of a Transnational Crime Unit (TCU) in 2005. The TCU officers are located in Suva, Nadi, Rakiraki and Savusavu. The team consists of Police and Customs officers, having access to local and international information sources. The team has also developed networks and crosslinking with intelligence through:

- World Customs Organisation;
- Regional Intelligence Liaison Office commonly known as RILO Asia/Pacific;
- Pacific Transnational Crime Co-ordination Centre (PTCCC);
- Pacific Transnational Crime Network (PTCN);
- Interpol; and
- Pacific Islands Forum Fisheries Agency (FFA).

Furthermore, FRCA has an established Fraud and Evasion Team based in Suva, investigating across entire range of tax and customs issues resultant of money laundering activities. Generally from revenue perspective any proceeds being income in nature is taxable and this is pursued accordingly by FRCA as tax fraud which includes but s not limited to parking income in bank accounts, nominee bank accounts, trust accounts, parked in the form of assets creating false and altered documents and invoices, maintaining more than one set of accounting records, making false entries and alterations in accounting records, et cetera. Whereas these investigations results and information is referred to respective partner agencies for the necessary criminal proceedings and prosecutions proceedings to be pursued, FRCA through its recent initiatives is moving towards conducting tax offence investigations to pursue prosecution proceedings from tax administrative perspectives as well.

Honourable Members, I am sure that you have personally come across the FRCA and FFIU joint action programmes on the ground at our borders for international travels, such as currency reporting at border with the limitation of \$10,000 in any country' currency. The declaration on arrival and departure

card under border currency report form and the hefty penalties for non-declaration which include maximum fine of \$60,000 or 10 years imprisonment or both.

Honourable Members, we are pleased to report that FRCA and FFIU relationship extends beyond information sharing to secondment of FRCA officials with tax and customs expertise to FFIU. Our officers have firsthand access to FFIU information, that is, direct data access platform.

FRCA is also, privy to regular referrals from FFIU of analytical reports of financial transactions that FFIU receives from financial institutions and other agencies in Fiji. These reports include but not limited to the suspicious transaction reports, cash transaction reports, border currency reports and electronic funds transfer transaction reports.

Honourable Members, as earlier alluded to in my presentation, FFIU analysed transactions are disseminated to other law enforcement agencies, including FRCA which is referred by the Case Dissemination Reports (CDRs). The CDRs are forwarded to Director Intelligence Investigations and Compliance at FRCA for pre-auditing profiling and analysis by the Fraud Evasion Team for their further investigations. Tax and Customs duty assessments are raised where correctly due and topped up with relevant administrative and fraud penalties.

Honourable Members, in the event FRCA investigators determine that the taxpayer or a trader has not committed an offence relating to tax or customs, the case is left for the other relevant agencies to conduct their investigations relating to their field of work.

Honourable Members, FRCA and FFIU also have annual or on needs basis, feedback meetings providing feedback on the disseminated reports and on the success of case on tax or duty collection they are on.

Honourable Members, we are pleased to report that the FRCA has also implemented and continues to introduce initiatives in executing our border security role. FRCA will soon be introducing Customs detector dogs at the borders to detect drugs and currency crimes. The Customs Dog legislation is already enacted and FRCA in conjunction with the Fiji Police Force and the New Zealand Customs Service Corporation will be rolling out this initiative by the end of this year.

FRCA already has non-intrusive inspection devices namely X-ray machines, Ion scans and the first defender handheld drug detectors operational at our airports and post offices. FRCA has also planned to enhance the technological capability by investing in mobile container and pallet x-ray equipment in the very near future.

FRCA also has access to vessels monitoring system, a capability through fisheries intelligence. Fiji being a member of the World Customs Organisation (WCO), an organisation second to UN and World Trade Organisation with a membership of 179 countries has access to the Customs communications tools, namely the Customs Enforcement Network Communication Platform called the CENcomm and at national level, the nCEN databases.

Honourable Members, FRCA is also exploring into an Integrated Targeting and Operating Centre (ITOC), a New Zealand of one-stop shop intel for all border agencies.

Honourable Members, you may note that globally, customs' administrations interests also come from trade-based money laundering whereby whilst customs valuation poses a challenge to the revenue base for the State, it is also a medium of money laundering. FRCA profiles and investigates cases of

under-valuation for duty purposes on one hand, and over evaluation for remittance purposes, thus laundering proceeds of crime.

Honourable Members, as part of FRCA's capacity building, FRCA's new one-organisation structure complements its efforts by merging of Intelligence, Investigations and Compliance Teams. FRCA also has in place the whistle-blower policy which provides very useful leads to money laundering activities. Under this policy, the whistle-blower is entitled to a reward of up to 10 percent of the omitted tax or duty collected, but not exceeding a \$100,000.

Honourable Members, FRCA has a strong network of MOUs with various agencies in Fiji and further extends to Asia Pacific Regional Network through the recent appointment of Fiji as the World Customs Organisation Vice Chair for the Asia Pacific Region. Some of the MOUs already in place are MOUs with Vanuatu, Tuvalu, Kiribati and China Customs.

Furthermore, Honourable Members, key information gathered from FRCA investigations are also disseminated to partner agencies for their relevant and necessary actions. Honourable Members, amongst the many FFIU case referrals, we are pleased to report that for the period February 2015 to February 2016, FRCA has completed tax and customs investigations on 50 cases yielding a revenue of \$2.1 million. There are other cases currently work in progress.

Honourable Members, now I would like to share two cases for your information and confidence.

Case No.1 was a matter of undeclared currency at the border. Two persons of interest identified by FRCA Risk Profiling Team were selected, one Taiwanese and one Korean national. They exhibited unusual behaviour and denied answering questions by Customs official. Further search and examination discovered total combine value of currency detained of \$104,000. The persons of interest were produced at the Nadi Magistrate Court by the border police and duly fined.

Honourable Members, Case No. 2, was a matter of electronic cards skimming system. A passenger was profiled by our Passenger Profiling Unit based on the short leave time and long stay in Fiji whilst visiting Fiji for the first time. A luggage search was conducted to discover electronic cards and a card reader and writer device. Cyber Crime Unit of Fiji Police Force were engaged for a determination on the case and it was confirmed that the person of interest was involved with card skimming activities. This was the first case of this nature intercepted at the Nadi Airport.

Honourable Members, that brings me to the end of my presentation. I would like to take this opportunity to thank the Honourable Members, on behalf of my team for the invite and hope we have been able to clarify our roles and contributions in combating money laundering initiatives and our efforts in Fiji.

Money laundering is a complex global problem which can be dealt with adequate and robust legislative framework and a persistent and dedicated combating efforts.

Honourable Members, once again thank you so much for this opportunity, my team and I will be happy to assist with any point of clarification that you may require. *Vinaka*.

MADAM CHAIRPERSON.- Thank you very much CEO for this very comprehensive and detailed presentation. I will now open the floor to our Committee Members if you have any questions?

HON. P. SINGH.- Very informative.

HON. V.R. GAVOKA.- Madam Chair, perhaps on behalf of the Committee I just want to congratulate the CEO for the confirmation into the position.

MR. V. DAS.- Thank you.

HON.V.R. GAVOKA.- You are doing a wonderful job. I come from the angle of tax collection. I am a very strong advocator of everyone paying a fair share of their tax so that we can benefit the whole country.

Now, in the elements of your participation in this unit, you look at the tax aspects of money laundering, could you give an indication of how much cheques we are losing through money laundering?

MR. V. DAS.- Honourable Members, a very good question. We understand from our policy analysis that these forms actually are part of the black economy that IMF had done a study on in 2010. So, effectively if you look at it, when we are looking at the black economy, it definitely forms part of, if I may say the \$700 million of revenue that we anticipate that is out there. As I had mentioned towards the end of my presentation, Honourable Members, that in terms of money laundering it requires a very, very sort of a persistent and a patient approach because what happens is in this area, most of the information is dependent on Intel. So, it is a scenario, if in any case in a situation if the cat is let out of the bag beforehand then it becomes very difficult to trace. So, in terms of our Intel operations sometimes we have to follow on; let certain things happen to be able to reach the root but in direct response to your question, I will say that our policy analysis reveals and it is still part of that black economy which we believe in Fiji's context is one third of the economy.

HON. DR. B. LAL.- Madam Chair, your Case Study No.1, how much cash can a foreigner bring in with him when entering the country?

MR. K.S. GOUNDAR.- Thank you, Madam Chair and Honourable Members. Normally we have a border currency reporting form. When any passenger is leaving the country, if they carry more than FJ\$F10,000 in any form, either it is in bank draft or other statements or they carry cash. So, only FJ\$500 is allowed under the Exchange Control Act and the rest can be other foreign currencies but it should be FJD\$9,500 only.

Anyone who wants to take more money, they go through the banking system, they go to the bank or get approval from the Reserve Bank of Fiji. Sometimes maybe for medical, education or someone is migrating, they go through the system. Even FRCA gives them clearance for tax clearance but for anyone taking more than \$10,000 out of Fiji they must declare and even bringing in also.

MR. V. DAS.- In terms of bringing in money, actually there needs to be a declaration. So, if it is less than \$10,000, usually, that is why I referred to the arrival cards. So, if you have less than \$10,000, the question is there, if you have anything more than \$10,000. So, less than \$10,000 is alright. If there is anything more than \$10,000, it is not that it is restricted but you need to declare it. I think that also forms a part of the money laundering initiatives and that is where the case came up that it was undeclared.

HON. DR. B. LAL.- In your Case Study No. 2, I would like to congratulate you for having all those devices because if people come into the country, we saw where few Chinese nationals who tried to make some ATM cards. So, tracing this at the airport is a safety measure for the people of this country and I congratulate you on having that.

MR. V. DAS.- Thank you, Sir.

HON. V.R. GAVOKA.- Madam Chair, with Case Study No.1, these were foreigners arriving in the country with that amount of Fijian currency. Is that right?

MR. V. DAS.-No, it is foreign currency. They carried foreign currency.

HON. V.R. GAVOKA.- To the equivalent of that

MR. V. DAS.- Yes.

HON. V.R. GAVOKA.- Alright. I was just worried there that if they are arriving with the current Fijian dollars, where are they getting it from.

HON. P. SINGH.- CEO we are dealing here with Financial Intelligence Unit Report which is before the Committee. We would like to draw the distinction between your organisation and FIU.

FIU basically is an intelligence gathering unit and where you benefit, police benefits and others. But you have your own Intel group. Before they came in you were doing your work. So, this further enhances your capabilities to track down people on money laundering and others. Yesterday I was with some academics and they gave me a scenario, please if I can take two minutes of your time.

MR. V. DAS.- Yes, sure.

HON. P. SINGH.- They said that if there is a retail company operating in Fiji, the directors or the owners of the company are foreign based, now that FTIB through Government's initiative can have these businesses, before there was a restriction, they used to have \$1 million or whatever. Now that it is done but when they bring in goods into the country (probably the Customs officers would know), they sell, they keep the money here but the arrangements that you have in bringing in goods, they are paid from funds in their own country and some other country. Under what classification of illegal activity would come in, is it money laundering?

MR. V. DAS.- Madam Chair, those would be booked into the financials as most likely advances to the company from the directors and shareholders, so the money is from offshore but it will still be in the financials. Those goods paid for will still go in as purchases in the P & L but in the balance sheet, they will put it as advances, so it is highly likely that the directors will be reimbursed those advances from the income in Fiji. It is not really a lost to Fiji but they are probably bringing in the money into the country.

HON. V. NATH.- CEO and your team, thank you very much for the very nice information. My question is based on page No. 3 - partnership for intelligence; you mentioned the deportees' profile, after asylum seekers there. Would you like to explore more on that? How you profile them because I believe Australia, New Zealand and other countries states that even if anyone is involved in any illegal activities? Are they deported to their country of origin or how do you profile them?

MR. S. KHAN.- Madam Chair and Honourable Members, normally what if deportees are sent, they are brought up in a different environment there. They have committed some offence may be a murder or are involved in drug trafficking or they have been tricked or they are even there on a visitors permit but they are working, but within that time they have done some illegal activities so that country deports them. What happens is that, Police keep a track of that deportee and we also have that in the system. That is why we are talking about our Transnational Crime Unit.

Our Transnational Crime Unit has access to most of the information, ones coming from PTCCC, and they also have a system which is US-based called APAN. Most of the intelligence data is received from the US Defence and that is the US Defence system. They have access and officers here in Fiji also got access. Whatever crime is happening in the Pacific, the officers in TCU, the police will have all those access so they monitor. You must have noticed that there are a lot of rape cases, so when these people come in, they commit that offence and they do not improve here so the Police keep a very close track of these deportees and certain crimes that are happening. That is why we said that the crimes that are being committed now are new crimes. There is that Natadola case, even now the Police are saying they have found and will be charging someone. Those things were not happening before. A lot of activities are happening from deportees who are coming in.

We also had the motorcycle gang. If you go to the Western Division you will see them and now it is also coming on this side - the Kings Road. So, those people are part of the drug crowd and money laundering is also part of that. Our Police is trying to keep a track on all those people. They have the names of people who are involved. That is how when a deportee comes in, suddenly they change. The way of life they have there, they want to have that same sort of culture in here so they bring it here. A lot of people are part of that gang, and Police is also monitoring.

Overall, Honourable Members, it is indeed and it requires that international network of information too. Being part of the WCO (World Customs Organisation), it give us an interesting opportunity in terms of being able to have an access to that.

HON. V. NATH.- Madam Chair, if you allow me I have two more questions. I believe you also work very closely with MSAF in regards to the border because often it has been seen that yachts coming into Fiji are not being monitored. Would you like to comment on that?

MR. S. KHAN.- Our CEO talked about the vessel monitoring system, that is specially for the fishing vessels and we are talking about the i-talk centre. With that vessel monitoring system they can monitor each movement of each yacht or the vessel so we are now trying to move towards that but we are negotiating with the Australian Customs so that there is a software developed on a mobile phones. That is an application and is a yacht tracking system, so we will be piloting that project may be starting in January, with the Australian Customs. Once it works out, we will also have that software and we will provide our officers with smart phones to access that. Even villagers or district officers in the outer islands to have that as well so that whatever information they get, they can take a picture of that yacht and send those information to our Custom network system and that is what we called the CENcomm. All the data will be put into that system so even any officer anywhere will have access to those systems. It is really hard to monitor the yachts but we are now empowering the district officers or we go to Tikina Council and we also talk about that. Anything that is happening and suddenly they see a yacht, so they report to the Police or they report directly to our Compliance Section or to our Investigation.

HON. V. NATH.- I also invite you to visit MSAF someday, they have a new system there in place. Probably, you can make use of that too.

HON. P. SINGH.- Talking about the tracking yachters, the cruise liners and the yachters, I think in the Police presentation they have a big challenge with them in terms of money laundering and purchase of drugs and tourism financing. Do you also find that as a challenge?

MR. V. DAS.- Absolutely! We face a similar kind of challenge and that is where we are working closely with our New Zealand counterparts and Australian counterparts in terms of being able to have access to technology also in this space.

For the interest of Honourable Members, one of the other things that currently we are in discussion with at FRCA in terms of our role in the Asia/Pacific Region being the Vice Chair of the 33 members countries of the Asian countries, we also see opportunity in our role to start an initiative in terms of monitoring of yachts with different countries. There is being an opportunity with regards to some activity of loading and uploading happening in the high seas between different ports, exploring into the yacht watermark lines from the departing port to the entering port. So there are some opportunities there that we will work on actually in our tenure in the next two years as the Vice-Chair role for the Asia/Pacific Region. That also includes the passenger profiling on the yachts.

HON. V. NATH.- I hope it does not adversely affect our sugar exports because that is how our sugar profiling is done - the weight, water marking, et cetera.

(Laughter)

MADAM CHAIRPERSON.- Thank you, CEO. Just hypothetically, if someone were to come into the country on a visitor's permit and then we see that they have started up a business and that they are trading which they are not supposed to be doing, should we be reporting them to FRCA or should we report to Police or should we report to the Immigration Department or all?

MR. V. DAS.- Actually the information is critical for all three organisations.

MADAM CHAIRPERSON.- Okay.

MR. V. DAS.- And if I may say, it may be a bit of an ask to say that it actually should be reported to all three. But just recently we have also proposed to the Solicitor-General's Office to looking into a sort of an umbrella MOU so that once the information is reported to anyone, then we can quickly exchange that information for the....

HON. MEMBERS.- (Inaudible)

MR. V. DAS.- Yes. I am also pleased to probably advice at this point in time that we all know under the Trade Facilitation Programme, we have a national window effort; putting all the border agencies together on a common sort of a platform where we can easily and even for in terms of facilitation like you know information coming in at one entry point and getting distributed to all the interested agencies. That is an area we are also working with at the moment with MSAF, Police, Health and Immigration. So at this stage I would say, we have started the work, but that is an aspiration, that is the end product that we are wanting on one platform then all the agencies are able to easily access and it makes it easier for reporting. I think when it has to be reported to many places, then it gets lost in between. So I totally acknowledge your comment on that.

MADAM CHAIRPERSON.- Okay, and my next one.

One of your initiatives, you have mentioned FRCA's new structure of merging of intelligence investigation and compliance teams. Does that also include the merging of your Transnational Crime Unit (TCU) and also the Fraud and Evasion Team (FET)? Will they also be merged into this group?

MR. V. DAS.- Okay. I have two comments for that. First and foremost, the Transnational Crime Unit operates independently. It is a joint programme with Fiji Police and FRCA, but in the merger they do not form part of the merger. So they still remain independent and feeding of Police and FRCA and of course, they also pickup information from FIU. Every Intel case will vary. Some could be done quicker, some can take longer periods of time which could be like multiple years as well. But in terms of the

structure being merged, what we have done is, all these years at the Fiji Revenue and Customs Authority we have, although we have been brought under one roof in terms of tax and customs administration, the former Inland Revenue and the Fiji Customs.

So we came under one roof and operated for so many years as Fiji Revenue and Customs Authority, but in our new vision, in our new corporate plan we see that there is a lot of probably duplication of activities. That is where we have now, the board has endorsed and the Government has endorsed. This is happening as of last month. So now in the merged structure what happens is we have revenue stream as I highlighted and the investigation intelligence.

So when we do Intel, Intel has outcomes in both tax and customs. But under the previous structure what happened is, if the Intel information went to tax, they would capitalize on the information but not necessarily make a reference to the Customs Team to pick up on the customs because tax and customs are totally different skills. That is where the divorce was. We were really not, I would say, covering the whole matter in a very holistic way. With the new approach, what happens is one director is responsible for all the Intel investigation and compliance issues. The teams are merged and of course we see in the merger some good practices in tax which can be used by customs and good practices of customs can be used by tax.

So that is the whole idea and that is where we see efficiency gains, reduction of duplication and a more holistic coverage of the information received in terms of tax and customs compliance as well.

MADAM CHAIRPERSON.- Okay. That makes sense. We did ask this question to the Police earlier this morning about overlapping and they did confirm that there is a bit of overlap, but in your case it would be understandable because your expertise is your expertise and not theirs.

So the overlaps are understandable. They did also confirm that information is being shared freely between yourselves, them, FIU and FICAC. You also agree that information is being shared freely between all of you?

MR. V. DAS.- Yes. Information sharing is happening. I think I would say one step up than that would be that whilst the information is shared, how do each organisation use the information to achieve the outcome that they are mandated to. So I think this new structure is actually making it very clear, we can see the clear inflow of information and translation of the information into the outcome in terms of border security, revenue, whatever needs to happen.

MADAM CHAIRPERSON.- Thank you.

HON. MEMBER.- (Inaudible)

MR. V. DAS.- Absolutely.

HON. V.R. GAVOKA.- Chair, just one more from me.

We are dealing with, on a transnational scene, we are giving some very sophisticated operators very complex and it keeps evolving. Are you comfortable that you are adequately resourced to stay on top of these things or these challenges? I know we are a small country, it is huge out there, but like I said, we want everyone to know that this is a country with laws, we stay on top of things and no one can come here and get away with crimes and the likes.

MR. V. DAS.- I think I will comment on that with respect to the fact that, I think you know that law modernizations are happening. So you can say that we are keeping up with the game in one respect and of course, I think you know there are lots of wonderful opportunities that exist if we are able to actually employ all the technologies out there in terms of the non-intrusive devices, x-ray machines, scanners and all those things. We have some at our borders and with certain limited capabilities.

I would like to share this inspiring and successful story. At FRCA we had, there are technology, programmes and softwares available in the market in terms of passenger profiling activities. However, of course limitation of resources, we may not have the access to the top of the range but it was very exciting to find and discover that some of the capability of our staff is very amazing.

We had this passenger profiling case that we referred to. It was done by one officer alone, in terms of his own passion and finding out information, google and *Facebook*. It was amazing for Australia and New Zealand to note that we have that kind of people capability. In a direct response to your question. I would say we have certain capability, but definitely we want more for even better, if you were to compare in terms of what is there in the international space.

HON. V.R. GAVOKA.- Chair, we are forecasting that in the next few years there will be a million visitors to this country. So a million people coming through the airports, let alone the cruise ships and all that. We would like to see you gradually reach a stage, to give you a level of comfort for you and everyone else. Now on to your staff like that, I bring the question of staff retention because we monitor organisations and they have huge challenge in retaining staff. What is it like with your organisation?

MR. V. DAS.- I am very pleased to report that we have just actually, your question came at the right time. We have just had a HR analytics done of our whole HR survey and were pleased to actually note that the staff turnover at Fiji Revenue and Customs Authority is at 4 percent. By international benchmark that is very very good. So our people are staying and I must say that it is the people's passion for the specialization in tax and customs border. We are comforted by the retention of staff.

MADAM CHAIRPERSON.- Okay. Thank you very much to the FRCA team. Thank you CEO, Mr Das. We are very thankful for your sharing of information with us today which will help us with our reports. Before you leave, if you would like to join us for a cup of tea, I think Honourable Nath has something to speak with you about. Thank you once again.

The Committee adjourned at 12.45 p.m.



INFORMATION BRIEF

Financial Intelligent Unit Annual Report 2015 - For Standing Committee on Economic Affairs -

Vision: *"Protecting Fiji from Money Laundering"*

Mission:

1. *Strengthen our compliance with international Financial Intelligence Unit (FIU) and anti-money laundering and combating the financing of terrorism (AML/CFT) obligations;*
2. *Implement AML/CFT policies to ensure the safety and integrity of Fiji's financial system;*
3. *Implement an effective intelligence management framework;*
4. *Strengthen networking with our partners;*
5. *Enhance operational governance and communication.*

1.0 Background

1.1 Objective of the brief

The Financial Intelligent Unit (FIU) 2015 annual report is divided into two parts: FIU 2015 Annual Report and FIU 2015 Strategic Analysis Report. This brief will only highlight the outputs and performances of the unit for the year 2015.

1.2 Principal Activity

The FIU is established under the Financial Transactions Reporting (FTR) Act. The role and functions of the FIU are provided under the FTR Act. The FIU is one of the leading agencies in Fiji that is primarily responsible for preventing and detecting money laundering and terrorist financing activities.

The FIU is responsible for the administration and enforcement of the Financial Transactions Reporting (FTR) Act, a legislation aimed at preventing and detecting money laundering and other proceed generating criminal activities in Fiji such as fraud, corruption and tax evasion.

The FIU does not have formal investigative powers to arrest and charges suspects or restrain properties. The FIU does not have a prosecutorial role. The FIU's role as a financial intelligence body in Fiji has become an integral part and contributor in successfully investigating and prosecuting money laundering and other serious crimes.

2.0 Key Functions

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

1. Receive financial transactions and other information from financial institutions;
2. Gather additional information from financial institutions, government and other stakeholder agencies;
3. Analyse information;
4. Develop intelligence;
5. Refer intelligence and information of possible money laundering activities or other serious offences to appropriate law enforcement and regulatory agencies;



6. Assist domestic and foreign law enforcement agencies in their investigation and prosecution of money laundering and other serious criminal activities;
7. Develop AML/CFT policies, guidelines and advisories under the FTR Act;
8. Enforce compliance by financial institutions with the requirements of the FTR Act;
9. Provide education and training to its stakeholders;
10. Lead and facilitate national coordination;
11. Maintain networking and information sharing with domestic and foreign partner stakeholders and agencies.

3.0 Governance Structure

FIU Governance and Accountability Framework

Minister for Justice	Governor & RBF Board	Director FIU	National AML Council
<ul style="list-style-type: none"> Minister responsible for the FIU under the FTR Act. Delegated his responsibilities under the FTR Act to the Governor of the RBF in 2005. 	<ul style="list-style-type: none"> Responsible for the administration of the FIU under the delegation of powers from the Minister for Justice. Responsible for the approval of FIU annual budget. 	<ul style="list-style-type: none"> Responsible for the powers, functions and duties of the FIU as specified in the FTR Act. Reports directly to the Governor of the RBF. 	<ul style="list-style-type: none"> Responsible for providing advice and assistance to the FIU on the prevention of money laundering and terrorist financing activities in Fiji. Provides recommendations to the Minister and Government on the appointment of the Director.

4.0 Outputs and Performance of 2015

The following is a summary of the FIU's outputs and performance for 2015:

- Received and analysed 516 suspicious transaction reports;
- Received 579,849 cash transaction reports;
- Received 1,029,993 electronic fund transfers reports;
- Managed 8.1 million financial transaction reports on our database;
- Received 491 border currency reports;
- Disseminated 255 intelligence reports to law enforcement agencies;
- Issued seven Alert Notices to financial institutions on suspicious persons and entities;
- Issued 11 Directives to financial institutions;
- Handled 191 requests for investigative assistance from law enforcement agencies;
- Handled 27 requests for due diligence and background checks from government agencies;
- Provided AML and FTR Act training to 270 officers of financial institutions and 84 officers of law enforcement agencies;
- Made 667 enquires and requests for further information from financial institutions;



- Enrolled 93 officials at the National AML Computer Based Training Centre;
- Provided secretariat support for the National AML Council and Working Groups;
- Issued eight ad-hoc policy advisories;
- Conducted offsite compliance assessments of reporting and record keeping obligations of larger financial institutions;
- Registered 86 AML Compliance Officers of financial institutions (since 2006);
- Managed 101 current authorized users of the FIU's online IT system;
- Signed Memorandum of Agreements (MOAs) with FIUs of three countries.

5.0 Selected Key Statistics 2011 – 2015

Year		2011	2012	2013	2014	2015
Intelligence and Information Reports to Stakeholders	Case Dissemination Reports	1112	215	284	211	255
	Information Dissemination Reports	0	1	160	1	151
	Due Diligence Reports	0	122	46	0	0
Notices to Financial Institutions	Alert Notices	0	1	3	0	7
	Directives	2	0	5	3	11
Year		2011	2012	2013	2014	2015
Transaction and Currency Reports Received by FIU	Cash Transaction Reports	144,891	203,464	350,430	1,042,074	570,849
	Electronic Fund Transfer Transaction Reports	450,449	830,959	1,947,728	1,308,513	1,020,993
	Structural and Icon Reports	725	579	522	585	515
	Border Currency Reports	105	177	459	557	491
Year		2011	2012	2013	2014	2015
Education and Awareness	Number of Government and Financial Institutions	16	31	27	17	20
	Number of Financial Institutions	5	0	1	5	5
National AML Learning Centre	Employees of Law Enforcement Agencies	165	135	235	125	241
	Number Completed Courses	59	39	22	82	87

6.0 Conclusion

FIU's intelligence has led to several successful investigations of criminal activities, apprehension of suspects and the monitoring and tracing of criminal assets. In 2015, three persons were convicted for money laundering and three persons were convicted for border currency offences. The FIU also prevented Fijians from falling victims of transnational fraud and scams such as cybercrime.

Profiling complex cybercrime transactions and suspicious foreign remittance transactions were the key challenges for the FIU in 2015.



In 2015, the FIU also continued to strengthen its information exchange mechanism with partner agencies by signing Memoranda of Agreements (MOA) with three foreign FIUs. These MOAs enable the exchange of information relevant to the investigation and prosecution of a money laundering, terrorist financing or other serious offence.

The FIU contributed to key national AML projects in 2015 such as Fiji's national risk assessment and the mutual evaluation where Fiji was assessed on its compliance with international AML standards.

The outcomes in 2015 has been possible through the support of various partners such as the National AML Council, the law enforcement agencies, reporting financial institutions and other relevant agencies including the Reserve Bank of Fiji. The FIU is funded by the Reserve Bank of Fiji.

Disclaimer

This briefing was prepared upon request. It has no official status. Although every effort has been made to ensure accuracy, it should not be taken as a complete or authoritative guide to the Report. The Research and Library Team shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice. The Research and Library Team accepts no responsibility for any references or links to, or the content of, information maintained by third parties. Other sources should be consulted to determine the subsequent official status of the Report.

Sheron R. Narayan

From: Lisa <lisa.elaisa@ficac.org.fj>
Sent: Thursday, October 27, 2016 8:23 AM
To: Sheron R. Narayan
Subject: FICAC presentation to the Parliament Standing Committee on Economic Affairs
Importance: High

The Honourable Chairperson
The Standing Committee on Economic Affairs
Parliament of Republic of Fiji

Dear Sir

RE: Presentation to the Standing Committee on Economic Affairs

We acknowledge the letter dated 19 October 2016 by Hon. Vijay Nath, the Deputy Chair of the Standing Committee on Economic Affairs for a presentation to the Committee on how FICAC is involved in enhancing the work of the FIU.

FICAC is an invited member of the National Anti Money Laundering Council. However, FICAC played a minimal and nominal role in the NML Council as FICAC did not have jurisdiction over the Proceeds of Crimes Act in order to investigate and prosecute money laundering offences. We believe that FIU has been working with the Fiji Police Force and the Office of the Director of Public Prosecutions in terms of investigations and prosecutions respectively.

Nevertheless, the situation has now changed with the implementation of the Act No 13 of 2016 which amended the FICAC Promulgation, empowering FICAC to institute any proceedings under the Proceeds of Crimes Act including the offences of Money Laundering.

In light of this development, FICAC undoubtedly needs to work with FIU closely for mutual assistance and sharing information. FICAC has entered into a Memorandum of Understanding (MOU) with FIU in 2009 and both institutions have worked well within the MOU. We believe that the cooperation between these two organizations will continue to increase in the future with the additional responsibilities given to FICAC under the new amendments.

FICAC representatives will be obliged to present these facts to the Standing Committee and also answer any questions the Committee may have arising out of the above mentioned subject.

Thank you.

Yours sincerely
Lisa Elaisa
for Deputy Commissioner

Briefing to the Parliament Standing Committee on Economic Affairs

**By Ministry of Justice
26 October 2016**

ROLE OF MINISTRY OF JUSTICE IN ENHANCING THE WORK OF FIU

1. The Minister for Justice is the line Minister responsible for the Financial Transactions Reporting Act 2004 ("FTR").
2. Pursuant to section 23 (1), the Minister for Justice appoints the Director of the Financial Intelligence Unit ("DFIU") on the recommendation of the National Anti-Money Laundering Council.

DELEGATION OF POWERS

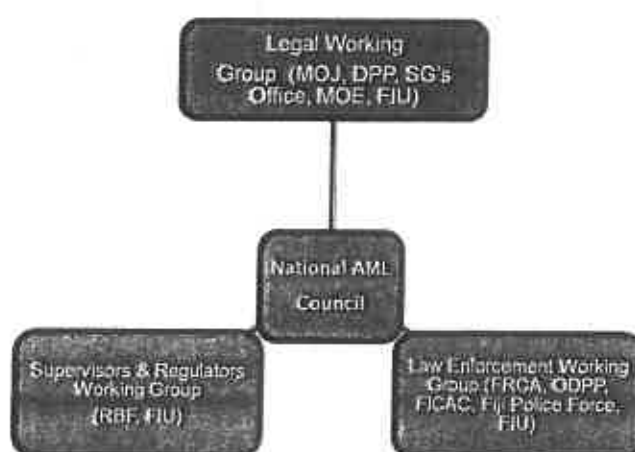
1. In December 2005, the Minister for Justice delegated the powers, functions and duties provided under the FTR Act to the Governor of the Reserve Bank of Fiji. (Legal Notice No 73 of 2005)
2. Thus, the DFIU reports to the Governor in discharging his powers, duties and functions under the FTR Act.
3. However, the decision making in relation to the core functions is done by the DFIU and there is no interference or influence from any agency or Ministry thus maintaining FIU's independence .

NATIONAL ANTI-MONEY LAUNDERING COUNCIL

1. Section 35 (1) of the FTR Act establishes the National Anti- Money Laundering Council ("**National AML Council**") which is responsible for coordinating national AML/CFT efforts.
2. The National AML Council consists of-
 - ❖ the Permanent Secretary of Justice who is the Chairperson,
 - ❖ DFIU,
 - ❖ The Director of Public Prosecutions ("**DPP**")
 - ❖ The Commissioner of Police
 - ❖ The Governor of the Reserve Bank of Fiji; and
 - ❖ Chief Executive Officer of Fiji Inland Revenue and Customs

CONT-**3. The National AML Council's functions include-**

- ❖ to advise the FIU and the Minister on any matters relating to the prevention of money laundering or the financing of terrorism.
- ❖ To make recommendations to FIU and the Minister on any matter relating to the prevention of money laundering or the financing of terrorism;
- ❖ 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
- ❖ To assist the FIU in coordination between various Government departments and with statutory corporations.

NATIONAL AML COUNCIL & WORKING GROUPS

AML COUNCIL TASKFORCE

As a representative of the AML Legal Group, the Ministry of Justice ("MOJ") together with the Office of the Solicitor-General is responsible-

- ❖ For legislative reviews, amendments and ratification or accession to international instruments requiring Cabinet and Parliamentary approval which is handled by the Minister of Justice for FIU.
- ❖ For instituting legal actions to restrain funds relating to AML.
- ❖ In the event there are forfeited assets to be disposed of, the Official Receiver (MOJ) assists in the disposition of forfeited assets. In Turtle Island Case, OR disposed of 6 vehicles and 1 residential property and deposited the sum of \$205, 439.97 in the Consolidated Fund Account as per the court order which was then transferred to the Forfeited Assets Fund account.

Taskforce

- ❖ National Risk Assessment Taskforce ("NRA")
- ❖ Mutual Evaluation Taskforce ("ME")

MEMORANDUM OF AGREEMENT WITH FIU

1. The FIU has signed a Memorandum of Agreement with the Ministry of Justice on 3 July 2008 to exchange Information and enhance networking -
2. As per the MOU, MOJ will provide FIU with "read only" access to view the databases of-
 - Companies Office
 - Registrar of Titles Office,
 - Births, Deaths and Marriages Registry; and
 - Official Receiver's Office

This assists the FIU in carrying out their statutory functions under the FTR Act.

APG MEMBERSHIP

- ❖ Fiji is a member of the international AML group called Asia Pacific Group on Money Laundering ("APG")
- ❖ APG regulates AML/CFT issues on the international platform and ensures members are in compliance with AML/CFT measures.
- ❖ Fiji's national AML strategy is headed by the Minister for Justice as the Minister responsible for AML/CFT measures in Fiji. Hence, the Ministry of Justice pays the annual subscription to APG to retain its membership and ensure that Fiji is complying with international AML/CFT measures.
- ❖ Failure to comply with the international AML/CFT measures will have negative impact thus MOJ assists the FIU to achieve its core functions in APG matters.

NRA & ME

- ❖ NRA was conducted in 2015.
- ❖ NRA contributed to the ME process, at the conclusion of which the national ME report was compiled.
- ❖ The Office of the Solicitor-General provided assistance throughout the NRA and ME processes, with leadership responsibilities in some areas.
- ❖ Collaboration between FIU and the Ministry of Justice via the SG's Office provided essential oversight on legal issues pertaining to the NRA and ME process and reports.
- ❖ Fiji's ME was tabled and adopted at the APG Plenary meeting in San Diego this year.
- ❖ The Solicitor-General and Permanent Secretary for Justice as the Chair of AML Council will facilitate the implementation of recommendations arising out of the tabling of Fiji's ME Report.

Summary

The Ministry of Justice enhances FIU's functions in the following ways:

- Providing legal advice on legislative reform relating to the AML/CFT regime;
- Prosecution of civil applications for restraint of funds;
- Disposition of forfeited assets;
- APG membership;
- NRA and ME coordination; and
- Representing the FIU through the Minister before the Cabinet and Parliament.

ECONOMIC AFFAIRS COMMITTEE

FRCA BRIEFING

OCTOBER 27, 2016

Presentation Outline

1. Functions and Duties as a member of the National Anti Money Laundering Council (AML)
2. Role of FRCA
 - Partnering of intelligence between FRCA's Border and the Fraud Evasion team with FIU
3. Partnership for Intelligence
4. FRCA Initiatives
5. FIU REFERRAL UPDATES
6. Case Study

Functions and Duties as a Member of the National AML Council

The functions of the Council are provided for in section 35(5) of the Financial Transactions Reporting (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.

3

Role of Fiji Revenue & Customs Authority

1. Chairperson of the Legal Enforcement Working Group for the AML Council.
 - provide updates at the National AML Council meetings on its achievements.
2. Providing advice on the national implementation and enforcement of the Financial Transactions Reporting Act (FTR)
3. To identify if there are any tax and customs related offences relating to money laundering
4. Address the key resource constraints and build the capacity of the Authority to conduct tax and customs related offences relating to money laundering investigations
5. Institute a mechanism to collect and regularly review detailed statistics relating to money laundering to assess effectiveness.
6. Partnering of intelligence between FRCA's Border and the Fraud Evasion team with FIU.

4

Partnership for Intelligence

Reports are sent to FIU for further profiling and intelligence on seizure done at border under the violations of the Financial Transactions Reporting Act.

Possible threats at Fijis Border linked to Money Laundering

- Presence of syndicates in the region (illicit drugs importation)
- Human Trafficking
- Illegal Transfer of currency at borders
- Asylum seekers/ deportees
- Forged Passport
- Increase number of cyber crime
- Spread of Outlaw Motor Cycle Gangs -(OMCG) and Criminal Gangs
- Terrorist Financing



Partnership for Intelligence

Transnational Crime Unit (TCU)

- ✓ Established in 2005
- ✓ Offices located at Port of Suva, Nadi, Rakiraki and Savusavu.
- ✓ TCU Team comprises of Police and Customs Officers
- ✓ Access to local and international information
- ✓ Networks and crosslinking with Intelligence through Regional Intelligence Liaison office (RILO- Asia Pacific), Pacific Transnational Crime Coordinating Centre (PTCCC), Pacific Transnational Crime Network (PTCN), Interpol, Foreign Fisheries Agencies (FFA).

Fraud and Evasion Team

- ✓ The team is headquartered in Suva Nasese Port
- ✓ Tax fraud include but are not limited to hiding income in bank accounts, nominee bank accounts, hiding assets, creating false & altered documents and invoices, maintaining more than one set of accounting records, making false entries & alterations in accounting records, etc.
- ✓ Audit across entire range of tax types and recent initiative to conduct tax offence investigations to pursue prosecution proceedings.

Partnership for Intelligence

- FRCA and FFIU Joint Action
- Currency Reporting at Border under Section 32 of FTRA
- Limitation \$10,000 or more in any countries currency
- Declaration on arrival and departure card under Border Currency Report Form
- Penalties include: maximum fine of \$60,000 or 10 years imprisonment or both



Partnership for Intelligence

- ✓ FRCA official from Taxation and Customs Division are seconded with FIU
- ✓ Direct Data Access (DDA) granted to FRCA.
- ✓ Analyzes reports of financial transaction that it receives from Financial Institutions and other agencies in Fiji.
- ✓ Types of reports analyzed are;
 1. the Suspicious Transaction Reports (STR),
 2. Cash Transaction Reports(CTR),
 3. Border Currency Reports (BCR) and
 4. Electronic Fund Transfers Transaction Reports (EFTR)

FFIU Referrals Procedure

- Analyzed transactions are disseminated to other Law Enforcement Agencies (LEA's) including FRCA which is referred via *case dissemination reports* (CDR)
- CDR's are forwarded to fraud and Evasion unit in Taxation Division and Customs Intelligence unit in Customs Division for their investigation
- Finalized cases resulting to the taxpayer or trader being liable for tax and(or) duty will be penalized.
- Where taxpayer or trader has not committed an offense relating to tax or customs, the case will be left for other Agencies to conduct their investigations relating to their field of work.
- Annual meetings between FRCA and FIU or when urgently needed;
 - to provide feedback on the disseminated reports and
 - on the success of the case and tax or duty collected thereon.

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FRCA Initiatives

- ✓ Customs Detector Dogs to detect crimes at border – drug and currency detection.
- ✓ Non-intrusive Inspection Devices (x-ray machines, ionscan and first defender)
- ✓ Vessel Monitoring System in Fiji Waters (VMS – Fisheries Intelligence Capabilities)
- ✓ Customs Enforcement Network Communication Platform (CENcomm) – WCO Customs communication tool/nCEN
- ✓ Integrated Targeting and Operating Centre (ITOC) – New Zealand model of one stop intel for all border agencies

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FRCA Initiatives

- FRCA's new structure – merging of Intelligence, Investigation & Compliance team.
- FRCA's Whistleblower Policy.
- Vice Chair of WCO Asia Pacific region - having new MOU's with other jurisdictions such as Vanuatu, Tuvalu, Kiribati, China Customs.
- Having MOU's with other stakeholders such as financial institutions.
- Through FRCA Investigations, key information gathered relevant for partner agencies are disseminated for their necessary actions.

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FII REFERRAL UPDATES

Summary of FFIU cases finalized from February 2015 to February 2016

Period	Cases finalized	Omitted tax/duty & penalty
February 2015 – February 2016	50	\$2,096,163.72



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Case Study 1 -Undeclared Currency



CURRENCIES DETAINED FROM POI 1	CURRENCIES DETAINED FROM POI 2
\$USD 407.00 = \$FJD 61,790.28	\$USD 21,000.00 = \$FJD 41,832.67
\$TWN 4,800.00 = \$FJD 907.80	\$HKD 130.00 = \$FJD 31.98
\$HKD 40.00 = \$FJD 9.84	\$TWN 3,100.00 = \$FJD 198.79
\$FJD 60.00	\$FJD 150.00
TOTAL VALUE IN FIJIAN DOLLARS = \$62,167.92	TOTAL VALUE IN FIJIAN DOLLARS = \$42,219.44

TOTAL COMBINED VALUE OF CURRENCY DETAINED = \$104,387.36

All the currencies found in possession of both the POI was detained for failing to declare currency at border and handed over to Border Police.

COMMENTS/ACTION:

- This seizure is a result of good team work and information sharing in real time. POI's to be produced at the Nadi Magistrates court on 29/02/16.

Case Study 2. E – cards Skimming System

SUNCITY

A SUN CITY
A SUNCITY REPORT

Foreign National in Custody For Suspected Items Used For
ATM Skimming



February 03 2016

1. To identify the person who used the
ATM Skimming System

A foreign national in custody, in police custody after he was arrested by Customs Officer at the first checkpoint about
suspected the foreigner who used the ATM Skimming System. The foreigner was arrested after he was caught by
Customs Officer at the second checkpoint. The foreigner was arrested after he was caught by Customs Officer at the
third checkpoint. The foreigner was arrested after he was caught by Customs Officer at the fourth checkpoint.

The foreigner was arrested after he was caught by Customs Officer at the fourth checkpoint.

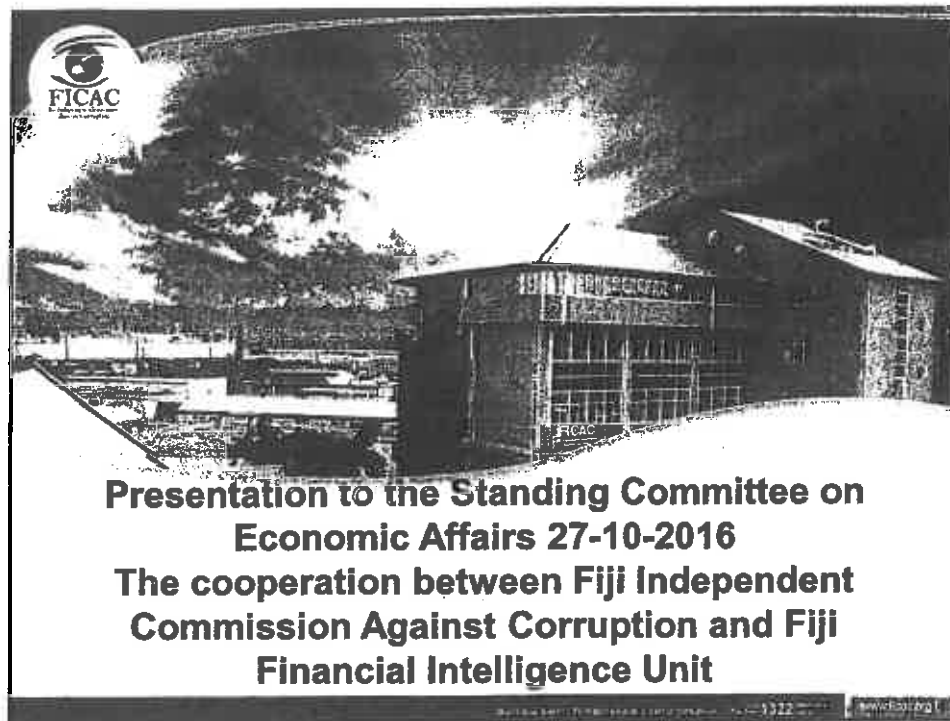


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VINAKA

**Overview – Fiji Police Force Money Laundering Presentation to the Parliamentary
Standing Committee on Economic Affairs – Thursday, 27th October, 2016**

This presentation is a brief on the Fiji Police Force Anti-Money Laundering & Proceed of Crime Unit [AML & POC Unit] and the work it undertakes in combating money laundering in Fiji and in enhancing the role of the Fiji Financial Intelligence Unit [FIU]. The presentation begins with a description of the global money laundering environment and then proceeds to briefly show the extent of money laundering activities in Fiji. There is then a description of the background of the Unit since its establishment in 2003. This is followed by a discussion of the roles and responsibilities of the Unit and the legal framework by which the Unit operates. This also includes a discussion of the Unit's international and domestic partners including the Australian Federal Police, the United States, Federal Bureau of Investigations and locally the Fiji Revenue and Customs Authority and the Fiji Immigration Department. The FIU is another important partner for the Unit. Emphasis is placed here on showing that money laundering is originating from within Fiji and from other countries. Borders have become irrelevant. The presentation then moves on to explaining the structure of the Unit and the training/academic qualifications its officers have received to date. After which, the presentation moves on to describing the legal basis and operational grounds under which the Unit coordinates with FIU therein laying out the powers FIU utilises to meet the investigation needs of the Unit. In this regard, the Fiji Police Force has an officer on secondment with FIU as means of strengthening FIU investigations. Further, the presentation goes in depth in describing what is money laundering and kinds of cases that AML Unit has investigated or is currently investigating. Emphasis is made here on the exact nature of ML investigations and continued or emerging trends that the Unit is witnessing so far as money laundering is concerned. Emerging types of cases relating to money laundering include computer-related offences and drug trafficking. The presentation then concludes by listing the many challenges the Unit faces in coordinating with the FIU and other wider challenges the Unit faces in its everyday operations. Finally, the presentation lists a way forward for strategically addressing the unit's challenges, including the need for further capacity-building, training, and the acquisition of additional office space and expertise to uplift the Unit's capability to investigate money laundering.



**Presentation to the Standing Committee on
Economic Affairs 27-10-2016
The cooperation between Fiji Independent
Commission Against Corruption and Fiji
Financial Intelligence Unit**

**Establishment of FICAC- The Law Enforcement
Agency**

A specialized Law Enforcement Agency to combat Corruption
in the Public Sector

Fiji's Ratification of United Nations Convention Against
Corruption (UNCAC)

FICAC Promulgation

The Constitution of Fiji 2013

Functions of FICAC

- Receive and assess Complaints from Public
- Investigation
- Prosecution
- Prevention and Awareness

Investigations

- Prevention of Bribery Promulgation
- Electoral and Political Parties (Registration,...) Decree
- Crimes Decree- Fraud, Corruption and Abuse of Office
- Penal Code
- Proceeds of Crimes and Money Laundering (since June 2016)

Cooperation between FICAC and FIU

- **Proceeds of Crimes and Money Laundering**
- **Act No 13 of 2016, an amendment to the FICAC Promulgation**
- **Consequential Amendment to Proceeds of Crimes**
- **Money Laundering Investigations**

Cooperation between FICAC and FIU

- **MOU on information sharing**
- **Financial Profiling of suspects and suspected business transactions**

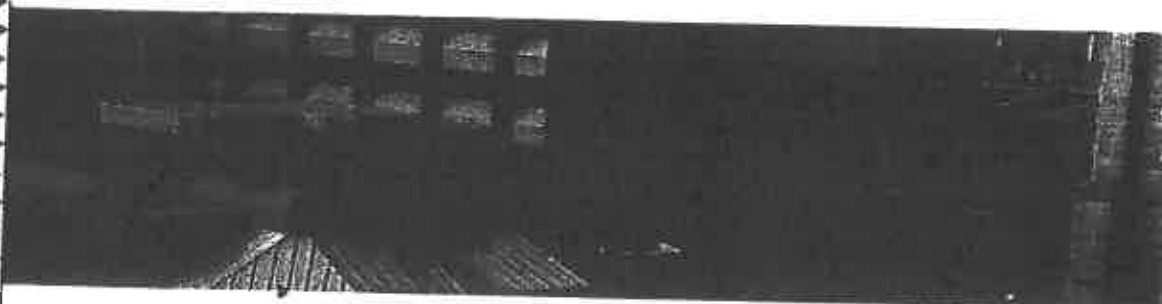
FICAC as a member of National Anti-Money Laundering Council

- Participated as an invitee
- Provided advice and guidance as and when required on corruption related matters
- Part of Law Enforcement Working Committee
- Contribution to the National Risk Assessment

Conclusion

- Future cooperation between FICAC and FIU in light of new responsibilities

FINANCIAL INTELLIGENCE UNIT ANNUAL REPORT 2015



Briefing to the Parliamentary Standing Committee on Economic Affairs

Reserve Bank of Fiji

12 October 2016



FijiFIU

Fiji Financial Intelligence Unit



THE FINANCIAL INTELLIGENCE UNIT

- Established in 2006 under the FTR Act
- Intelligence Agency of the Fijian Government
- Administered & funded by the RBF
- Assist Government combat money laundering, terrorism financing, proliferation financing and other serious crimes
- Role:
 - Administer the FTR Act
 - Enforce compliance by financial institutions



FijiFIU

Fiji Financial Intelligence Unit



OUR VISION PROTECTING FIJI FROM MONEY LAUNDERING OUR MISSION

1. Strengthen our compliance with international Financial Intelligence Unit (FIU) and anti-money laundering and combating the financing of terrorism (AML/CFT) obligations
2. Implement AML/CFT policies to ensure the safety and integrity of Fiji's financial system
3. Implement an effective intelligence management framework
4. Strengthen networking with our partners
5. Enhance operational governance and communication



FijiFIU

Fiji Financial Intelligence Unit



ROLE AND FUNCTIONS OF THE FIU

1. Intelligence Management (receipt, analysis, dissemination)
2. Domestic and International Networking, Coordination and Information Exchange
3. Awareness, Education & Training
4. Compliance & Enforcement

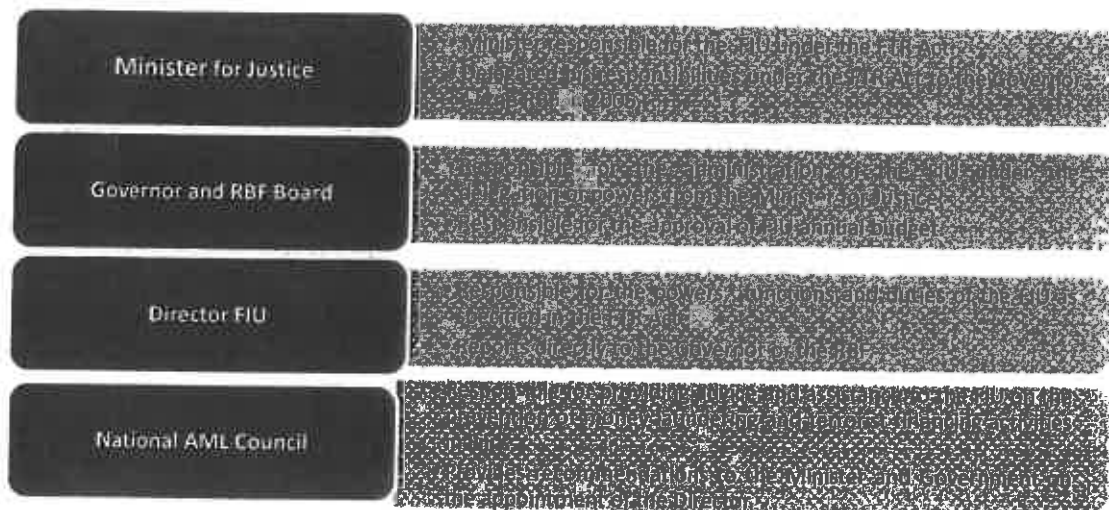


FijiFIU

Fiji Financial Intelligence Unit



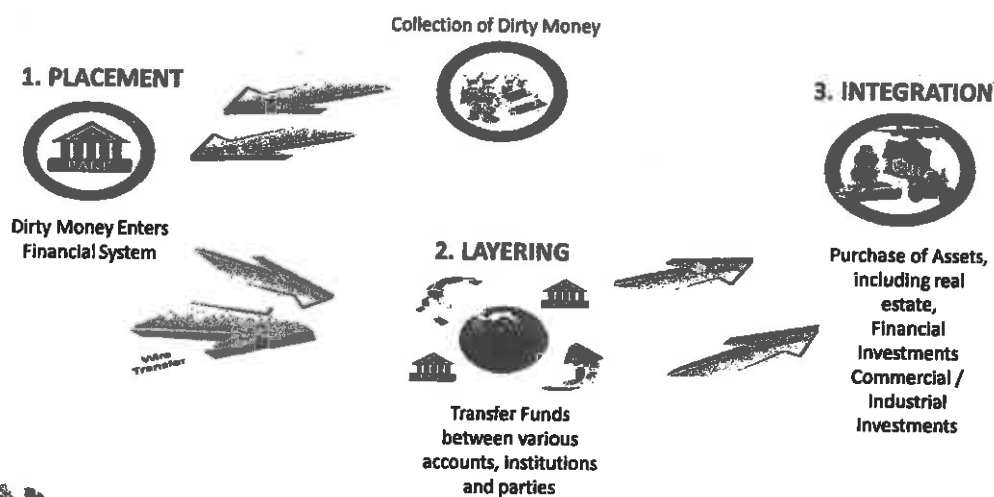
FIU GOVERNANCE



Fiji FIU
Fiji Financial Intelligence Unit

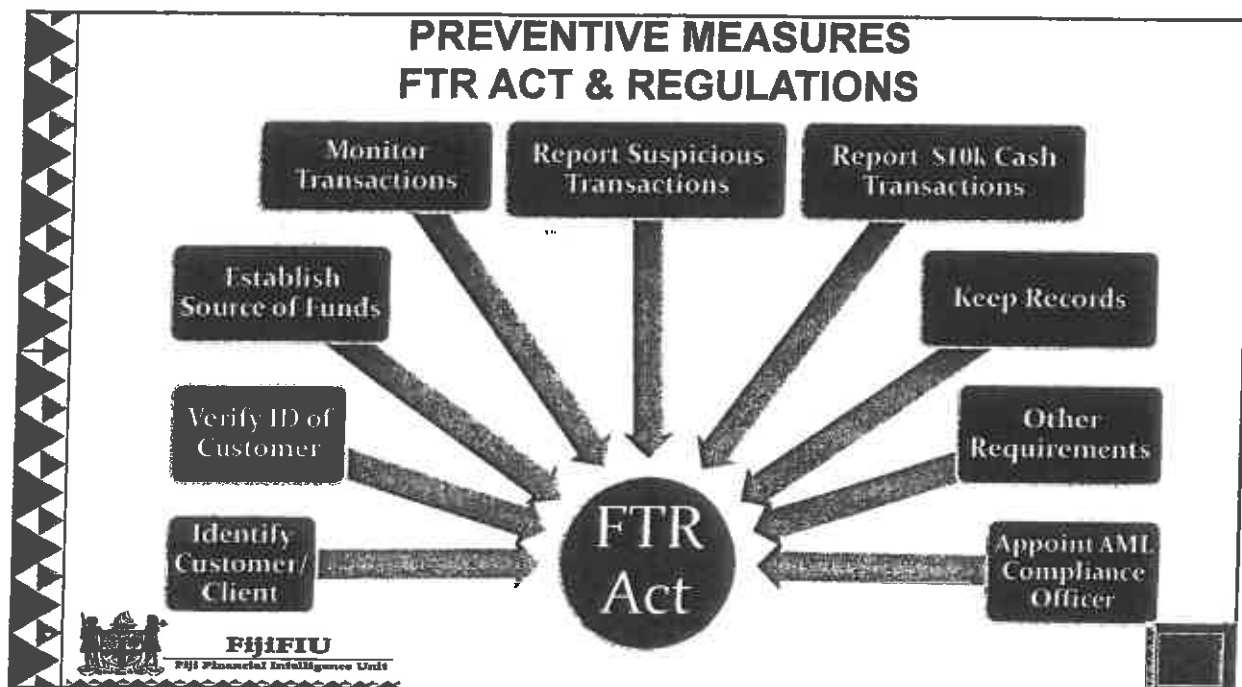


A TYPICAL MONEY LAUNDERING SCHEME



Fiji FIU
Fiji Financial Intelligence Unit





HIGHLIGHTS FOR 2015

- ANALYSED FINANCIAL INFORMATION RECEIVED

- Analysed various reports of financial transactions received

	2011	2012	2013	2014	2015
Subtotal Transaction Report					
Cash Transaction Report	144,191	200,404	380,430	1,042,074	579,849
Electronic Fund Transfer Transaction Report					
Booster Currency Report	194	477	459	557	491
TOTAL	144,385	200,881	380,889	1,042,631	580,340
Monthly Total Average	49,663	86,035	127,428	195,971	134,237


FijiFIU

Fiji Financial Intelligence Unit

HIGHLIGHTS FOR 2015

- DISSEMINATED FINANCIAL INTELLIGENCE

- Disseminated financial intelligence to law enforcement agencies
– FRCA, Police, Immigration, Others

Law Enforcement Agency	2011	2012	2013	2014	2015
FRCA - Inland Revenue Services	195	168	176	155	166
Fiji Police Force	89	61	58	43	30
Immigration Department	6	4	0	1	1
FRCA - Customs Division	4	0	19	6	5
Transnational Crime Unit	15	8	9	26	33
Others	9	5	22	10	20
Total	318	246	284	241	255


FijiFIU

Fiji Financial Intelligence Unit

HIGHLIGHTS FOR 2015

No. of individuals & entities subject to FIU's investigation and profiling in 2015

	No. of cases	No. of Individuals	No. of Entities
FIU's Proactive Analysis	239	649	116
Investigative Support to LEAs	191	502	264
Due Diligence Checks	27	49	40
TOTAL	457	1,200	420



FijiFIU

Fiji Financial Intelligence Unit

HIGHLIGHTS FOR 2015

Value of Case Dissemination Reports to FRCA and Police

LEA	CDR/Value	2011	2012	2013	2014	2015
FRCA	No. of CDRs	74	46	61	97	137
	Value of CDRs (\$)	50,270,479	42,923,180	133,734,830	112,335,411	94,584,016
Police	No. of CDRs	89	61	58	43	30
	Value of CDRs (\$)	19,897,538	1,958,033	7,135,620	8,459,629	55,004,700



FijiFIU

Fiji Financial Intelligence Unit

OTHER HIGHLIGHTS FOR 2015

• DISSEMINATED FINANCIAL INTELLIGENCE

- Provided assistance to law enforcement agencies relating to ongoing investigations (table page 13);
- Issued Alert Notices and Directives to financial institutions;
- Provided advice and guidance to financial institutions;
- Offsite compliance examination and review of selected financial institutions;
- Provided training & awareness (seminars/presentations);



FijiFIU

Fiji Financial Intelligence Unit

OTHER HIGHLIGHTS FOR 2015

• DOMESTIC COORDINATION AND ENGAGEMENT

- National AML Council (engagement & secretariat support)
- Coordinated Fiji's National Risk Assessment
- Coordinated Fiji's Mutual Evaluation (*assessment of Fiji's compliance with international standards*)
- Contributed to other national committees and working group

• INTERNATIONAL ENGAGEMENT AND CONTRIBUTION

- Signed MOUs with 2 foreign FIUs
- Engaged with international organisations (APG, Egmont Group, FATF, UNODC, etc.)



FijiFIU

Fiji Financial Intelligence Unit

KEY CHALLENGES

1. Gaps in FIU powers to enforce FTR Act
2. Some gaps on preventative measures (such as domestic PEPs, supervision of lawyers, accountants and real estate agents)
3. Capacity of LEAs to investigate money laundering activities
4. LEAs to also strengthen their focus on tracing proceeds of crime when investigating predicate crimes such as drug cultivation & trafficking, fraud, corruption, cybercrime, etc.
5. Storage of forfeited assets (proceeds of crime)



FijiFIU

Fiji Financial Intelligence Unit

APG MUTUAL EVALUATION

- Legislative changes to strengthen investigative powers, preventative measures, extradition, proliferation financing, FTR (enforceability and new requirements), NPO regulation, and transparency of legal arrangements (trusts)
- Ratification of Palermo Convention
- Capacity building and resources for law enforcement agencies, in particular, Police and FIU
- Parallel investigations (money laundering and predicate crimes (fraud/corruption/tax/etc.), including proceeds of crime)
- Strengthen forfeiture efforts
- International cooperation and mutual legal assistance
- Supervision of lawyers, accountants and real estate agents
- Strengthen efforts to combat terrorist financing and proliferation financing



FijiFIU

Fiji Financial Intelligence Unit

NATIONAL AML COUNCIL

Established under section 35(1) of the FTR Act

The members of the Council are -

1. Permanent Secretary for Justice, as Chairperson
2. Director of the FIU
3. Director of Public Prosecutions
4. Commissioner of Police
5. Governor of the RBF
6. CEO FRCA

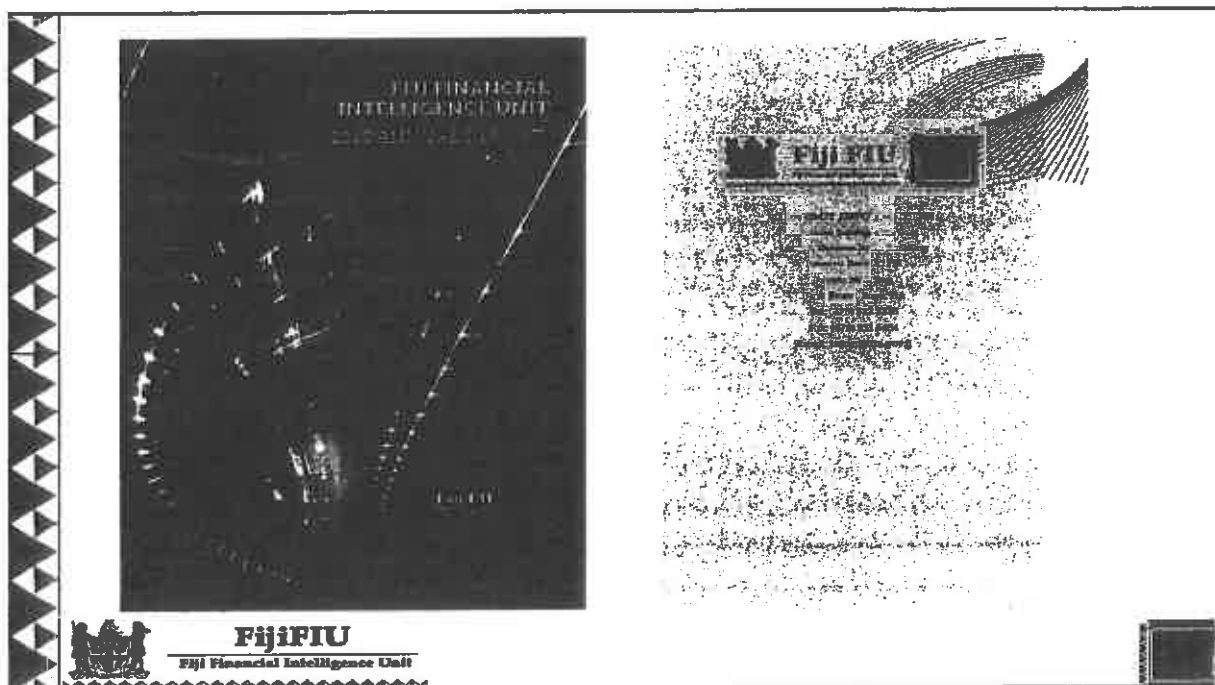
Invited Members -

1. Director, Immigration Department
2. PS Ministry of Economy
3. PS Ministry of Defence, National Security and Immigration
4. PS Foreign Affairs
5. Deputy Commissioner, FICAC



FijiFIU

Fiji Financial Intelligence Unit





**Verbatim Notes
of the Standing Committee on
Economic Affairs**

Venue: *Reserve Bank of Fiji (Board Room)*

WEDNESDAY, 12TH OCTOBER, 2016

VERBATIM NOTES OF MEETING OF THE STANDING COMMITTEE ON ECONOMIC AFFAIRS, HELD IN THE RESERVE BANK OF FIJI'S BOARD ROOM, ON WEDNESDAY, 12TH OCTOBER, 2016 AT 11.00 A.M.

Presenter: Reserve Bank of Fiji and the Fiji Financial Intelligence Unit

In Attendance:

(1) Mr. Barry Whiteside	-	Governor, Reserve Bank of Fiji
(2) Ms. Susan Kumar	-	Acting Duty Governor
(3) Ms. Loraine Seeto	-	Chief Manager Risk Management and Communication
(4) Mr. Razim Buksh	-	Director FIU
(5) Ms. Lanieta Rauquege	-	Acting Chief Manager Economics
(6) Ms. Savaira Manoa	-	Acting Chief Manager Financial
(7) Ms. Rigamoto Motufaga	-	Acting Chief Manager Financial Markets
(8) Ms. Caroline Pickering	-	Senior FIU Officer
(9) Ms. Subrina Hanif	-	Board Secretary

MR. B. WHITESIDE.- Chair and Members of the Standing Committee on Economic Affairs, we welcome you to the bank; thank you very much for accepting our invitation. When we last met, probably a month ago, we made that point that we would like to see you at the bank and then you took up the invitation, so thank you very much.

It is an honour and privilege to have you all with us here, I think it is the first time to have had a Standing Committee at the bank, in the board room, anyway. We have had a Cabinet meeting upstairs in 2011.

So, we welcome you and we are in your hands for the duration of this meeting.

Our team here we have Susan, who is Acting Deputy Governor at the moment; Arif Ali is away, he is attending an IMF meeting; we have Mr. Razim Buksh, who is the Director FIU, he will be presenting the FIU 2015 Annual Report; and Ms. Savaira Manoa will be presenting the Insurance Annual Report for 2015.

Just a month ago, we presented the 2013 and 2014 Insurance Reports and 2014 and the 2015 Annual Reports. We have the Annual Report ready for 2016, the first seven months, because we changed our fiscal year so we have got a first seven months which we presented to the Minister of Economy on 30th September, along with our profits, our audited accounts. The Annual Report will be printed, so I guess it will come before you at some stage, we realise that there is no Parliamentary meeting until next year in February.

We are hoping we could present it sooner, but anyway, that is beside the point. It is there, the printed version will be ready, how we go about bringing it to you and whether you have to wait until the next meeting

And then we have the rest of our team behind you, representing all the various groups in the bank who are here to assist if you may ask any questions outside of these reports.

Thank you very much, and over to you.

MADAM CHAIRPERSON.- Thank you very much Governor. Thank you all for having us here today. Just for the record, I will introduce ourselves again. On my left is Honourable Dr. Brj Lal, Honourable Vijay Nath and on my right is Honourable Prem Singh, Honourable Viliame Gavoka and I am Lorna Eden.

I missed the last presentations as I was away overseas, I was quite excited when I got back and they said that we have been invited to come here. I have never been on this level before.

MR. B. WHITESIDE.- Alright.

MADAM CHAIRPERSON.- But I am happy to report that we did table those Reports in the last Parliament sitting and we have no problems whatsoever with any of them, and I am sure it will be the same for these two.

Today, we are here to receive your presentations on the Insurance Annual Report 2015 and also the Financial Intelligence Unit Annual Report, 2015.

This is our Parliamentary Secretariat who will be taking notes for us.

So, with those few words, thank you once again for having us here and we look forward to receiving your reports. Which one would you like to go first?

MR. B. WHITESIDE.- We will go first with the Insurance Annual Report, Savaira is ready for that. It is a continuation of the last two we presented, so the slides maybe slightly different, and we have added on a little bit.

MS. S. MANOA.- Honourable Members of Parliament, the Reserve Bank's activities in the insurance phase is documented in the Insurance Annual Report and I will be taking you through the highlights of our 2015 Annual Report.

The Report is required to be prepared annually, before the end of June every year, and submitted to the Minister. It generally contains detailed sections on statistics from the industry on:

- Assets;
- Solvency;
- Gross Premiums;
- Claims and Policy Payments; and
- Profitability.

And for each of the streams of insurance, we have the:

- General Insurance;

- Life Insurance; and
- Our Brokers.

The Report also discusses developments in the international and domestic insurance phase and of course our activities during the year with regards to licensing, regulation and supervision.

A quick recap on our market share; the size of the Insurance Industry levies, so with the total financial system assets of \$16.9 million exclusive Reserve Bank.

Insurance Companies represent 9 percent, (the blue circle) of which our Life Insurance makes up 6 percent so the remaining 3 percent is of our General Insurance.

In terms of net premiums, the table on the right shows the market share. This is derived from page 79 of the Report which shows the Key Disclosure Statements by institution and we are using the market share of each insurance of General and Life insurance.

Just to talk through briefly on the importance of the insurance industry. On the role of the insurance:

- Risk transfer role: it safeguards the financial health of our individuals, our families, communities, our businesses and economy. It is crucial for every individual to safeguard themselves against and with the inability to work or retirement or death or against loss of assets.
- Our main role is information: the industry provides us with indicators of existing risks and probability of loss. Businesses can compare the risk and retain profile for projects and this assists in the efficient allocation of the resources.
- In terms of re-investment of premium pools: this is the capital markets' role, where insurers are pooled premiums and have the institutional investors in the economy which also helps mobilise our national savings for productivity.

MR. B. WHITESIDE.- The Life Insurance, in particular, are big investors in Government bonds and other types of investment entities in the market.

MS. S. MANOA.- In terms of the Reserve Bank's role, our first and foremost role in terms of the insurance industries is it protects the policyholders, policyholders' interests and the safety and soundness of our licensed insurers. In terms of regulation, we administer the Insurance Act requirements, develop and review prudential supervision policies, we have 12 in place at the moment.

In 2015, we undertook industry consultation of the Solvency Requirements Policy:

- In terms of supervision, we ensure compliance with statutory requirements.
- We analysis the condition of using statistics, provided on an annual and quarterly basis from the insurers, as well as information we gather during prudential consultations and

trilateral meetings as well as meetings with auditors and actuaries. This information is used to assess the condition of each insurer on an ongoing basis.

- There is also ongoing industry surveillance, so it is not only on an individual basis but on an agro basis for the industry and supplementing to that is other onsite reviews which we conduct on each insurer.

Now to a few industry highlights for 2015:

- The insurance industry recorded a marginal decline in gross premium income.
- For the life insurance industry, this was because of a reduction in gross premiums received.
- The general insurance sector, this was due to competition.
- Again, there is a notable absence of catastrophic events in 2015.
- Of course, there were positive results in earnings and profitabilities.
- The industry remained sound.
- Solvency levels were satisfactory for both the General and Life Insurance.
- Risk management by individual companies continued to be enhanced.

The next few slides are charts on Key Financial indicators for our insurance and we will touch first on Assets. So the total assets of the insurance industry for 2015 increased to \$1.5 billion and this was shown both from the General and the Life Insurance.

The next chart is on Solvency. So, both life and general insurance. Insurance shows solvency surpluses amongst how that surpassed the solvency margin requirement of \$51.9 million for 2015 for both Life and General Insurance.

In terms of Gross Premiums. the chart shows a slight slowdown and for reasons I have noted earlier for both the Life Insurers, it was due to drop in receipts for our premiums, mostly for endowment policies and for the General Insurance it was more due to competition on the supplementary markets for the premiums.

On Claims and Policy Payments: There was a slight pickup in claims paid to 2013 levels for the general insurers but for Life, this fell slightly for policy payments mainly due to maturity, death and surrender payments fell in slightly

HON. P. SINGH.- Not paying debts for 2015.

MS. S. MANOA.- Yes, Honourable Member.

Our next slide is on Profitability. So, the general insurance recorded a slightly lower underwriting results that led to a lower profits while our life insurance recorded a slight increase after tax surplus. Overall, there was a slight increase in net profit after tax for both general and life insurance in 2015.

On Policy Numbers, the number of policies for life and general insurance have continued its upward trend. Now the total general and life policies 269,266.

So, the last slide on our charts. and I will move now to the Industry Outlook.

As mentioned in the 2013 and 2014 presentation -

- 2016 started with a major catastrophic event – TC Winston;
- insured losses and the impact continue to be assessed;
- at the moment, the insured losses are estimated at \$237 million;
- the flood claims that followed totalled \$0.8 million;
- reinsurance arrangements in place as well as the solvency surplus are accumulated over the last three years have been assessed as adequate buffer to meet the claims arising from the catastrophic event; and
- due to that, as well as the forecasted economic growth, subdued performance is expected from the insurance industry, going forward.

MR. B. WHITESIDE.- This is just to prepare you for the next Annual Report, I guess. It is just reporting without fund.

MS. S. MANOA.- We would also like to share the most recent initiative with the insurance phase. So there was in 2015 a National Financial Services Demand Site Survey, which highlighted that just 12 percent of the adult population has insurance cover and the top three reasons given at the survey were:

1. They do not need insurance; or
2. They do not know what it is (so the awareness) or they do not know how it works; and
3. It is too expensive.

So, as part of the National Financial Inclusion Strategy, the Reserve Bank is working in partnership with Pacific Financial Inclusion Programme, Insurance Council and Inclusive Insurance Working Group, which is a working group of the National Financial Inclusion Taskforce, to raise awareness and understanding of insurance. There was six-week media campaign that kicked off last week on 5th of October, which will cover all media types: TV, radio, newspapers,

social media and this is to address the issue of understanding and their costs, the three main reasons provided by the survey. So we have a target of 25 percent by 2020.

MR. B. WHITESIDE.- So you want to tag that 12 percent of adult population with some form of insurance to 25 percent, that is our target within the next five years.

MS. S. MANOA.- Five years.

MR. B. WHITESIDE.- It is really low in terms of insurance coverage in Fiji. When we were doing this awareness campaign we have got some stories of people who had insurance and they are lucky to have insurance because their families were able to continue their lives, they were able to continue their businesses because they were able to buy and get back their car or they have to start the business again. But there are many, many more people who have those types of things happened to them, disasters and they do not have insurance. It falls on the community, families, Government and everyone around them to actually help them through in this. We have witnessed through *TC Winston*. So, it is clear that we really need to work hard in terms of getting people and make them aware of insurance.

So, this campaign will go up until middle of November - about five to six weeks. Hopefully, we will get more people thinking about insurance. We just wanted to let you know, this is outside of the Annual Report, a bit more about what we are doing in the insurance phase.

HON. P. SINGH.- Coming back to the campaign fees which is 12 percent to 25 percent.

MR. B. WHITESIDE.- Yes.

HON. P. SINGH.- I believe you still have the regulators. It is up to the insurance company, they know how to market their products.

MR. B. WHITESIDE.- We are working with them, they are part of this, the Insurance Council as membership of all insurers, as well as the brokers, to try and get reasons why people are saying they are not buying insurance, they do not know about it, they do not understand it. And the other thing was, it might be too costly.

So, there are a number of funds that we are tackling in terms of that and that is making people aware, with awareness posters and things like that, putting people on TV those who have survived and they have had insurance, and as well as looking at inclusive products. Products which are affordable to those with low-income and we are working in that space to try and put those products on the market through the insurance.

So, it is a lot of work. The council is working at the moment a bundle product which is a mix - a bit of life, a bit of hospitalisation, a bit of house or fire policy for a very low premium. I think the cover is as far as \$10,000 or \$20,000 for a low premium.

Ways of paying for the premium too, which might be to call a digital, to try to use the phone, the *M-PAiSA*, *digi* money, to be able to make instalments on your premium payments, to make it easier for the people.

HON. V.R. GAVOKA.- Avery effective advertisement I saw on TV on the Veisamasama family.

MR. B. WHITESIDE.- Yes, that's the start.

HON. V.R. GAVOKA.- That was the one that really resonate a lot of people.

MR. B. WHITESIDE.- We showed that to our Executive Team when we were preparing the campaign and I think some of our team were quite emotional about this.

HON. V.R. GAVOKA.- Yes.

MR. B. WHITESIDE.- If you want to get the message across, it is not talking to them about Insurance Policy, it is getting someone who has been through that and it did resonate quite strongly amongst the team.

HON. V.R. GAVOKA.- I think going further, training the awareness that people must take up insurance. Even the way employment structure is in this country, a vast majority will feel that it is only for a certain group of people, 12 percent that we have today.

MR. B. WHITESIDE.- That is one of the comments, it 'is only of the rich'. That was a comment and we are trying to discourage that.

HON. V.R. GAVOKA.- So, it behoves us -

- a. to create awareness; and
- b. maybe change the dialogue in this country but only to focus on pay and all those stuff that you use to negotiate ongoing contracts. Perhaps insurance should be a major part of that dialogue now. Employers will have to grind this, given how our people would be receptive to this.

MR. B. WHITESIDE.- Our bank staff are fortunate because we provide life insurance. We provide policy for bank staff. We do not provide medical but we try to get them to buy their own medical insurance. We have a group policy which we arrange but they buy the medical because medical is critical now in hospitalisation, evacuation, those can eat a significant amount of your savings, your pension funds, everything if something happens, so we are trying to do that. The issues raised with employers, we have been trying to list the councillors, who are working to try and get the garment manufacturers and the like to actually pay for insurance.

In the first round, they are actually seeking some incentives because the garment manufactories were thinking "alright we have to pay fringe benefit tax on this."

So, we are looking at how we can negotiate around this but that is very important. If you want to build the numbers of the low-income, you need to tackle the employer. Garment manufacturers is a real good one to start with.

HON. V.R. GAVOKA.- If you already reach that level, I think there is hope because the way I see it, is going to be counted into the employment contracts. One of our Honourable Members today was talking about making Carpo Insurance policy to be made compulsory in this country, like in Australia.

MR. B. WHITESIDE.- The compulsory insurance for cars.

HON. V.R. GAVOKA.- For cars.

MR. B. WHITESIDE.- CTP is compulsory but this is just comprehensive insurance.

HON. V.R. GAVOKA.- You are going to drive the dialogue in that direction. Now with the climate change and the natural stuff that will come our way, knowing that not many people are insured with houses, et cetera. It is going to be a huge dialogue, covering on all aspects of insurance. I think it is timely that when you make a report that we point in this direction. Hopefully, the more we pay premiums, the lesser the premium per person could be reduced.

MR. B. WHITESIDE.- We know some of the products that they are looking at, we are aware that lots of the houses that were destroyed in *TC Winston*, with the low income homes. People who put up homes very simply and it just get blown away. So, they talked about building back stronger, getting some engineer's certificate across all those types of homes.

One insurer is working to try and get a house that is valued at about \$10,000 to \$15,000 bill, strong enough for them to be a good recover with insurance. So, if the engineers give that approval, they are willing to insure and for a small premium. So, the \$10,000 cover would not entail too much in terms of premium. So, that is one of the developments in this phase.

We realise that was huge, I mean we do not want people to build back now and lose their houses again next time around with no form of coverage again. The 'Help for Homes' amount that was spent was huge, so it will take the pressure of Government and people were insured. So, these are some of the areas that we are working on with the insurance.

HON. P. SINGH.- How the insurance companies doing after the cyclone?

MR. B. WHITESIDE.- What Savaira has said is that they have sufficient solvency to have covered in those disaster, that disaster built up over the previous three to four years.

HON. P. SINGH.- In terms of your processing.

MR. B. WHITESIDE.- You want to speak to that in terms of the claim. You are talking about the claims processing?

HON. P. SINGH.- Yes.

MS. S. MANOA.- These are the numbers for 10th of August. So the claims settled per class around 45 and \$7 million has been settled and they are currently set.....

MR. B. WHITESIDE.- That is as of August.

MS. S. MANOA.- As of August. It is the large claims maybe which requires success to come in the loss of justice to a person on claims then getting the reinsurance to pay out..

HON. P SINGH. –What percentage of the household that were damaged would have been insured?

MR. B. WHITESIDE. – Very little, very few, because where the cyclone went through is an area where is very little insurance cover. You would find their claims reported 1,517 claims settled 1,038. So we are looking at another of which they take about like

MADAM CHAIRPERSON.- \$470 million.

MR. B. WHITESIDE. – So, there are some big claims out there like Fiji Water and there are a few other big companies that have some big claims outstanding and they are working through.

HON. V.R. GAVOKA.- Did you see some adjusters from abroad arriving in hordes like we use to have in the past? Immediately after the cyclone these adjusters would come from Australia.

MR. B. WHITESIDE.- And some of these would be reinsurance cover.

MS. S. MANOA.- Yes, quite a long process.

MR. B. WHITESIDE.- Adjusters.

HON. V.R. GAVOKA.- One of the adjusters. Maybe they are use-worthy but now there are lots of players.

MADAM CHAIRPERSON.- Can I just ask about the graphs that you showed us, which are at pages 4 to 6.

On Page 6, I know this has nothing to do with 2015 but enough to give us an idea of how they work. You will see on the net profit after tax for 2012 on General, they have not amended it, 6.15 and the Life goes up to 71. There are variance that I see, everything else seems to be pretty normal except for the assets. So the life assets will go right up to \$843 million and the general with \$371 million, about two and half, yes.

So, are those two directly related or did something bad happen in 2012?

MS. S. MANOA.- Something bad did happen in 2012, there was a cyclone.

HON. P .SINGH.- Floods.

MADAM CHAIRPERSON.- You have so many.

HON. V.R. GAVOKA.- Sigatoka bridge.

MR. B. WHITESIDE. – In 2012, there was a big flood in Nadi.

MS. S. MANOA.- *TC Evans*.

HON. P. SINGH.- That was in Nadi and Ba.

MADAM CHAIRPERSON.- You say the name then we remember because we have so many.

MR. B. WHITESIDE.- Yes.

MADAM CHAIRPERSON.- So, that is what affected that.

MS. S. MANOA.- It affected the profit and also with lots of things in liabilities increase so that is why assets also increased..

MADAM CHAIRPERSON.- Alright, thank you.

MS. S. MANOA.- If you want, there are some data of *TC Evans*.

MR. B. WHITESIDE.- In 2009, another big flood, *TC Evans*, 2012. So, you like getting big cyclones every three to four years.

MADAM CHAIRPERSON.- It is something.

MR. B. WHITESIDE.- It is almost certain.

HON. V.R. GAVOKA.- Almost a sign.

HON. DR. B. LAL.- How can we have some control on premiums, especially after each cyclone or catastrophic like *TC Evans*.

MR. B. WHITESIDE.- We do not control the premium because they cost it by looking at off shore insurers as well. These insurers, they do not cover the whole of the risk because they reinsure with other insurers offshore. It depends on how they are pricing as well. Say even if is the catastrophe offshore, re- insurers will make up their price anyway even if nothing happens in Fiji, they make up their prices.

HON. V.R. GAVOKA.- They spread the risk.

MR. B. WHITESIDE.- They spread the risk.

HON. V.R. GAVOKA.- Worldwide.

MR. B. WHITESIDE.- The retention rate in Fiji, what the usual retention the insurers keep on shore? Do you have any idea?

MS. S. MANOA.- They are required to hold around 60...

MR. B. WHITESIDE.- 60 percent.

MS. S. MANOA.- Less than 60 percent.

MR. B. WHITESIDE.- Less than 60 but they can go offshore and reinsure that. We allow people to insure offshore if they can get a rate that is cheaper by 15 percent.

MS. S. MANOA.- By 15 percent. There are three requirements they will need and this is under the Insurance Act where there is a specific requirement. You can insure offshore if your premium that is quoted is 15 percent less than what is being offered onshore

MR. B. WHITESIDE.- Offered onshore.

MS. S. MANOA.- Offered on shore.

HON. V.R. GAVOKA.- You got a rate.

MR. B. WHITESIDE.- By 15 percent.

MADAM CHAIRPERSON.- How old is that law?

MR. B. WHITESIDE.- Always been there.

MADAM CHAIRPERSON.- Really.

MS. S. MANOA.- In 1998.

MR. B. WHITESIDE.- So I mean if you are a hotelier or something like that, then we can find a better rate. We do not want to knock out all the local insurers, so we have that gap.

MR. B. WHITESIDE.- Yes, does that answer your question, in terms of rates?

HON. DR. B. LAL.- Yes,

MR. B. WHITESIDE.- After a cyclone, you might get it happening, the insurers rates go up but often times, it does not.

HON. P SINGH.- Many a time, with conversations we have had, people would say that buying insurance is easy but can you carry on after the loss, because it is very cumbersome sometimes and particularly they refer to the wordings of the policy document, like Category 5, many of them do not have the technical expertise and all those. We get it by average clauses and all those things. Is there any work being done to improve that?

MR. B. WHITESIDE.- We do have a complaints policy in place. The complaints can be escalated to the Reserve Bank, if necessary to have a look, but otherwise in terms of the wordings of the policies we have been...

MS. S. MANOA.- But it was mentioned in the campaign and the insurers agreed that there was something they could work on to ensure that for the insurer to understand what is in the insurance when they buy insurance...

HON. P. SINGH.- I will you an example of housing insurance to cover cyclone, we will need the engineer's certificate.

MR. B. WHITESIDE.- Yes.

HON. P. SINGH.- Insurance standards since 1983 that was very difficult and very strange and this is one of the reasons why cost of buildings have really gone up apart from other things. It is one of the contributors. That engineer's certificate lasts for a life span of seven years, which has to be renewed after that. So, what was good seven years ago if you want to renew, you really build home which is good for the existing homes which have existed for more than 20 years. The process sort of disadvantage those people thinking twice about taking insurance.

MADAM CHAIRPERSON.- Ask them if they want to lift the roof so that they can check what is under the roof. I know it is alright. We just leave as it is.

MR. B. WHITESIDE.- This is just to roll over the previous engineers certificate.

MS. S. MANOA.- Has become a lot more stringent since I think in the last seven years.

MADAM CHAIRPERSON.- If you have that avenue in place where you can....

MR. B. WHITESIDE.- There is also that insurance, where you have Premila on board - a Complaints Forum that meets regularly as well. And we have a Consumer Council representative in the Insurance Council.

HON. P. SINGH.- Why I raise this is, we need to normalise this - the Engineers side, the insurers, brokers, this is going to become a bit difficult even at this stage and you can improve it in that campaign.

MR. B. WHITESIDE.- Sure, we are working to bring down at least getting low cost housing that is covered with engineers certificates. So I mean, if you build that type of house, it will automatically be covered under the engineers certificate but there will be changes of course.

HON. V.R. GAVOKA.- This is for one group of people.

MR. B. WHITESIDE.- But previously where they did have nothing, they had no access to insurance because they could not afford it.

HON. P. SINGH.- Very interesting, though the concept that you are suggesting, even \$10,000 to \$15,000 home, what it would look like.

MR. B. WHITESIDE.- You have got Koroipita Homes in Lautoka; you have got Habitat Humanity Homes which have survived these types of hurricanes. If you can get that standard with the planned engineers certificate, to come with it as long as it is built to that standard, it should be automatic. I think they can build homes like that to that standard.

HON. P. SINGH.- I have seen couples of homes in Ba that were built by the Australian Aid.

MR. B. WHITESIDE.- Yes.

HON. P. SINGH.- After *TC Evans*, they were standing after the cyclone.

MR. B. WHITESIDE.- The principle of anchoring your house down from the bottom, right through to the roof.

HON. P. SINGH.- As long as you do not fall in the path during cyclone.

HON. V.R. GAVOKA.- We still have that facility, where you can carry your own insurance for companies that can carry out self-insurance.

MR. B. WHITESIDE.- Self Insurance.

HON. V.R. GAVOKA.- Yes.

MR. B. WHITESIDE.- I mean that is up to the company.

HON. V.R. GAVOKA.- Is there is something from Reserve Bank that gives them

Going back to some years, we needed something from Reserve Bank to give some criteria .

MR. B. WHITESIDE.- I do not know.

HON. V.R. GAVOKA.- I think it came to a situation where there were four cyclones over two or three weeks - remember those four?

MR. B. WHITESIDE.- Yes.

HON. V.R. GAVOKA.- And I was a hotelier then. We just found it so difficult and I think the Reserve Bank came to the party by setting up some sort of facilities to enable us to carry on our own insurance.

MR. B. WHITESIDE.- We will follow that one up for you, are you aware?

HON. V.R. GAVOKA.- I am sure if it comes up, the hoteliers will come up with that but if I recall there was, because I am worried about the future, if it is true, then there would be a lot more stuff hitting us.

MR. B. WHITESIDE.- Yes

HON. V.R. GAVOKA.- It may have to come to that. I remember correctly at one time Lloyds of London was almost on broke because of the reinsurance then because one year, there were claims of obsessive people who had those notes were losing out, I am going back some 20 years. It just that we have got climate change, I am always thinking about what we saw that time and how to position ourselves.

MR. B. WHITESIDE.- I think anyone can self-insure, it is not a requirement; if there is anything in the Insurance Act.

MS. S. MANOA.- Something to evaluate – it is only prudent to evaluate.

MR. B. WHITESIDE.- How much you put aside and you know that type of thing.

MS. S. MANOA.- And that will be alright.

HON. V.R. GAVOKA.- Just on the assets, are they allowed to invest overseas?

MR. B. WHITESIDE.- We give approvals, there is a change control. So we have given approvals to some insurance to invest offshore. Riga, just recently I think you were given some approval - life insurers, so, they may come to us to invest.

HON. P. SINGH.- How about their presentation of profits?

MR. B. WHITESIDE.- Re-fluctuation is not a problem.

HON. V.R. GAVOKA.- This is a Fijian Government and investing all these.

HON. P. SINGH.- There are foreign companies as well.

MR. B. WHITESIDE.- Even someone like LICI might invest offshore but they come to us. We always give them the letter that came if we need it for our reserves, we bring it back to Fiji.

MADAM CHAIRPERSON.- Do you have any other questions from this end? Any other submissions?

MR. B. WHITESIDE.- Yes, on Fiji Financial Intelligence Unit.

MADAM CHAIRPERSON.- I think this one will take a bit longer. There is a lot more interest in this. So, it will be alright if we move along?

HON. P. SINGH.- Madam Chair just a final one with insurance - this was brought to my notice. Foreign Exchange outlets and money laundering, trading banks, particularly ANZ and Westpac closed off their accounts, there competition is alright.

MR. B. WHITESIDE.- Not necessarily, this is what they call due-risking, so, it is an anti-money laundering issue. I might be able to pick that one up later on but it has to do with corresponding banking overseas and the worry of being fined big penalties on any issues regarding money laundering that can come up through money remittance channels.

So, lots of banks have taken on themselves to just shut down these types of dealers - money on remittance dealers. ANZ has done it in Fiji and Westpac has done into most accounts. The other banks are holding their accounts still. There is an issue for countries that rely a lot on remittances and in the Pacific, especially Samoa, Tonga and Fiji, where a lot of money is being channelled through the small foreign exchange dealers, not the banks. When they get their accounts

closed down, when they cannot operate on foreign accounts in commercial banks, so they have to go and find an alternative.

MR. R. BUKSH.- I think the banks have come up with an easy solution, just not this part of the resolution but internationally within profit elsewhere. An easy way to manage this is to be a member customer of your books. So the standard says, it is not the way to solve the problem, you need to have measure to mitigate, it has got money laundering and other risks. I still take on board the customers. So, we are putting up a fight such as the World Bank, IMF and others, to see how and to what extent this is adversely impacting small economies. So, that is the impact of political as well as negatory debates happening around the world on this issue.

MR. B. WHITESIDE.- Our argument is that we have very capable supervision in terms of our foreign exchange dealers with the Financial Intelligence Unit, we have the Reserve Bank's supervision and also the banks should at least look at each foreign exchange dealer separately in what risks they are going to table before they decide to shut down the accounts been listed.

MR. R. BUSKH.- But again I know the decision can be taken at Head Office, we have for all banks.

HON. P. SINGH.- Because most of our remittances just come through this foreign exchange.

MR. R. BUKSH.- A lot of the remittances come through this foreign exchange dealer but they are managing because other members are still holding their accounts.

HON. P. SINGH.- I think HFC is also holding on.

MR. R. BUKSH.- The main issue is in relation to banks outside of the US, having corresponding banking relationship with banks in the United States. So banks in the US, as you know, are being heavily fined for not complying with the anti-money laundering requirements.

MR. B. WHITESIDE.-Multi million dollars.

MR. R. BUSKH.- Yes, the pressure is mounting on banks in the US to provide corresponding banking relationships with the banks, such banks here in Fiji. So, corresponding banking leadership is the first to be impacted because the corresponding banks in the US want to ensure that the banks in Fiji have customers. These are high risk customers and we are trying that foreign exchange remittance service providers that they have adequate anti-money laundering controls and as Governor has said, in the Fijian context we have as the regulators the Exchange Control Act that provides for additional buffer on risk mitigation, but of course that is why it is mounting from the US corresponding banks.

HON. V.R. GAVOKA.- I always feel that the way we managed the 2009, 2012 and 2016 with regards to the cyclone, and the Minister of Economy spoke about this issue and he said "you can imagine if *TC Winston* was heading at that time and it hit Suva."

MR. R. BUKSH.- Yes.

HON. V.R. GAVOKA.- I think there is something in the Ministry of Works the Government finds to supplement whatever the insurance people are doing because looking at all the premiums that we have here, on this \$37 million and not hitting the main centres, it behoves us to start building up on the reserves and for Government to come to the act.

MR. B. WHITESIDE.- If TC Winston had hit Suva, or even the major towns in the West, and if it hit them properly, that will be a huge thing.

HON. V.R. GAVOKA.- We should start thinking about those things seriously, it has to be a partnership with the private sector.

HON P. SINGH.- Finally, as legislators, do you think that the Insurance Act is appropriate at this point in time or needs ...?

MR. B. WHITESIDE.- We have some revision to the Act and we have been working on revision for some time

MS. S. MANOA.- Sir, it is back with us to work on the revision and to put it in appropriate words.

MADAM CHAIRPERSON.- When was the last time that any changes were made?

MR. B. WHITESIDE.-The Act is 1998. We have been working on it for some time to try to make these changes. So, hopefully you can expect something to come in, but with everything being looked at this time, there is a waiting line. I do not know if the Insurance Act is a priority but we have been working.....

HON. V.R. GAVOKA.- Anything that is in it that will break us down?

MS. S. MANOA.- Just the inclusive insurance that we are working on.

MR. B. WHITESIDE.- So that is to cover the low income.

HON. V.R. GAVOKA.- Exactly. Would love to hear that one.

MR. B. WHITESIDE.- I think we will let you know where we are with it, we can carry on.

HON. V.R. GAVOKA.- Excellent.

HON. P. SINGH.- You also invite public participation on those revisions.

MR. B. WHITESIDE.- When we make changes, we always go to stakeholders. So, stakeholders would be the insurers, but also we would look at some sort of public feedback.

MADAM CHAIRPERSON.- So, anyone can do that, then you present to Parliament and then you send it to stakeholders again.

MR. B. WHITESIDE.- Before we actually go ahead we try to make the changes, to ensure that we have the go ahead for the people who are our stakeholders.

HON. P. SINGH.- So, who are the key players as these stakeholders in the insurance industry?

MR. B. WHITESIDE.- The insurance companies but the brokers for our sake are responsible to the policy holders, as with the banks, the Banking Act is responsible, to the bank customers that would be the depositors.

HON. V.R. GAVOKA.- Everything is in good hands.

MR. R. BUKSH.- Thank you, Madam Chair.

MADAM CHAIRPERSON.- Alright, thank you.

MR. B. WHITESIDE.- Shall we continue?.

HON. P. SINGH.- Yes.

MADAM CHAIRPERSON.- We move on to the Financial Intelligent Unit.

MR. B. WHITESIDE.- FIU, now I will ask Mr. Buksh to present.

MR. R. BUKSH.- Madam Chair and Honourable Members of the Parliamentary Standing Committee on Economic Affairs, *bula vinaka*.

This is the presentation on the Financial Intelligence Unit's 2015 Annual Report. What I will do in the next 20 minutes or so, I will discuss broadly of what we do and why this FIU, then I will focus on some of the key outputs of the Unit in 2015.

The Financial Intelligence Unit was established in 2006 under the Financial Transaction Reporting Act. So it is a fairly new agency. It is an intelligence arm of the Fijian Government, a very specialised agency I would say with adequate resources to manage its clear objectives.

Also, administered and fully funded by the Reserve Bank of Fiji ever since its establishment.

The role of the FIU is to:

- Administer the Financial Transaction Reporting Act;
- Enforce compliance by financial institutions, and I will discuss who are these financial institution that come under the ambit of the FIU;
- But the sole purpose of establishing or having this unit in Fiji and across the world is to assist Government and the Central Government to combat money laundering, terrorism financing, proliferation financing and other serious crimes.

So, that is the broad object of having and resourcing Financial Intelligence Unit over the central agencies.

Somewhat different to the mission and vision of the Reserve, Bank but of course with overlapping mission are the vision of the FIU in Fiji from money laundering and that includes both protecting the Fiji's Financial System as well as ordinary Fijians, including entities and citizens of this country.

Our mission is to:

1. Strengthen our compliance with international standards on anti-money laundering and combating the financing of terrorism;
2. To ensure that the safety and integrity of Fiji's financial system is maintained;
3. The core or heart of the Financial Intelligence Unit is to implement an effective Intelligence Financial System. Generally speaking, this is just a way that we translate or convert information into intelligence and that is the reason why our services are a very specialised agency;
4. To network with relevant partner agencies and as we go along the presentation we will hear more about who are our partners and why we engaged with them; and
5. To enhance operational governance and communication.

The roles and functions of the IFU are::

1. Intelligence Management, So we receipt information, we analyse information and disseminate intelligence to relevant partner agencies. Because we are an intelligence arm of the Government ,we look at lots of financial profiling intelligence.
2. We need not hold this information for our own digestion and for our own purposes, we need to network, we provide law enforcement, communities, both domestically as well the internationally. The information exchange is fundamental to the work that we do. So more information intelligences to benefit the FIU but it is not for the benefit of the stakeholders.
3. Providing Awareness, Education and Training. That is why you will see me probably facing the camera in the television, going out to the stakeholders, providing training, awareness so that we are able to invest the knowledge that we have in terms of affecting ordinary people who become recipients of fraud; and
4. Compliance and Enforcement.

Some of these things will go back to the points that we discussed on why we do things such as on various things and others.

Just a little bit on the governance of the FIU. You might think that when I said that the FIU is an arm of the government, what is it doing here with the Reserve Bank of Fiji?

So this is the government structure of the FIU:

- the Minister for Justice, the Attorney General is responsible Minister for the FIU under the Financial Transaction Reporting Act but that responsibility was delegated to the Governor of the Reserve Bank soon before the establishment of the FIU in 2006.

The Governor and the Board of the Reserve Bank are responsible for the overall administration of the FIU and for providing entire financial budget of the FIU.

The FTR Act provides that the Director of the FIU is responsible for all the powers, functions and duties which makes the IFU an autonomous independent agency, independent of the Government, independent of the other agencies and also independent of the Reserve Bank of Fiji in the discharge of the powers of the Unit.

National AML Council: We have another governance intermediary, which is the National Anti-Money Laundering Council, and I will discuss who the members of this Council are.

This Council is to provide the advisory role to the Financial Intelligence Unit and also have an input in terms of recommending the appointment of the Director of the FIU.

Because this is a little bit complicated, I thought I will just discuss this before we go into the other aspects of why and what we do.

A typical Money Laundering Scheme involves certain stages:

1. Fraud or criminal proceeds will enter the financial system, either through cash deposits or transactions conducted in bank accounts.
2. The role of the FIU is to ensure that we intercept or we are able to intercept each of these three layers or stages of money laundering. Layering is the process where the proceeds are intermingled into the bank accounts, various structures are created, different bank accounts maybe created, corporations maybe set up and their movement of funds within the various institutions, parties and accounts.
3. The final stages is the integration stage, where the proceeds will appear to be genuine to an ordinary person and this is the sophistication level of the integration that we work with. So our processors and procedures must be able to intercept information and Transactions Act for all of these stages.

At the final stage, we link up with other agencies like Police and Prosecution once we identify that this is where the criminal wealth is stored. We are able to then link up with them to formally restrain and forfeit those assets.

Some of the output that you would see is the reflection of that particular diagram. about the cycle of money laundering.

Also, it is important to realise and understand what are the key contributors of funds that flows in and through Fiji's Financial System that is very much for laundering in Fiji and the initial

assessment and the NRA findings of last year noted that drug trafficking, Tax Evasion and Fraud against Government and generally fraud, where the main contributors of funds that were available to be laundered within Fiji's Financial System.

In the middle bracket is the Proceeds from Corruption, Cyber Crime and Border Currency and the Human Trafficking that is the other contributor of proceeds in this financial system.

So that is the risk bracket that we have in terms of the contributors to proceeds in money laundering.

Alright, I will take a minute or two on this particular slide. This is very important to understand the entire report of the FIU.

Firstly, we have a very broad spectrum, a very wide ranging institution that is covered under the umbrella of anti-money laundering under the Financial Transactions Reporting Act. These includes all of the institutions that are licenced and regulated by the Reserve Bank, plus other institutions like lawyers, accountants, real estate agents. Those finance companies that were not licensed by the Reserve Bank are also covered under the ambit of anti-money laundering framework and all of these preventative managers applied to all of these institutions so that we do not leave a window open for criminals to target those.

Traditionally, we have seen that criminals would launder their proceeds to commercial banks so we tighten the control mechanisms to the banks, then we are moved to foreign exchange dealers then they move to finance companies then to insurance companies. Now they are using accountants, real estate agents and lawyers.

So the international framework says that "no, we need to also look at how these three designated non-financial business professions operate and they are able to look at their transactions as well. So, the Financial Transactions Reporting Act or the Financial Intelligence Unit can also access lawyers trust accounts.

We can also access the findings and results of accounting firms who their clients are and what types of transactions they are dealing with and the new inclusion is the real estate agents and of course, they are one of the high vulnerable sectors in Fiji.

So, you and I when we go to open a bank account or do any financial transaction with any of these fraud spectrum of institutions, we are asked to identify ourselves, whether we are a corporation or an individual, we are required to produce ID documents that these institutions will ask for source of funds, these institutions will monitor our transaction and they will report suspicious transactions and this applies to all the customers, whether you are an individual customer or a corporation customer.

Behind the frontline, there is a big sophisticated level operation that they require the banks under the FTR Act, from our own FIU Regulations and Guidelines, that they must be able to single out the transaction that is not consistent with the known background of account holder. For example, if you are a Member of Parliament, and you begin to receive remittance transactions from a foreign jurisdiction, say for example, hypothetically Hong Kong then at the back end of

processing of your account, the bank is monitoring that you are receiving remittances from abroad while being a Member of Parliament.

It may be a general message in a transaction but that is a requirement of Financial Transaction reporting in law and if the transaction is not consistent, your background or any customers' background then that is flagged and recorded in the suspicious transaction, and I will discuss the statistics a little later.

The banks and other institutions are required to report all cash transactions of \$10,000 and above. They are required to keep records and this is the legislation that requires the institutions to keep records so that when there is an investigation, when we want to face financial transactions, conduct audit trails, these law requires them to maintain these records and various other requirements, as well. So, I know you already have lots of questions on this particular slide but we will take those questions later.

So, just going back to the Annual Report; this in itself is very important - the things I talked about. In the 2015, we received 516 suspicious transaction reports, over \$0.5 million cash transaction report of \$10,000 and above, slightly more than \$1 million electronic funds transfer reports which does not have a threshold safe.

We receive remittances or we send our remittances too through the banks or through Western Union and other remittance service providers. All of these transactions in the period of threshold, immaterial where are we sending it or where are we receiving it from, it is sitting in the database of the Financial Intelligence Unit, and last year we received a million plus transactions.

Also, we know that on all travellers inbound and outbound are required to declare their carrying currencies so we have a collection of that statistics as well and all information that is declared in the Border Currency Report that is under profile by the Financial Intelligent Unit. So, those are just some statistics that we have in this, somewhat consistent with other jurisdictions as well in size of the financial system.

A slight fluctuation but there is no particular reason. But in terms of electronic remittances we have a compliance mechanism and there are some changes in fluctuations.

The second part of our core function is to disseminate proactive information for use by relevant law enforcement agencies and the primary beneficiary of our intelligence is FRCA, in particular tax, because we look at a lot of suspicious transaction reports that signal customers are evading tax and 166 reports were disseminated to tax for possible tax evasion and fraud activities and others are of slight, including customs evasion and immigration transaction crime unit for profiling and other agencies like Reserve Bank of Fiji, Investment Fiji, and others.

So, how does that translate to individuals and entities? In terms of proactive analysis, we handle 239 cases, profiles 649 individuals and 116 entities.

The Law Enforcement Agencies can also request the FIU to conduct additional profiling on the cases they are investigated, whether it is fraud matter or any criminal matter, including murder cases as well or road accident cases as well, because some of these may have leakages to financial transactions.

So, we also help them out in terms of looking at bank statements, tracing transactions or tracing assets for them. Last year, 191 referrals were made to us and we were able to profile 502 individuals and 264 entities.

The Government depends on the FIU to conduct background checks and give remittance checks and this request comes in from various government agencies, including Investment Fiji and we provide due diligence checks on these cases; 49 individuals and 40 entities that were screened by the FIU in 2015.

So, just looking at translating that output into value; for tax evasion related cases, 94 million with the suspected were above the quantum of funds involved for tax evasion and this is only a reflection of those cases that were brought to the attention of the FIU by the Financial Institutions. It is not just the commercial banks but it also includes other types of institutions that provide financial, products and services.

The disseminations to the Police amounted to \$55 million worth of possible suspected proceeds that the FIU believe were tainted money, with corruption proceeds or forgery, fraud, cybercrime, trafficking and others. So this is the value that we were able to associate from the reports that were given to us.

It does not suggest that this is the quantum of money that is subject to confiscation or forfeiture. The Police intends they do our investigations, they would go and arrest or they will go and do interviews of the suspects and should they provide explanation to the satisfaction then that value will slightly go down but that is the figure that we look at from an intelligence perspective.

On a more random basis, the FIU provides assistance to the Law Enforcement Agencies in relation to ongoing investigations.

Last year, including some part of this year as well, there has been lot of traffic in exchange of information between FIU and the Police Drug in a cybercrime team because these two cases have been quite on the rise and basically when the Police are investigating a matter, they can call the FIU to check on information that we may have and we will provide data for discussions either the statistics are provided in the Annual Report.

So, the thing that we do, when we suspect that possible victims to extend to just the one that are reported, we give directives to the financial institutions to do certain things to protect, to care, to conduct and contain the spread of fraud that was either individual self-entities.

The directives could be centred around "do not do any transactions with this particular recipient who is a cybercriminal in Nigeria. Do not do transactions or exercise caution when you handle transactions between Fiji and this particular jurisdiction. Refer to the FIU any matters related to this particular person."

So these are the directives that we issue through the financial institutions. Sometimes it goes to all the financial institutions if the fraud matter or the leakages spread to just outside of the commercial banks.

We provide on a regular basis advice and guidance to financial institutions. They come to us on a regular basis and Caroline Pickering is there, she is the Manager Policy and Coordination for the IFU.

We team up with the Reserve Bank to conduct supervision of this institution, to see if they are identifying the customers, they are monitoring for transaction, they are reporting suspicious transactions and we provide lots of awareness and outreach to make the whole framework effective and you have seen that yesterday, I was speaking to ANZ banks staff about security and fraud and I told them that "you are not only protecting your institution but you are also protecting the interest of your customers which is one of the objectives of you providing training and awareness.

We are not only an intelligence agency, but we also have lots of national outputs so we do a lot national work. So, on behalf of the government, we contribute at the council level with the National Anti-Money Laundering Council.

So I am a member, together with the Government. As members of the Council, we coordinate lots of risk assessments for Fiji. As you know, Fiji was subject to a mutual evaluation. The first point I talked about is the vision of the FIU, to see that Fiji is complying with all the international standards, our compliance level is assessed by the Asia Pacific Anti-Money Laundering. And to be able to exchange information in a more effective way, our network with 151 partner FIUs around the world.

So, if we need to exchange information with the US, UK or any country in the African region, we are networked with all the Financial Intelligence Units around the world.

Some of the challenges that we think is as a result of our outputs of 2015:

- The APG noted that the FIU needs more power to enforce compliance
- The Reserve Bank of Fiji and other agencies, like Land Transport Authority have powers to invoke sanctions, impose monetary penalties.

The FIU does not have those powers, so there would be amendments to the Financial Transactions Reporting Act but before the Parliament to have those powers given to the FIU.

Also, some additional measures, so if you as Members of Parliament go and do a financial transaction outside of Fiji, you will be seen as a high risk person and they will conduct and ask due diligence without your knowledge and this is an international requirement. Similarly for any foreign political exposed person, for example, if the relevant Minister or Member of Parliament wishes to engage any financial transaction by any assets here in Fiji, they will be subject to enhance due diligence but we are unable to do that apparently with our own Constitution, with our own high ranking Government officials. There is a gap in our law and we will be asking for that and that is consistent with the Constitution as well as the Code of Conduct for a qualification exposed person including myself, Governor and others.

There is some gap on capacity on Law Enforcement Agencies to be able to more effectively carry out money laundering investigations and to trace proceeds of crime more effectively and what happens when we forfeit those assets or restrain those assets.

As we know in the Kadavu drug case, a lot of assets were restrained and forfeited. We need a proper storage facilities so we will also contribute on those discussions at national level and this is the broader re-engagement of the Financial Intelligence Unit.

These are also some the gaps I talked about at national level, where we can strengthen our framework to ensure that we are at par with the international institutions, so that Fiji is not into being the contributor to channelling of criminal proceeds to this financial system.

That is just the composition at national level of the National Anti-Money-Laundering Council. It is a high powered Committee or national body that includes key stakeholders from the Solicitor- General, Director of FIU, Director of Public Prosecution, Commissioner of Police, Governor of Reserve Bank CEO FRCA and invited members and few other key stakeholders.

MR. B. WHITESIDE.- Madam Chair, coffee and tea, would you like it served to you now or we could have some after your questions?

MADAM CHAIRPERSON.- Can we have it after? If you do not mind.

MR. B. WHITESIDE.- Yes, that is fine.

HON. DR. B. LAL.- May I ask something? This is in regards to investors from overseas who come to Fiji. Sometimes, they announce they will be investing so many millions of dollars in a hotel or any other and we wait and see if they do a little bit of work and then nothing happens after that.

How do you monitor such things because it becomes a public talk and people raise fingers at us and say, "see what is the Government doing and things like that". How do you screen them before they actually come in?

MR. R. BUKSH.- Thank you, Honourable Member. Yes, the FIU provides direct input in some of the suspicious or high value industries and we have direct impetus with Investment Fiji and Ministry of Trade.

We have access to a number of databases that other agencies do not have, including some of the Fijian Government agencies do not have access to this. These are subscribed access. We are able to get good information in relation to their financial criminal profiling as well as corporation profiling as well.

So we are able to look at:

- Who the corporation is;
- Where they are established;
- What is the credibility?;
- Is the company still active?;
- Have their filed proper tax returns or have them file proper annual returns?;
- Is the company not wanted on the global watch list?; and
- Are the directors not convicted?

So we have access to that database and we provide information to Investment Fiji and other requested agencies. This is an approval process.

So, what we have done, there were lots of requests coming in from all the Government arms for all investment proposals or applicants. What we have done, we have claimed a number of these agencies. We have given that these are the free access, for example, if we want to check on an entity in New Zealand, then it is a free available database. You can check on all the directors shareholders, whether the company or corporation is active or not and whether it has been dissolved.

So good information is provided out there, so my team has gone out to each of these stakeholders and asked them, if this is the way they can do the services, but we do enhance the searchers, where the suspects are, they come to us and we actually pay to conduct the searchers on behalf of the requesting agency.

The second part is post implementation of when the investor has come in to Fiji, has got a necessary working visa, opened the bank account, registered for tax and started the operation. We also can do financial transaction profiling, we can check on their trade data, we have access to Customs database, we have access to tax records and we have direct access to bank records.

So, we are able to trace how much money they have brought in and how much money they have sent out and whether no money was brought in as capital. So, we provide that additional information at the request of the relevant agency.

Also, the Reserve Bank has a control mechanism where we have got approval process for share capital and other funds that come in and also the question was asked earlier on profit repatriation, so these are also monitoring processes that we have as supposed to implementation.

Yes, there may be some projects that are on progress but our hands only extend to that level, where we provide necessary pay cuts when we are requested to do so. But I guess Investment Fiji would be doing more on site surveillance and compliance to ensure that the project is taking off the ground and this is our engagement with them.

HON. DR.B. LAL. - Alright.

HON. V.R. GAVOKA.- So, you will have agencies back at source to determine the veracity of the funds and all the claims made by the company before they bring money or funds into Fiji.

MR. R. BUKSH.- We would not really look at that aspect in very detail. We would look at the broad elements to understand their background and also to determine their credibility. So, if the company has not filed annual returns for the last five years or the director has been convicted for fraud, these are the information that is meaningful to us and this is what we then disseminate to our requesting partner agency. But whether the company is profitable or not and how much profit they have been making, whether they will fail or succeed in Fiji, is a matter that is decided during the assessment process within Investment Fiji.

HON. P. SINGH.- You have been talking about offshore.

HON. V.R. GAVOKA.- You know basically in the Cook Islands, where there were huge projects and then it fell apart because they say that the people were from somewhere, where the money was dirty or it was underworld - that kind of stuff. So, I mean this is before this kind of agencies were set up.

MR. B. WHITESIDE.- Now the FIU has links with all the FIUs.

MADAM CHAIRPERSON.- So, Investment Fiji, because they have started this one stop shop online registration and all that, so they would do their own research and then send someone to you - not everyone comes through you?

MR. R. BUKSH.- Yes, usually, if they believe based on the publicly available database since that investor is credible, is sound and they do not have any issues then they will process it without coming to the FIU. But if they think that the value of investment is substantially large, they will get second opinion from us or they themselves think that there are some information that they need to be followed up, for example, if they need Interpol search or criminal search, then they will come to us.

MR. B. WHITESIDE.- That is at the set up stage, but once the companies set up and that all transactions like suspicious transactions are reported to the FIU, so the FIU can get back to them, on that side as well.

HON. P. SINGH.- In the event, for instance, letters are referred to you if on your own volition

MR. B. WHITESIDE.- That is the suspicious transaction report.

MR. R. BUKSH.- Yes, because we will that more than what we get - referrals. Our proactive dissemination is far bigger and that does not include those reports that are coming in from the bank but we also have cases where an investor may have overstayed, yet during transactions so we get signals, so we have a profiling mechanism that flags these types of transactions and individuals and anti-corporations which we then proactively give to any person and other relevant agencies.

HON. V.R. GAVOKA.- Fascinating. I come from a generation of bankers where this kind of being inclusive was kind of a no, no. I am amazed, these are the signs of the times, I suppose.

MR. B. WHITESIDE.- So that means in the background, we do not know, nothing has been checked.

HON. V.R. GAVOKA.- Remember the old days, no one intruded into banks.

On the question of wealth. You know wealth you cannot explain. I am always, you know with this drug problem. I come from Nadroga. My people have been arrested for marijuana and all that. I always maintain that, it is not the grower, it is the demand and it must be a very sophisticated network that brings the drugs from my people from Kadavu into the demand centres, like Suva. Surely someone must be making a lot of money, but it should be visible someday, because I know in America, I believe there is an Act, that if you are in the underworld and you are found guilty, they confiscate and sell all your assets. (I forgot the name of that Act). I always say,

I shared it in Parliament a few times, they should target the guys who were distributing these. In that way, you can curb the demand because a poor farmer up there is growing because of the demand. You curb the supply chain, you disrupt it, throw these guys into jail and confiscate their assets. You could help with the drug thing, so the way you are set up

MR. B. WHITESIDE – Unexplained wealth.

MR R. BUKSH.- In relation to the level of sophistication money that is laundered and there is a call globally that we need to expand and broaden our scope. In Fiji, in 2012, we amended our Proceeds of Crimes Act. and now it includes provision on unexplained wealth as Governor mentioned.

So, we did not prove the crime, we can go after the assets of this particular person and we can bring the person to court. The person has reversed the burden of proof to show cause and justification that the money supplied is supplied by legitimate things, easier to do that which would mean that the court will forfeit the unexplained wealth.

We have not had a case, but a good point to raise is that the FIU is there to do that and you might remember those two individuals in Nausori who were charged for importing drugs in parcels in the post office, we were looking at the transaction and we could not even before that intercept for unexplained wealth.

We have individuals in the central division who are subject to unexplained wealth, exactly your point that these maybe the people who are selling drugs, not the suppliers, not the growers on the street and we have seen that this person has never worked, never paid a single cent in tax but has got house free of mortgage, freed motor vehicles, travel business class abroad, so we profile that. That is what we are good at and then we link up with the relevant enforcement agencies.

Bu there we have set up an Unexplained Wealth Taskforce Team in Fiji and we will be looking at it. We have a case where an Asian national has set up a farming business in the North ...

MR. B. WHITESIDE.- Mr. Razim is always very acute - too much information.

(Laughter)

MR. R. BUKSH.- ... but we profiled him that he is not worth that much he is claiming and we have seen millions of dollars stacked in their bank accounts here. So, we have all this unexplained wealth case that will be soon going to court.

HON. DR. B. LAL.- In Parliament, it has also supported that, we review of the legislation on FICAC Promulgation that they can

MR. R. BUKSH.- Exactly. So all of us here are servants of the Government public service, if we have any unexplained wealth and under the Prevention of Bribery Promulgation, Section 10, we can be taken for unexplained wealth. If I cannot prove that I have this mortgage free, copy of the balance sheet, I have three motor vehicles or free of Bill of Sale, if I cannot explain that then that can be subjected to forfeiture and prevention of Bribery Promulgation but for others, including

civil servants and public servants the Proceeds of Crime Act extends to all and the good thing about this particular piece of law is that the burden of truth shifts to the person

HON. P. SINGH.- Then we have the Code of Conduct Bill coming in.

HON. V.R. GAVOKA.- I am always an advocate for everyone to pay tax because for obvious reasons to be used for the general public. Now like this, you are schemed Government, this black box in the supermarkets. Because we are told that there are people who keep two sets of books.....

MR. R. BUKSH.- Three sets of books.

HON. V.R. GAVOKA.- Oh, three, alright.

MADAM CHAIRPERSON. Good job.

MR. R. BUKSH.- One is for the financier, for the bank, one is for tax and one is for themselves.

MADAM CHAIRPERSON.- Oh my goodness!

MR. R. BUKSH.- That is the one we always target. They give a different picture to the financier and a different picture to the tax, the genuine one is what they hold. But you have seen the statistics first ...

HON.V.R. GAVOKA.- Yes.

MR. R. BUKSH.- ... \$94 million worth of dissemination and we do not get any reward for referring this like CEO FIRCA just came on TV last night that the whistle blower and you get rewarded for

HON. V.R. GAVOKA.- But that sum is an estimate, that sum that is shown on the screen.

MR. R. BUKSH.- Yes.

HON. V.R. GAVOKA.- It could be a tip of the iceberg if you.....

MR. R. BUKSH.- Exactly and this is the figure that we are seeing is being transacted in the bank..

HON. P. SINGH.- According to your analysis.

MR. R. BUSKH.- There has been substantial tax recoveries which is confidential and I cannot table that but there has been substantial tax recoveries as a result of our intelligence.

HON. P. SINGH.- As it is, you do not have, you only have investigated powers but cannot prosecute. Who are all your prosecuting agencies?

MR. R. BUKSH.- I did not clarify this in the start of my presentation. The FIU in Fiji is the administrative FIU. We do not have powers to arrest or charge or prosecute, those powers are with

the Police, FICAC, FRCA or Prosecution, but throughout the other process of investigation, prosecution forfeitures, we are in the group, we are together as part of the team, but behind the scene, we do not have those powers.

HON. P. SINGH.- In your presentation, you mentioned that legislative changes to strengthen to give additional prosecutorial powers.

MR. R. BUKSH.- Yes, the level of sophistication of crime these days competitive is widely increasing. There is an international call that Law Enforcement Agencies like Police, FICAC and others should be given additional powers. As I have mentioned this earlier and it came out in the front page of the media about giving Police powers to intercept communications, to combat, to give complex strengths, so these are the powers that we looking at and most countries are empowering the Police.

Currently, we have communications intercept powers given to Police for drug related purpose only.

So, now we are going to expand it to other offences which includes corruption, cybercrime and fraud.

HON. V.R. GAVOKA.- And you are keeping up with the best practices globally open?

MR. R. BUSKH.- Hopefully with the revisions to the laws and additional resourcing to the Police, we should be at par, but there are some, perhaps at the moment, we have to strengthen in some areas like Lawyers Trust Account is one of the vulnerable windows, real estate agencies, they are the sector that is high risk for laundering.

MR. R. BUKSH.- But none of them are using the trust account.

HON. P. SINGH.- He is requires to do that?.

MR. R. BUKSH.- Yes.

HON. P. SINGH.- That is one of the condition we have to rely from that.

MR. R. BUKSH.- Yes.

MR. B. WHITESIDE.- They recently had an evaluation by the APG, you have mentioned that.

MR. R. BUKSH.- Alright.

MR. B. WHITESIDE.- The global body comes down and assesses.

MR. R. BUKSH.- We are fairly compliant..

MR. B. WHITESIDE.- There are still areas which they see we need to work hard on..

HON. V.R. GAVOKA.- We are getting smarter..

MADAM CHAIRPERSON.- You know, anything to do with \$10,000 transaction, so anything \$10,000 and above.

MR. B. WHITESIDE.- Just report it.

MADAM CHAIRPERSON.- But you have to come to the Reserve Bank of Fiji for a special approval, for anything over \$10,000?

MR. B. WHITESIDE.- Every transaction of \$10,000 or above is reported to the Reserve Bank-FIU.

MADAM CHAIRPERSON.- Say, you were a company and you are buying a washing machine and it is \$12,000 and you have an invoice. You just take that to the bank and it will go through or you need to go through Reserve Bank of Fiji for a special approval?

Because that one time there was that law in place, that you have to go to the Reserve Bank of Fiji to get a special

MR. B. WHITESIDE.- Not for a purchase like this.

MADAM CHAIRPERSON.- No.

MR. B. WHITESIDE.- No.

MADAM CHAIRPERSON.- So there is not limit?

MR. B. WHITESIDE.- But every transaction gets reported by the bank.

MR. R. BUKSH.- These are cash transactions.

HON. P. SINGH.- Transaction.

MR. R. BUSKH.- Transactions that we do with the bank cheque.

MR. B. WHITESIDE.- Or a debit card.

MADAM CHAIRPERSON.- Alright, but not for purchases?

MR. B. WHITESIDE.- The banks will send you a report.

MR. R. BUKSH.- Yes.

MR. B. WHITESIDE.- At the end of the month, you said monthly.

MR. R. BUKSH.- On a daily basis.

MADAM CHAIRPERSON.- Of every transaction.

MR. B. WHITESIDE.- Every transaction - \$10,000 and above.

MADAM CHAIRPERSON.- But what about the ones below.

MR. R. BUKSH.- Not necessary, is not required. So, if you are going to withdraw that \$12,000 from the bank account cash, then that withdrawal will be reported to us.

MADAM CHAIRPERSON.- I see.

MR. R. BUSKH.- But what you do with that, maybe it will not be reported to us because you are doing a transaction with a non-financial institution, but if you withdraw that transaction to deposit at a lawyers' trust account, so we will know where it is deposited because the lawyer will forward that to us as well.

MADAM CHAIRPERSON.- Will track it.

MR. B. WHITESIDE.- If you go to Courts for something with your debit card, you use your debit card it will be reported because it is coming out of your account, alright.

HON. P. SINGH.- But the commercial banks normally will be very vigilant there. If you deposit anything above \$10,000, no one asks you, transaction probably will say that assets or something.

MR. R. BUKSH.- They asses the requirement on establishing the source of funds. That is to mitigate and minimise fraud.

MADAM CHAIRPERSON.- Make sense.

MR. R. BUKSH.- But on the other side, rules are very relaxed for people who are lawyers, for example, Social Welfare beneficiaries, students, Micro Finance, businesses and farmers. The rules are very relaxed, it is not as stringent as for the high risks individuals and corporation. We, as the regulators, we came up with the Reserve Bank and we said, "alright, this is what is relevant in Fiji." So, the ordinary person can access financial products and services, with the preventative measures but at the

HON. P. SINGH.- The different goals are for different tones

MR. B. WHITESIDE.- And we used to be doing a lot of work with financial inclusion in that, so we needed to get this as FIU to just come down, meet in terms of requirements of the customer.

HON. V.R. GAVOKA.- Wonderful. I watched that Greece situation very closely, how the Greece almost lying broke - was it two years ago or something?

MR. R. BUKSH.- They are still there.

HON. V.R. GAVOKA.- Still there and the Germans were always saying, "these guys are letting so loosely the way they do things. We are always very concerned that whatever we can

type, at the end the day, their country, they let itself go broke by not looking after those things. What I am hearing today at least brings us some comfort.

MR. R. BUKSH.- Exactly, Honourable Member, we have a lot of cases that are good success stories like the Native Bank. So, we had foreigners that wanted to establish a bank at the expense of landowners and really costs millions of dollars, we were not proactively engaged to in profiling their story.

(Laughter)

HON. V.R.GAVOKA.- They should know.

HON. P. SINGH.- At least not drifters.

MR. B. WHITESIDE.- \$6 billion man.

HON. V.R. GAVOKA.- We are watching things and they do not how to control these things.

HON. P. SINGH.- But amazing, how did they slip through the system?

MADAM CHAIRPERSON.- There was some assistance at that time.

MR. R. BUKSH.- In that process, Micronesia lost \$0.5 million but they were very, very vigilant themselves with money coming in and use this background checks on these foreign investors.

HON. V.R GAVOKA. Excellent.

MR. B. WHITESIDE.- But Nauru as well at one stage.

MADAM CHAIRPERSON.- Can I just ask a question on page 46 of this one. It says "the age of convicted money launderers so, there is a list here, names of individuals, I guess STR is "Suspicious Transaction Report." So that is the year it was reported and that is their age and then the next block have the name of the individuals, the year of FIU assistance and there age and then the last block those three names and the year of conviction. So, do I take that only those three were convicted out of this whole list?

MR. R. BUKSH. - All of them were convicted. It is just where and how this case or matter was brought to court, for the first chunk Mr. Manoj Khera to Mr. Vikash Mehta is the proactive output, as a result of how proactive handling of information led to those convictions. All are convictions but that first big chunk is suspicious transaction report proactive profiling

MADAM CHAIRPERSON.- I got you.

MR. R. BUKSH.. The next one is where we had assisted law enforcement, the other one is where we may have come in at a later stage when that person was already charged.

MADAM CHAIRPERSON.- Alright, thank you.

MR. R. BUKSH.- This is just an indication of ages - whether we are only looking at the age factor.

MADAM CHAIRPERSON.- They are young ones.

MR. R. BUKSH.- Also, what is the suspicious transaction value that is commonly referred to us, between \$5,000 to \$50,000 as this conception that suspicious transaction involve large value. Now it is between \$5,000 to \$50,000 and these are young criminals.

HON. V. NATH.- Madam Chair, maybe there will be people who were deported from overseas to Fiji, do you keep a profile of them?

MR. R. BUKSH.- Not at the moment, so we do not have a list of people.

HON. V. NATH.- A lot of people are being deported from the US to Fiji and the number of people in Fiji and I have seen are engaging themselves in business. I would be suggesting if you can put a profile on them and probably we can even assist the Police Force too.

MR. R. BUKSH.- Currently, we do not have that list.

HON. V. NATH.- All the deportees are drug peddlers and that is why they have been deported too.

MR. B. WHITESIDE.- They overstay in those countries.

HON. V. NATH.- Not really overstay, because they are deported from the country of origin when they are caught on a drug peddling.

MR. B. WHITESIDE.- But former Fijians.

HON. V. NATH.- Yes.

MR. R. BUKSH.- If they are convicted or even charged for any offence, then they will be sitting on the database of income from where we have access to that.

HON. V.R. GAVOKA.- Your staffing, I suppose you look for a special skills in there or qualifications. What kind you look for?

MR. R. BUKSH.- I have accountants, computer graduates, commerce graduates and I have three seconded officers from FRCA, Tax and FRCA Customs and Police that do the work of the FIU but get paid by their own employer. The Tax and Customs, they bring with them access to tax database and customs database.

MR. B. WHITESIDE.- How long are the secondments?

MR. R. BUKSH.- On annual basis.

HON. V.R. GAVOKA.- You have the men from those agencies...

MR. R. BUSKH. They work for me.

MR. B. WHITESIDE.- It is so much like on the job training for them when they go back as well.

HON. V.R. GAVOKA.- You require special skills.

MR. R. BUKSH.- When they go back they know the work of the FIU that is dealing with the whole national framework for banks.

HON. P. SINGH.- So, how do you enhance capacity building with law enforcement agencies, that is the Police, FRCA - you have training workshops?

MR. R. BUKSH.- We have training workshops. We used to have National Anti-Money Laundering Conference, but back in 2014 we teamed up with the Police and we delivered Fraud Investigators Training in Vaturekuka in Labasa. So, we called all the fraud investigators from all the police stations in the west and north and said "this is money laundering, this is what you need to know, these are your powers. When you go to conduct ordinary investigation of a crime, these are other things that you need to look at: look at the process, bank accounts and all that." So we provide capacity building and all that.

We have training centres as well. We have the Reserve Bank, where we provide investigative computer based training, so they go through a formal training programme.

HON. P. SINGH.- So, Madam. Chair, this is the last question, for the benefit of this Committee. What will you suggest we will take in our report and what is it that the Committee could look at in terms of capacity building for your department because it is very essential now from what we have heard?

MR. R. BUKSH.- Firstly, we are very grateful to the Governor and the Board of the Reserve Bank for providing the entire funding for the FIU Exhibition 2006, plus FRCA, CEO for seconding our business with FIU. But the capacity and scope of the FIU needs to be strengthened, I am not saying the Governor, the APG and the Ministry of Evaluation re- assessment that the FIU still lacks resources in terms of enforcing compliance

So, we do not do too thorough or too regular compliance examinations of certain sectors and these sectors are lawyers, accountants and real estate agents so we are marked really down for that. To do that we need to give extra resources. That is one of the things that we have highlighted and so we need additional resources in some areas.

But also we need a stronger networking in terms of unexplained wealth, more cooperation, networking with agencies like FICAC, as well so that there is exchange of information on a more timely basis. At least from our side, what we have also done, is we have given access to law enforcement agencies to come and access our information but we sometimes do not get opening to investigation as that happened at the Law Enforcement Agencies unit. Probably try to be stronger networking in partnership with these agencies, but we are very comfortable with what we have at the moment.

MR. B. WHITESIDE.- There is always been that long term plan of government that eventually FIU would evolve and be the proper independent body, it should be. But it is hard for them to get, I mean, they rely on someone else to fund them because they do not get revenue unless they can get forfeited funds, probably part of that, but it is whether the government will allow that they be part of the national budget.

HON. V.R. GAVOKA.- So, automatically, they will cut in the long way.

MR. B. WHITESIDE.- Well, that was a long term plan. It started here and we agreed that we will be funding for as long as, but depending on how they expand or how they want to go in terms of their strategic plan going forward.

HON. P. SINGH.- Similar to the status of FICAC?

MR. B. WHITESIDE.- Eventually they get on.

MR. R. BUKSH.- One of the strategies we have in our own strategy plan is to go independent for the next five years.

MR. B. WHITESIDE.- But it is actually getting a budget for them. It is the revenue, how do they get that revenue or it is just going to come from the national budget?

MADAM CHAIRPERSON.- How long your councils sits for?

MR. R. BUKSH.- Every quarter, consecutive quarter.

MADAM CHAIRPERSON.- I mean the term - one year, two years or three years?

MR. R. BUKSH.- The Council Members.

HON. V.R. GAVOKA.- Yes.

MR. R. BUKSH.- They are permanent members. They are appointed under law.

MR. B. WHITESIDE.- It is not by persons it is by the agencies.

MADAM CHAIRPERSON.- Where they come from?

MR. B. WHITESIDE.- Yes.

MADAM CHAIRPERSON.- Alright.

MR. R. BUKSH.- So they can still change the law that they are the members

MADAM CHAIRPERSON.- So, permanent.

MR. R. BUKSH.- But we can co-opt either relevant agencies as we did for Immigration, Defence, Foreign Affairs...

MADAM CHAIRPERSON.- Invited members.

MR. R. BUKSH. Yes.

HON. V.R. GAVOKA.- In terms of capacity building with the way investors in terms of the whole economy it be a second biggest economy outside and the economy was not an open one until 20 to 30 years ago.

How was the capacity building in managing that to understand the economy as opposed to Australia and New Zealand, which are matured economy in terms of their currency, any specific capacity building?

MR. R. BUKSH.- You are right and that is the reason why we conducted a national assessment is to look at what are the high risk areas and we can put to some of those areas. Yes, we have had a lot of issues with Asian investors coming in with suspicion of getting money into the country. We need stronger surveillance but the way we have been managing currently is working with the Trans-National Crime Unit for example, it is an agency of the Police, FRCA and Customs. Despite the lack of resources, we came up, we partner with those agencies. This is the way we can manage. We could be asking for more but managing resources to us ...

HON. V.R. GAVOKA.- There are some leads are from China, happening here?

MR. B. BUKSH.- If you have time you can read some of the case studies that we have in the Annual Report and also some of these are Chinese or Asian connected, including the ATM and EFTPOS scams which ran into \$750,000. Those are the gaps we have.

HON. P. SINGH.- They were all successfully prosecuted?

MR. R. BUKSH.- Yes, under the law they have been charged and the case has been

HON. V.R. GAVOKA.- Excellent.

MADAM CHAIRPERSON.- Alright, are we ready for a cup of tea. Thank you very much and thank you for giving us your time. I know you all very busy. We appreciate it and thank you again for inviting us up here today.

MR. B. WHITESIDE.- Thank you for coming and it is a big privileges. It is great to have you here.

MADAM CHAIRPERSON.- Thank you very much

The Committee interview adjourned at 12.50 p.m.