



FINANCIAL INTELLIGENCE AGENCY, BOTSWANA

TRENDS REPORT

Table of Contents

1.0	INTRODUCTION	3
1.2	Background of the Financial Intelligence Agency.....	3
1.3	Core Functions of the Financial Intelligence Agency.....	4
1.4	Analysis and Projects.....	4
1.5	Compliance Section.....	5
1.6	Highlights of the Agency	5
1.6.1	Online Submission of Statutory Reports.....	5
1.6.2	Establishment of the Supervisory Forum.....	5
1.6.3	National Risk Assessment.....	6
1.6.4	Mutual Evaluation.....	6
1.6.5	Application for EGMONT Membership.....	7
2.0.	STATUTORY REPORTS.....	7
2.2	Suspicious Transactions Report.....	7
2.3	Cash Transaction Reports (CTR), Local Electronic Funds (EFT) Transfers and International Funds Transfers (IFT).....	10
3.0	TRENDS	10
3.1	Analysis of Financial Information.....	10
3.2	Use of New Payment Methods	10
3.3	High Preference for Use of Cash.....	11
3.3	Base Erosion and Profit Shifting Tax Evasion Schemes	11
3.4	Tax evasion by informal grey import car dealers.....	11
3.5	Tax Fraud	122
3.6	Virtual assets pyramid schemes.....	12
3.7	Non-Residents Bank accounts.....	13
3.8	Trends observed in cross border declaration	13
	General Information.....	14

1.0. INTRODUCTION

1.1 Information on money laundering, terrorist and proliferation financing trends and typologies is key in the informing policies and programmes geared towards combating financial crimes. This report shares information on trends and patterns in the past five (5) years as observed by the Financial Intelligence Agency (FIA).

1.2 BACKGROUND OF THE FINANCIAL INTELLIGENCE AGENCY

1.2.1 The FIA was initially established by Section 3 of the Financial Intelligence Act, 2009 that came into force on the 1st March 2010. The Agency became operational on June 1st, 2013 when the other provisions of the Act came into force. In 2018 the Financial Intelligence Act was amended in order to bring it in line with international standards, particularly, the Financial Action Task Force (FATF) Recommendations.

1.2.2 The Financial Intelligence Act, 2009 as amended in 2018, underwent further review, culminating in the repeal of the said laws by the Financial Intelligence Act, 2019. The Agency is now established by Section 4 of the Financial Intelligence Act, 2019. The Act establishes the Agency as a Department in the Ministry of Finance and Economic Development.

1.3 CORE FUNCTIONS OF THE FIA

The Agency has two core sections namely, the Analysis and Projects and the Compliance and Legal Sections. In addition to the core functions, the FIA is the Secretariat for the National Coordinating Committee on Financial Intelligence (NCCFI), a statutory committee charged with the mandate to develop and advice the Minister of Finance and Economic Development on Anti-Money Laundering and Counter Financing of Terrorism and Proliferation (AML/CFT) policy framework, amongst others.

1.4 Analysis and Projects Section

The Agency is the national center for collection, analysis and dissemination of financial information regarding money laundering, terrorist and proliferation financing. The Analysis section is charged with the responsibility to conduct operational analysis, a process of formulating different hypotheses on the possible activities of the suspects to produce operational intelligence which is then disseminate to law enforcement agencies for investigation. In addition, the Section produces strategic intelligence, trends and typology reports which are shared with law enforcement agencies, supervisory authorities and other stakeholders to inform their prevention and operational measures.

1.5 Compliance Section

This is the Section responsible to monitor compliance with AML/CFT requirements for reporting entities without a designated AML/CFT supervisor. Through the Section, the FIA cooperates with other supervisory authorities through a web of activities to promote sector compliance and provide training to improve reporting.

1.6 HIGHLIGHTS OF THE AGENCY

This section briefly highlights some of the achievements attained by the FIA in the past five years.

1.6.1 Online Submission of Statutory Reports

Reporting entities file reports on suspicious transactions, large cash, electronic funds transfers and cross border cash declarations to the FIA. In 2013 the Agency procured the goAML, a system used by most Financial Intelligence Units (FIUs) across the world to enable reporting entities to file statutory reports electronically while at the same time serving as a database and an analytical tool. All strategically important sectors and entities use goAML to report and the Agency continues to train and give entities access to the system on a risk-based approach.

1.6.2 Establishment of the AML/CFT Supervisory Forum

There are a number of AML/CFT supervisory authorities in Botswana including supervisors for financial institutions and for designated non-financial businesses and professions. In order to promote common

understanding of supervisory obligations and approaches as well as promote information exchange and facilitate cooperation among supervisors, the FIA established the AML/CFT Supervisory Forum, which was officially launched on the 30th October, 2019. The Forum meets on a quarterly basis and as and when required to discuss AML/CFT supervision matters.

1.6.3 National Risk Assessment

Botswana conducted her maiden National Risk Assessment for Money Laundering (ML) and Terrorist Financing (TF) report from March 2015, the report of which was issued in 2017. The assessment was based on Recommendation 1 of the Financial Action Task Force and was conducted using the NRA Tool developed by the World Bank. The risk assessment identified ML/TF risks and vulnerabilities in the economy and provided recommendation on how to address the identified deficiencies in Botswana's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime. The FIA was the coordinator and lead organization for the risk assessment. Different sectors were encouraged and continue to assess sectoral risks the reports of which were shared with FIA.

1.6.4 Mutual Evaluation

The FIA successfully coordinated the country's second round of mutual evaluation in 2016 the report of which was adopted by the Eastern and

Southern Africa Anti-Money Laundering Group (ESAAMLG) Council of Ministers in May 2017.

1.6.5 Application for EGMONT Membership

The FIA is required under section 49 of the Financial Intelligence Act 2019 to become a member of the EGMONT Group. The *Egmont Group* of Financial Intelligence Units is an international organization that facilitates cooperation and intelligence sharing between national financial Intelligence Units to combat money laundering and other financial crimes. The FIA has applied for membership to the EGMONT Group of Financial Intelligence Units.

2.0 STATUTORY REPORTS

This section provides the general overview of suspicious transactions reported to the FIA during the past five (5) years. It highlights the level of suspicious transaction reporting and identifies the major crimes underlying reporting.

- 2.1. Statutory reports received by the FIA from specified parties, accountable institutions and the Botswana Revenue Service (BURS) are an essential source of information that is used identify trends or generate trends and ML/TF risks. This information is also useful for purposes of detection, deterrence and disruption of criminal and terrorist activity.

2.2 Suspicious Transactions Report

The FIA received 638 STR's from January 2016 to November 2020. The numbers range between 94 and 157 per year as illustrated in Figure 1 below. Graphical presentation marked figure 2 shows the level of STRs reported per month for the 5 year period.

FIGURE 1: LEVEL STR BY YEAR

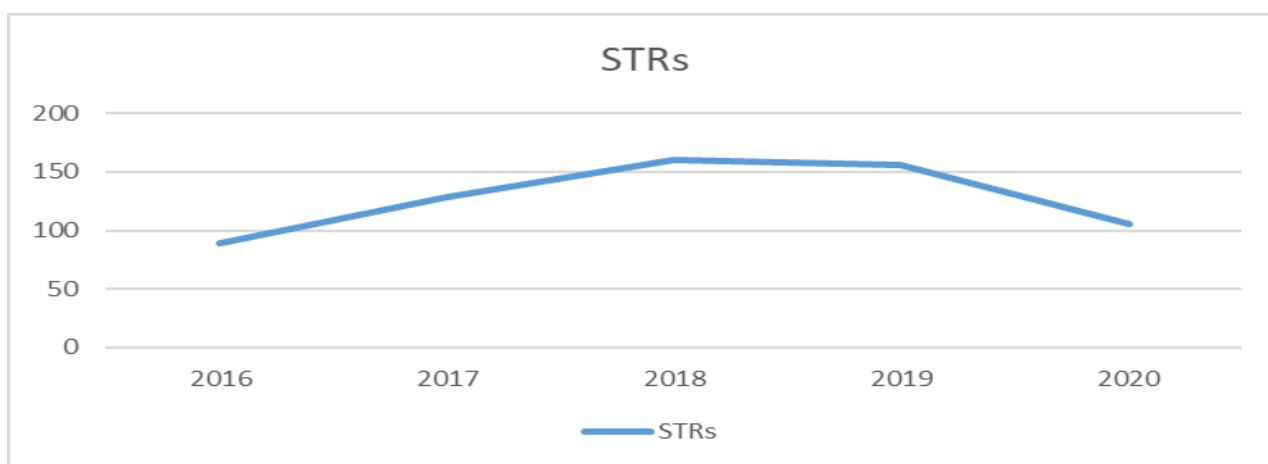
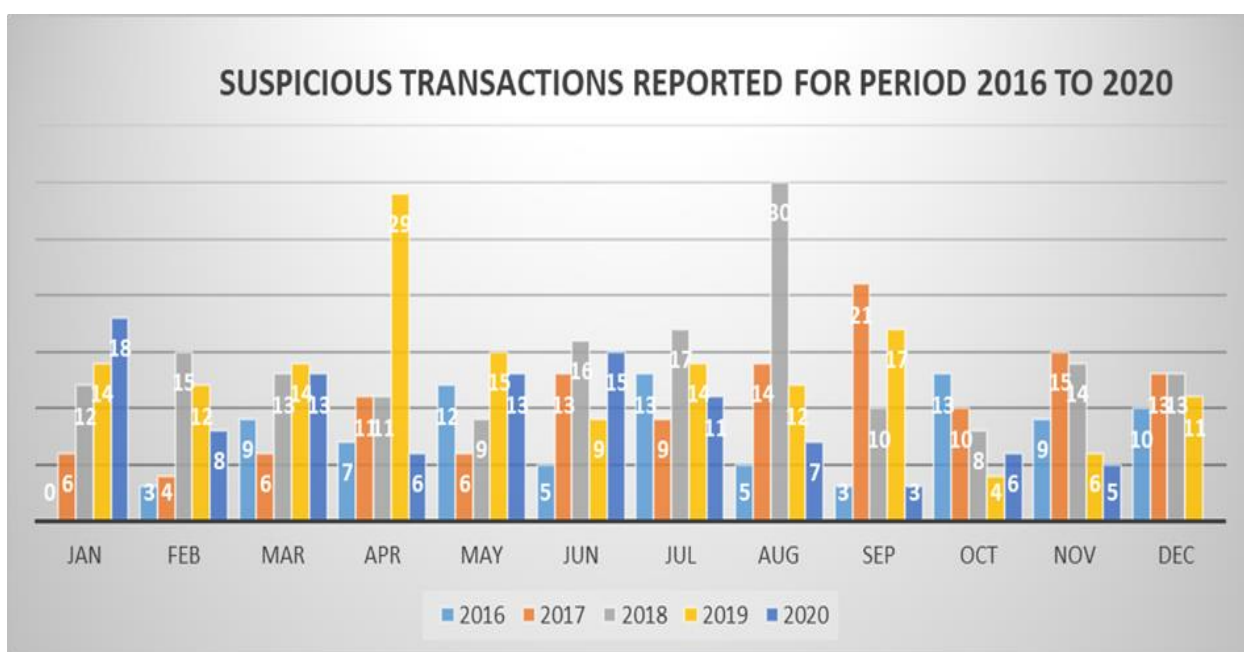


FIGURE 2: LEVEL OF STR BY MONTH



2.2.1 At the beginning of the review period, STRs were received from the banking sector only. However, with more awareness and understanding of the obligation to file STRs with the FIA, non-bank financial institutions and some designated non-financial businesses and professions such as insurance companies, car dealers and lawyers started to file STR. Currently, more than 15% of the STRs reported in 2020 were from outside the banking sector.

2.2.2 Fraud, money laundering and tax crimes were the major financial crimes underlying the suspicions. This observation is consistent with the risk profile of the country as established by the national risk assessment for money laundering and terrorist financing of 2017. In addition, credit card fraud, cybercrime and procurement fraud involving public servants were found to common methods used to defraud the public.

2.3 [Cash Transaction Reports \(CTR\), Local Electronic Funds \(EFT\) Transfers and International Funds Transfers \(IFT\)](#)

Cash Transaction Reports and Electronic Funds Transfers are a source of additional information in the analysis and generation of intelligence reports. They are also a useful source of information for production of strategic reports. Strategic analysis refers to the detailed analysis of financial information to produce meaningful output such as trends, typologies and patterns of financial crime. The outcomes of strategic

analysis provides understanding of the patterns and trends for informed strategic prevention of money laundering, terrorist and proliferation financing as well as other financial crimes. The outcomes also provide input for policy formulation and for setting operational priorities.

3.0 TRENDS

This section outlines the money laundering trends observed in the course of analysis of the suspicious transactions.

3.1 Analysis of Financial Information

The Agency uses the financial information received in terms of the Financial Intelligence Act and from open sources, domestic or international, which either be closed or open, in analysing financial transactions suspected to be associated with financial crimes. This section therefore, highlights trends observed during the reporting period. As indicated earlier, the FIA use this information to generate trends and typologies which informs both policy and operation towards the development and implementation of the AML/CFT system.

3.2 Use of New Payment Methods

We observed unusual payments involving the use of new payment methods such as e-wallets, deposit taking automated teller machines and other cell phone banking services to pay several unrelated

individuals with no clear relations for unclear purpose or reason with no apparent business relationship.

3.3 High Preference for Use of Cash

While the FIA recognises that online payment services provide greater flexibility for customers and promote financial inclusion, we remain concerned with the high cash preference in the country, in particular the risk associated with such transactions. The main concern here is the difficulty in identifying the source of funds and the ultimate beneficiaries. Cash transactions tend to undermine the effectiveness of the AML/CFT system in identifying the source of funds.

3.4 Base Erosion and Profit Shifting Tax Evasion Schemes

This is common among foreign owned companies particularly those in the clothing retail sector. Activities giving rise to suspicion include among others large cash deposits referenced as sales just prior to externalising the funds. The transfers are usually to the shareholder's native countries with the narration "raw materials or stock".

3.5 Tax evasion by informal grey import car dealers

This primarily involves some foreign nationals who operate unregistered pre-owned car dealerships. Such businesses are cash intensive and most transactions involve cash deposited through ATMs. Usually narrations would read as "car purchase", "cars" or various names of third parties.

3.6 Tax Fraud

During the period under review, the Agency received a number of STRs from commercial banks, involving individuals depositing business funds into personal accounts. In some of the cases, the subjects maintained personal and business accounts in different banks, making it difficult for either bank to form a holistic financial profile of the customer as they would not have access to accounts maintained with the other banks. This trend has been observed over a number of years, and for the period under consideration, the Agency disseminated financial intelligence involving suspected tax crimes to BURS valued at P50 629 762. Other notable tax crimes observed included failure to declare capital gains for transactions such as sale of properties and shares.

3.7 Virtual assets pyramid schemes

During the past decade, virtual assets have gained prominence the world over as an alternative to fiat currency. In Botswana, we are observing a rise in interest and trading in virtual currencies in particular, bitcoins. At the same time, the FIA has received a number of STRs involving bitcoins business where individuals looking to invest in bitcoins were cheated by wallet operators. In addition, pyramid and other internet investments schemes are on the rise. Often the public is swayed by promises of high returns on their investments.

3.8 Non-Resident Accounts

A number of cases have been reported where foreigners open bank accounts in Botswana, non-resident accounts, which are then used to receive large cash transfers mainly from abroad. These funds are then wired out to other countries almost immediately. Such transfers do not make economic sense as there is no value added to the Botswana leg of the transaction. In some cases, the funds are cashed over the counter and exported across the border to neighboring countries.

3.9 Trends observed in cross border declaration

The strategic analysis based on cross-border cash declarations revealed a high volume of cash conveyance into the country as opposed to the outward flow of cash. Cash inflows indicates prevalence of preference to use cash as opposed to banking and other new payment methods. As indicated earlier, cash transactions present complexity in tracing its origin or source.

GENERAL INFORMATION - FINANCIAL INTELLIGENCE AGENCY

Name : Financial Intelligence Agency
Postal Address : Private Bag 0190, Gaborone, Botswana
Telephone number : +267 3998400
Fax Number : +267 3931754
Website : <https://www.finance.gov.bw>

****END****