



STANDING COMMITTEE ON ECONOMIC AFFAIRS

Report on Fiji Financial Intelligence Unit Annual Report 2016



PARLIAMENT OF THE REPUBLIC OF FIJI
Parliamentary Paper No. 91 of 2017

March 2018

Published and Printed by the Department of Legislature, Parliament House, SUVA

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Chair's Foreword

Upon conclusion of our deliberations of the Fiji Intelligence Unit (FIU) Annual Report 2016 the Committee was pleased to note the tremendous progress made by FIU in the fight against money laundering and other criminal related activities in Fiji.

Six recommendations have been put forward which we believe will assist in the FIU's mission of implementing an effective intelligence management framework.

The Committee noted with interest the high level of specialised expertise required of FIU employees and recommends that FIU is adequately equipped to secure, up skill and retain these highly skilled individuals at all times.

Also of note were the numerous global scam cases that have reached our shores which continue to grow annually. The Committee encourages FIU to play a more active role in alerting and educating the general public through awareness campaigns.

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 Fijian 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.

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; and
- c) combatting money laundering, terrorism financing and 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.

List of Recommendations

1. The Committee notes that FIU continues to operate under the wings of the Reserve Bank of Fiji (RBF). The Committee understands that it will progress towards full independence as a stand-alone entity in the medium to long term and recommends that the process towards independence is properly resourced each step of the way.
2. The Committee notes that unexplained wealth remains a challenge for FIU and the economy at large however, FIU together with the RBF have measures in place for mandatory reporting of all suspicious transactions by financial institutions. The Committee is concerned about the acceptance of the phenomena by the general public for example a dalo or kava farmer could earn large income with high prices due to the scarcity of products and may not realise that this could bring him or her under the radar of FIU. The Committee recommends that more awareness be carried out across the general community, especially with rural farmers so as not to deter them from conducting financial transactions with recognised institutions.
3. The Committee notes that numerous real estate transactions are funded from offshore sources into trust accounts of lawyers, accountants and real estate agents. The Committee recommends that all conduits for such transactions be open to scrutiny by FIU.
4. The Committee notes that staff members of FIU are highly specialised in their areas of expertise and are not readily available from within Fiji. The Committee recommends that suitable measures are put in place to ensure that the calibre of people required by FIU are adequately remunerated and continuously up skilled.
5. The Committee raised the recent issue regarding a foreign money exchange corporation being fined in the USA for laundering proceeds from human trafficking. The Committee recommends that FIU scrutinises this case to ensure it does not happen in Fiji.
6. The Committee notes that numerous reports about global scams that have been identified by FIU. The Committee believes that our people are vulnerable to such scams (Nigerian letters, etc.). The Committee feels that FIU needs to play a more proactive role in alerting the general public to these scams which are at most times highly sophisticated in nature.

Gender Analysis

Gender is a critical dimension to parliamentary scrutiny. Under Standing Order 110 (2) the Committee is required to ensure full consideration to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

Taking into consideration the principle of gender equality, the Committee noted that there was a good gender balance prevalent amongst the staff of the Financial Intelligence Unit .Overall, the Unit comprised of 45% male and 55% female staff.

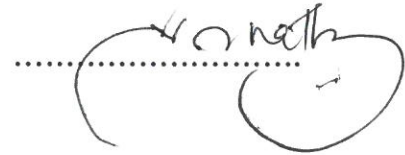
Conclusion

The Standing Committee on Economic Affairs has fulfilled its mandate approved by Parliament which was to examine the 2016 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 six recommendations which we believe will strengthen the FIU's mission of implementing an effective intelligence management framework.

Hon. Lorna Eden (Chair)

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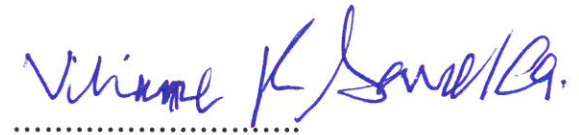

Hon. Vijay Nath (Deputy Chair)

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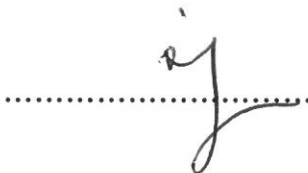
Hon. Brij Lal (Member)

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Hon. Viliame Gavoka (Member)

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Hon. Prem Singh (Member)

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APPENDICES



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Our Reference:
Your Reference:

2 October 2017

Honorable Lorna Eden
Chair
Economic Affairs Standing Committee
Parliament of Fiji
P O Box 2352
SUVA

Dear Honorable Lorna Eden

Re: Fiji Financial Intelligence Unit Report 2016

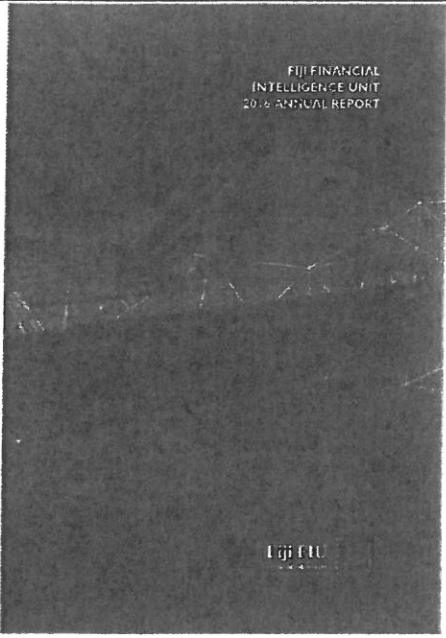
We refer to your correspondence dated 27 September 2017 regarding the above issue.

As requested, please find attached our submission and we would be happy to make a presentation if needed.

Yours sincerely

Razim Buksh
Director

Attach: FIU 2016 Annual Report briefing to the Parliament Standing Committee on Economic Affairs.



Fiji Financial Intelligence Unit
2016 ANNUAL REPORT

**Fiji
Financial Intelligence Unit
Annual Report
2016**

Briefing to the Parliamentary Standing
Committee on Economic Affairs
3 October 2017

Mr Razim Buksh
Director, Fiji FIU

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THE FIU

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

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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.



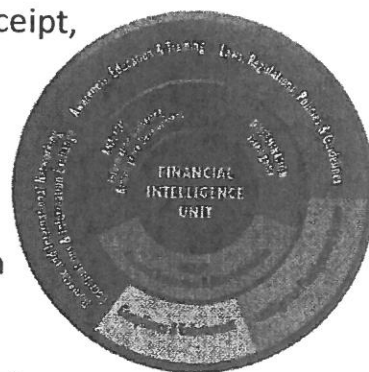
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ROLE & FUNCTIONS OF THE FIU

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



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FIU Governance

FIU Governance and Accountability Framework

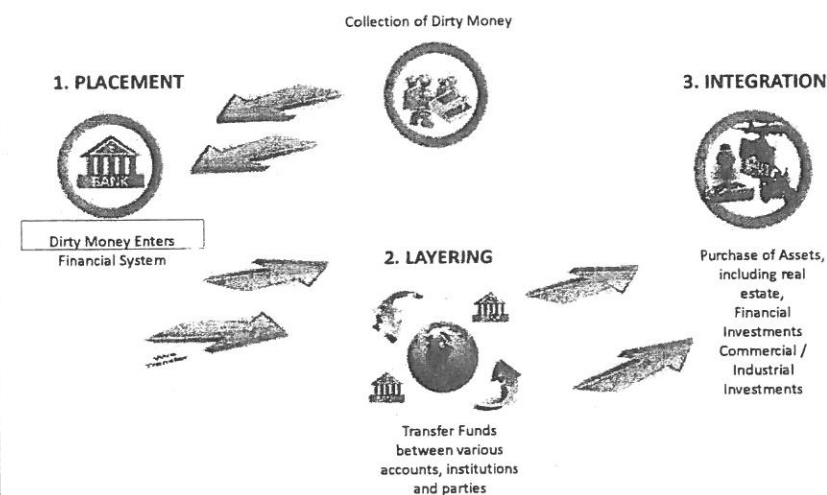
MINISTER FOR JUSTICE	GOVERNOR & RBI BOARD	DIRECTOR FIU	NATIONAL AML COUNCIL
<ul style="list-style-type: none"> Minister responsible for the FIU under the FTR Act. Delegated his responsibilities under the FTR Act to the Governor of the RBI in 2005. 	<ul style="list-style-type: none"> Responsible for the 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 RBI. 	<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 Governor on the appointment of the Director.



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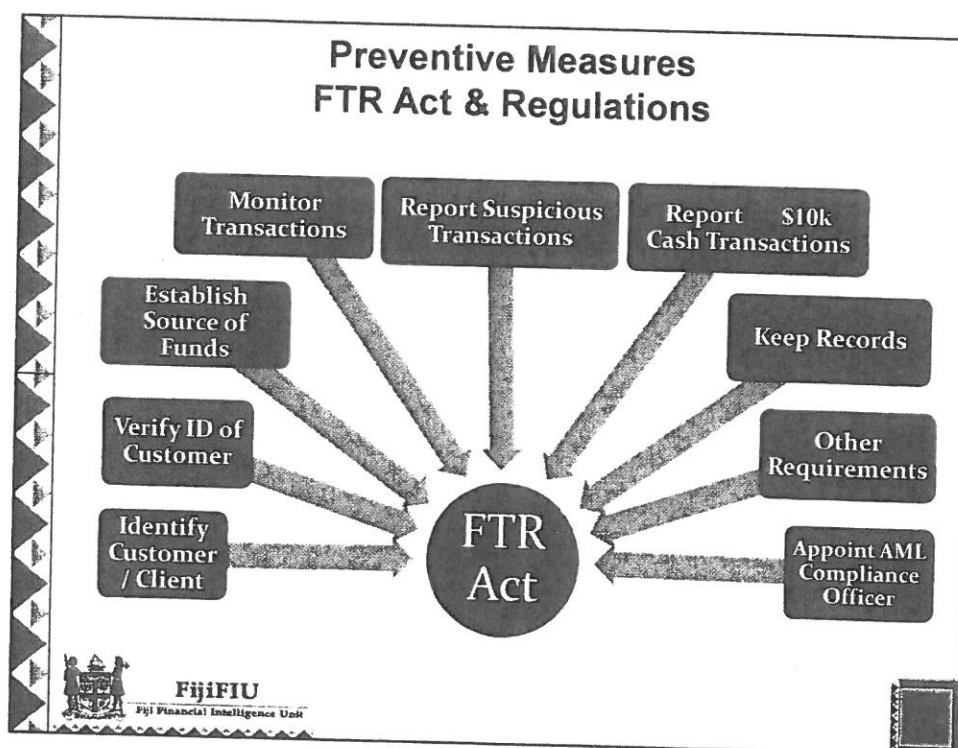
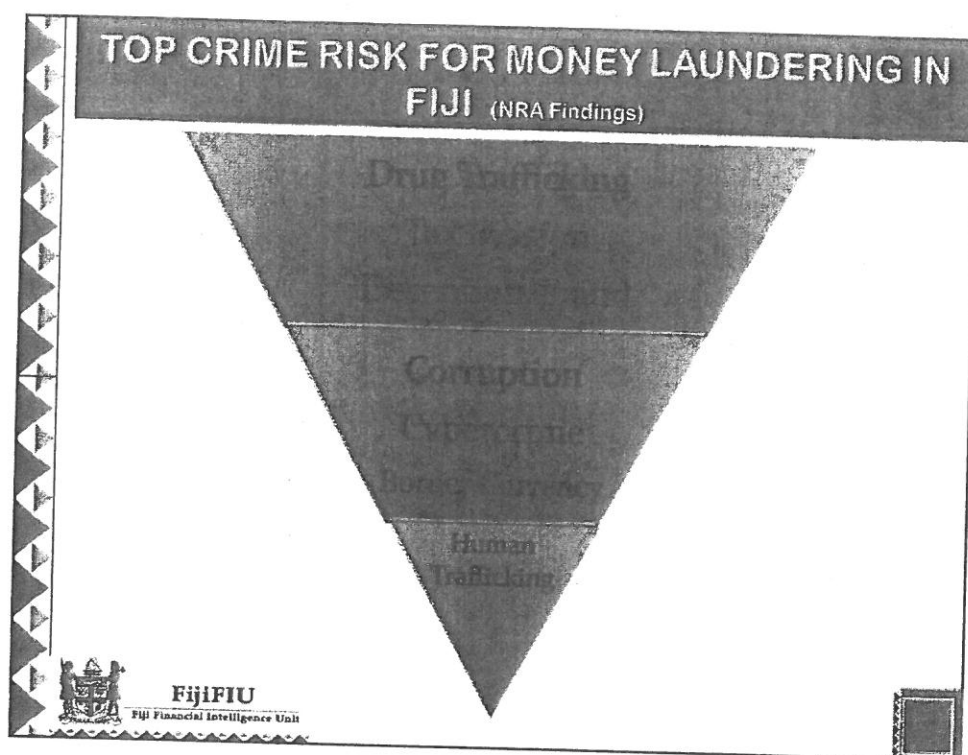


A TYPICAL MONEY LAUNDERING SCHEME



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HIGHLIGHTS FOR 2016

- ANALYSED FINANCIAL INFORMATION RECEIVED
- Analysed various reports of financial transactions received from Fiji's financial institutions

	2012	2013	2014	2015	2016	2017
Suspicious Transaction Report	579	522	383	516	579	407
Cash Transaction Report	200,404	380,430	1,042,074	579,849	591,636	300,853
Electronic Fund Transfer Trans. Report	890,959	1,147,728	1,308,633	1,025,993	1,148,711	589,079
Border Currency Report	477	459	557	491	547	560
TOTAL	1,092,415	1,529,139	2,351,647	1,610,849	1,741,473	890,699
Monthly Total Average	86,035	127,428	195,971	134,237	145,123	148,450



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HIGHLIGHTS FOR 2016

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

Law Enforcement Agency and Reason for Dissemination	2012	2013	2014	2015	2016	2017
FRCS - Inland Revenue Services	168	176	155	166	83	33
Fiji Police Force	69	67	69	66	58	29
Immigration Department	4	0	1	1	5	1
FRCA - Customs Division	0	19	6	5	12	2
Others	5	22	10	20	37	34
Total	246	284	241	255	195	99



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HIGHLIGHTS FOR 2016

• CASES DISSEMINATED TO FRCS-HIGHLIGHTS

- Company A was reported for conducting large cash deposits into its business cheque account for international remittances. Company A had conducted deposits totaling approximately \$4.2 million in 2015 but only declared \$2.7 million as total sales.
- Mr. B was reported for conducting deposits totaling approximately \$345,000.00 in 2015 into his personal bank accounts. Mr. B had not declared any of this income to tax.
- Ms. C was reported for receiving large multiple deposits totaling approximately \$584,000.00 through her personal accounts from January 2014 – July 2016. Ms. C was found to be directing business funds into her personal account and understating her income.
- Mr. D was reported for conducting deposits totaling approximately \$2 million through his bank accounts from 2016 – 2017. Mr. D operates a business and neither him nor the business had submitted tax returns from 2013.



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HIGHLIGHTS FOR 2016

• CASES DISSEMINATED TO FRCS-HIGHLIGHTS

- Bulk dissemination to FRCS – significant transactions less than \$200,000.00. Individuals are registered as lodgment not necessary (LNN) or have not been declaring their income.
- Mr. and Mrs. X have been reported for conducting deposit transactions into their personal bank accounts for the years 2016 and 2017 totaling approximately \$1.7 million. No income tax returns have been lodged by either individual. It appears they may be evading tax as no income has been declared for tax purposes.
- Between 2014 and 2017, Mr. Y conducted significant deposit transactions totaling approximately \$464,600.00 into his personal and business accounts. It appears they may be evading tax as no income has been declared for tax purposes.
- Mr. Z conducted deposits totaling approximately more than \$1.3 million from 2016 – 2017 through his personal bank accounts. Mr. Z only declared \$6,000.00 as income in his 2016 tax returns.



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HIGHLIGHTS FOR 2016

• CASES DISSEMINATED TO POLICE-HIGHLIGHTS

- Mr. E was altering bank statements to inflate the balance to facilitate loan approvals at banks and finance companies in December 2016. There were 31 loan applications with altered bank statements and fake employment letters.
- An ATM skimming racket was uncovered involving European nationals. The individuals have been apprehended and are facing charges.
- Mr. F was reported for receiving third party deposits from foreign nationals. It was suspected that Mr. F was running an illegal immigration business.
- The FIU received two separate reports on two individuals who had used 'washed' bank cheques and used the altered bank cheques to purchase alcohol from various retailers. The individual behind the scheme has been apprehended.



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HIGHLIGHTS FOR 2016

• CASES DISSEMINATED TO POLICE-HIGHLIGHTS

- FIU received reports that there were large amounts of transfers taking place between various business accounts. Analysis of the accounts showed that there were transfers to shell companies. Police investigations revealed that a local business partner had stolen \$2.3million from a foreign investor and laundered the funds through his shell companies and bought property.
- FIU received reports that Mr. G was conducting large cash deposits and receiving large remittances from another country. Mr. G also conducted large foreign currency conversions. The case was initially disseminated to a foreign FIU for tax evasion; however, it was revealed that Mr. G is involved in drug smuggling and the report was also disseminated to police. Mr. G is a person of interest to both local and foreign law enforcement.
- Internet banking fraud to facilitate advanced fee fraud has been occurring from 2016. In a period of one week approximately \$18,000.00 was illegally transferred out of bank accounts using internet banking. These funds were immediately withdrawn. This matter is still under investigation.



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HIGHLIGHTS FOR 2016

No. of individuals & entities subject to FIU's investigation and profiling in 2016

	No. of cases	No. of Individuals	No. of Entities
FIU's Proactive Analysis	494	426	62
Investigative Support to LEAs	213	500	246
Due Diligence Checks	41	109	80
TOTAL	748	1,035	388



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HIGHLIGHTS FOR 2016

FIU Profiling - Highlights

- A due diligence request was made by a government department on a foreign investor. Financial checks showed that the foreign investor had used shell companies in Hong Kong to move money out of the country.
- The FIU provided financial background details to local law enforcement on a foreign national facing charges in Fiji. The local LEA needed to identify foreign bank accounts and remittances from that country. The FIU was able to obtain this information through its network with foreign FIUs.
- The FIU provided international remittance details on an individual, his associates, and family as a controlled drug delivery was taking place.
- The FIU conducted financial profiling on individuals being investigated for operating an illegal gambling operation.



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HIGHLIGHTS FOR 2016

FIU Profiling - Highlights

- The FIU provided details of the remittances of a suspect and his relatives in an advanced fee fraud investigation. The suspect allegedly stole funds from his employer to remit to third parties overseas.
- The FIU conducted financial profiling on former Fiji citizens who were charged for human trafficking in a foreign jurisdiction. The FIU assisted local law enforcement to establish any assets in Fiji.
- An entity and an address were suspected of conducting human trafficking. The FIU assisted law enforcement to further identify the network by detecting individuals that were using the address provided.
- The FIU established financial links for an individual and his business. The individual was under investigation for alleged defrauding his previous employer of approximately \$700,000.00



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HIGHLIGHTS FOR 2016

Value of Case Dissemination Reports to FRCS & Police

LEA	CDR/Value	2014	2015	2016	2017 (Jan – Jun)
FRCS	No. of CDRs	161	171	95	46
	Value of CDRs (\$)	94,584,016	460,452,196	128,009,939	43,655,173
Police	No. of CDRs	43	30	58	30
	Value of CDRs (\$)	8,459,629	55,004,700	81,333,104	1,493,031



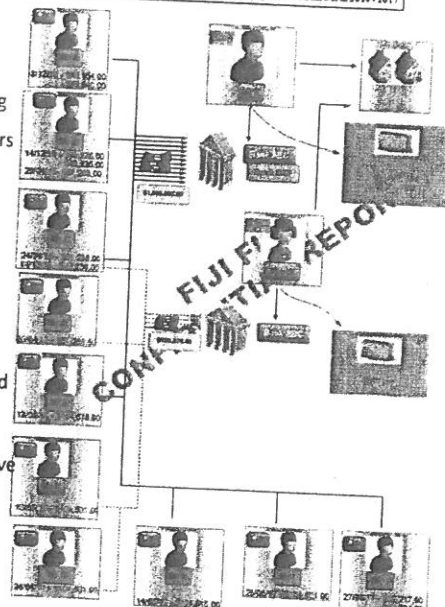
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CASE STUDY 1

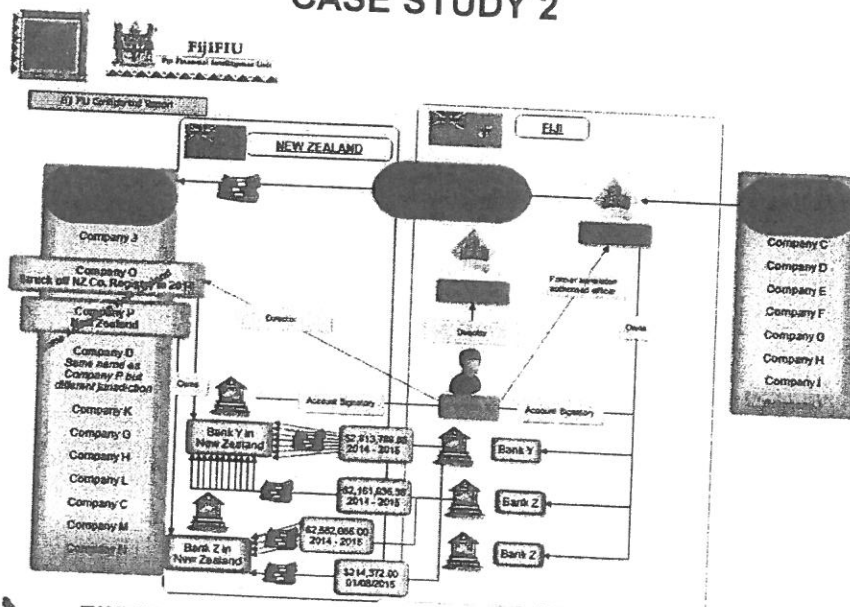
- Mr and Mrs X were reported for receiving large remittances and conducting transfers between their business and personal accounts.
- Mr X received more than \$1 million in remittances and Mrs X received \$300,000.00 in remittance.
- Mr X is a director of company UVW Ltd and XYZ Ltd. Mrs X is a director of RST Ltd.
- Mr and Mrs X and the three companies have not filed tax returns.

Annex 1: Flowchart of remittances received by Mr. X and Mrs. X in 2016 - 2017



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CASE STUDY 2



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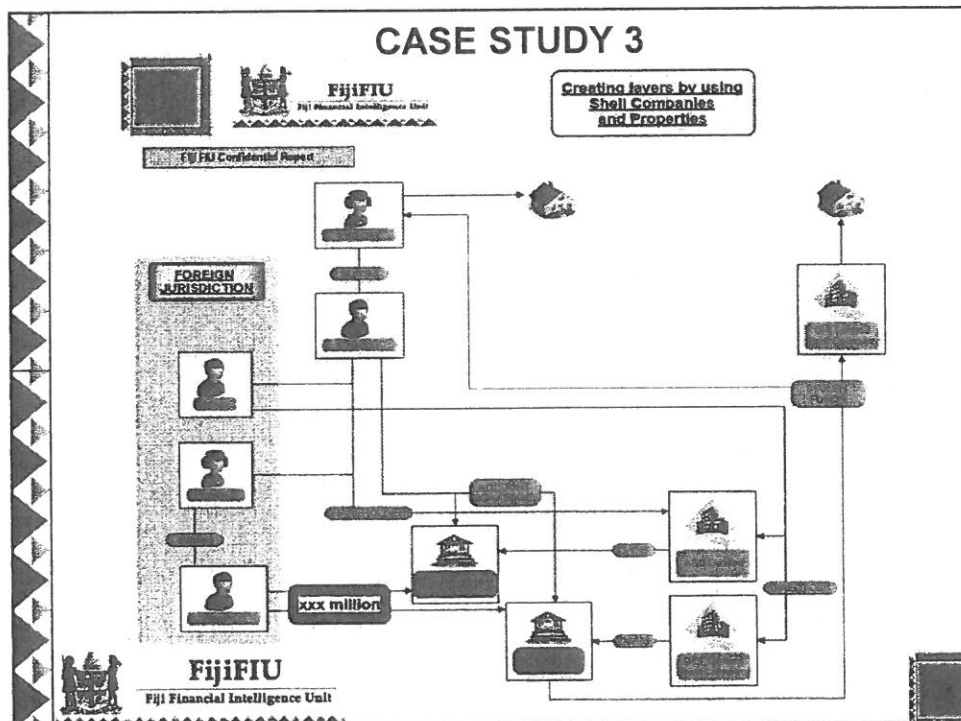
CASE STUDY 2

- The Fiji FIU received a STR linked to alleged trade based money laundering racket involving a 34 year old Chinese national, Person X and 3 entities.
- The Fiji FIU conducted financial checks and established that between January 2014 to December 2015, a local based entity, Company A remitted approximately FJ\$7 million to Company O which was registered in New Zealand and Company P which is reportedly registered in China but supposedly conducting business operations from the same address as Company O in New Zealand.
- Further enquiries revealed that Company O was reportedly struck off the New Zealand Company Registry in July 2014.
- Person X was previously brought to the attention of the Fiji FIU in 2015 in relation to illegal cash smuggling and alleged money laundering.
- The Fiji FIU also established that Person X has adverse travel records in New Zealand.
- The Fiji FIU conducted checks with the Customs agency and established that there were no records of imports recorded from Company O to Company A. There was approximately FJ\$4 million remitted from the bank account of Company A to Company O. It is unusual for such significant exchange of funds between the two companies without any apparent trade relationships established. We did establish that Person X was the director of Company O in 2009.
- A report was disseminated to the FRCA to investigate for alleged trade based money laundering.



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CASE STUDY 3



OTHER HIGHLIGHTS FOR 2016

- Issued Alert Notices and Directives to financial institutions
- Provided advice and guidance to financial institutions
- Onsite compliance examination of 4 accounting firms and law firms
- Provided training & awareness (seminars/presentations) to various financial institutions



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OTHER HIGHLIGHTS FOR 2016

- DOMESTIC COORDINATION AND ENGAGEMENT
 - National AML Council (engagement & secretariat support)
 - Review of FTR Act and Regulations
 - Contributed to review of other legislations
 - Contributed to other national committees & working group
 - Unexplained Wealth Taskforce
- INTERNATIONAL ENGAGEMENT AND CONTRIBUTION
 - Engaged with international organisations (APG, Egmont Group, FATF, UNODC, etc.)



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Money Laundering Prosecutions and Convictions

Date of Conviction/Judgement	Case Reference No.	Amount Involved	Sentence
18 March 2016	State vs Josefa Sagarevere, Tuimola Raogo & Savenaca Batibawa	\$638,902.26	Convicted and Sentenced by the High Court to 13 years imprisonment for each.
6 June 2016	State vs Mukeshwar Narayan Singh	\$102,843.50	Convicted and Sentenced by the High Court to 7 years imprisonment.
6 June 2016	State vs Saktusa Vakarewa	\$117,111.00	Convicted and Sentenced by the High Court to 6 years imprisonment.
8 July 2016	State v Nitesh Kumar	\$9,888.67	Convicted and Sentenced by the Magistrates Court to 2 years imprisonment, suspended for 3 years
4 November 2016	State v Natasha Nifima Singh	\$72,128.74	Convicted and Sentenced by the Magistrates Court to 8 months imprisonment, suspended for 2 years



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Money Laundering Prosecutions and Convictions

Date of Conviction/Judgement	Case Reference No.	Amount Involved	Sentence
17 March 2017	State v Rajneel Chaudary	\$10,500.00	Convicted and Sentenced by the Magistrates Court of Fiji to 8 years imprisonment.
30 March 2017	State v Manjeet Singh	\$24,502.51	Convicted and Sentenced by the Magistrates Court of Fiji to 9 years imprisonment.



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