



Your Guide to Financial Crime Threats

December 2024

The purpose of this Guide is to provide broad insights on the current and emerging financial crime threats in Fiji and the region and its implications on financial institutions and businesses in Fiji.

The FIU uses information from various sources to develop this Guide.

Transnational Organised Crime Threats in the Pacific

The Pacific has seen an increasing threat from transnational organised crime groups who have actively turned their attention to the region to further their criminal enterprises. This threat has serious implications on financial institutions in Fiji who provide essential financial services that may be targeted by these criminal actors and their associates.

What is Transnational Organised Crime?

Transnational Organised Crimes (TNO) refer to criminal activities conducted by organised criminal groups that are planned, committed, directed, controlled or have a substantive impact in more than one state or country.

“The motives of these criminal groups are to generate profit, power or influence.”

(PIF Regional Transactional Organised Crime Disruption Strategy 2024-2028)

Key features of TNO:

- **Complex and well coordinated network of businesses and people:** TNO groups operate in a complex web of networks and businesses, are well-resourced, and very well coordinated.
- **Use of legitimate businesses as a front:** TNO groups most often establish legitimate businesses as a “front” to hide their criminal activities and the financial flows generated by these illicit activities. At times these legitimate businesses will also be diverse operating across multiple sectors in a country.
- **Use of local enablers:** Public officials have been used in the region to facilitate TNO. Given publicly available adverse information on some OMCG deportees, they utilise family members and close friends to facilitate transactions and company creation.

TNO Threats in The Pacific Region

Pacific law enforcement agencies report that a number of TNO groups have been observed operating in the Pacific region. Notable groups are :

- a) Organised criminal groups or syndicates from Asian countries
- b) Outlaw Motor Cycle Gangs (OMCGs) originating out of Australia and New Zealand

TNO Criminal Activities within the Pacific Region

TNOs groups are involved in a wide range of criminal activities in the Pacific Island countries. These include a) Illicit drugs; b) Trafficking in persons; c) Migrant Smuggling; d) Environment Related Crimes; e) Money laundering; f) Cyber-enabled fraud; g) Illegal online gambling; and h) Fraud

Illicit Drug Activities

TNOC groups are targeting the Pacific Islands as a transit hub for moving large quantities of cocaine and methamphetamine from drug source countries (North and South America; East and Southeast Asia) to key markets in Australia and New Zealand.

This trend is also fueling the domestic drug markets in the Pacific islands as drugs in transit are also trafficked or sold domestically by local contacts.

Money Laundering

TNOC groups often use trade based money laundering techniques where proceeds of crime is moved from one country to another through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities”.

The aim of trade based money laundering is not the movement of goods, but the movement of money, which the trade transactions facilitate.

The use of front companies including cash intensive businesses to launder illicit funds is also common.

What makes the Pacific Island countries vulnerable to TNOC?

1. Geography - the Pacific's strategic location between source countries of illicit products and the lucrative markets in Australia and New Zealand which makes it the ideal transit point for the trans-shipment of illicit commodities.
2. Extensive and porous borders.
3. Limited capacity of law enforcement agencies (police; customs; immigration) within Pacific Island Countries.
4. Heavy reliance on foreign investment to drive local economic growth making Pacific Island Countries vulnerable to dishonest and unethical foreign investors.

TNOC Threats in Fiji and Impacts on Banks

Threats from TNOC groups who are now established or are seeking to establish themselves locally in Fiji is evident.

a) Money Laundering

Proceeds of crime generated by TNOC groups in other jurisdictions potentially may be directed to local financial institutions including banks using legitimate local businesses. The objective is to launder these illicit funds and to further fund their criminal enterprise in Fiji and the Pacific.

TNOC groups or their associates may use cash-based businesses or trade transactions to move the illicit funds.

b) Illicit Drug Activities

Fiji is an important hub for importation and trans-shipment of cocaine and methamphetamine by TNOC groups and their local contacts.

Increasing number of reports of local use indicate an increased threat of domestic trafficking of methamphetamine, cocaine and other drugs in the local community.

The bulk of the proceeds from the sale of these illicit drug imports will often be realised in the destination markets of Australia and New Zealand. However, there may be domestic financial flows related to payment of local counterparts to facilitate the trans-shipment of the drugs.

Taskforce seizes 4.5 tonnes of cannabis

THE Pacific Transnational Serious and Organised Crime (TSOC) Taskforce has seized more than 4.5 tonnes of cannabis, 86 kilograms of cocaine, 78kg of methamphetamine and 2kg of MDMA produced or shipped through Fiji and Tonga from 2019 until date.

In that period, over 20 high risk vessels of interest were also interdicted by Fiji and Tonga.

The figures – provided by an Australian Federal Police spokesperson – are just some of the feats the TSOC taskforce has achieved.

TSOC, an inter-agency taskforce between Australia, Fiji, Tonga and New Zealand, was born out of the need to combat increasing drug-related offences in the region.

“Transnational organised crime groups continue to threaten the safety of communities across the Pacific,” the spokesperson said.

“The AFP and its partners take our responsibility to stop criminals using the Pacific as a maritime drug highway very seriously.

“Over 50 offenders have been arrested and charged in Australia, Fiji, Tonga and New Zealand with serious drug offences.”

The AFP spokesperson also earlier this year, through joint Operation Nautilus with the Fiji Police Force, resulted in the seizure of over four tonnes of methamphetamine and 13 arrests in Fiji.

The spokesperson said the AFP had assisted the Fiji Police Force through intelligence, investigations, and specialist technical support.

“The Pacific Transnational Crime Network (PTCN) increases Pacific Island law enforcement ability to detect, investigate and disrupt transnational crime in the region, including drug crime.

“The PTCN currently comprises 29 Transnational Crime Units (TCUs) in 21 member nations across Micronesia, Melanesia and Polynesia.”

Source: *Fiji Times*, 2 November 2024 (online extract).

c) Trafficking in Persons including Sex Trafficking

There is concern that TNOC groups are expanding their illicit activities in the Pacific to trafficking in persons. This includes forced labour, sexual exploitation and migrant smuggling. Victims of forced labour are mainly from the Pacific region as well as Southeast and South Asia. They are typically found in the fishing, hospitality, domestic service, construction, manufacturing or agricultural industries.

There are TNOC groups that may wish to open bank accounts for legitimate businesses in an industry that relies heavily on foreign workers and women. This may include businesses such as massage parlors, barbers, hairdressing and beauty salons.

How Can Banks Protect itself from these Threats?

Know Your Customers

The starting point to protecting your business is “knowing your customers” and “knowing your customer’s business”. When it comes to customers who are legal entities, you must:

- Understand the control structure of these customer types and the nature of business activities; and
- Know the identity and profile of the natural person(s) who ultimately owns or controls (beneficial owners) these legal entities.

Monitor for Suspicious Indicators of TNOC related Illicit Activities

Monitor customers' transactions and activities and be alert to indicators that may indicate activities linked to TNOC groups. Often it may take a series of transactions by a customer over a period of time before a bank may reasonably suspect that "transactions" or a "customer" maybe linked to TNOC group activities.

The FIU has observed several indicators of financial transactions that are linked to transnational organised crime groups. These include:

1. The use of "cash intensive" businesses whose financial activities are not consistent with the stated profile of the business or with other similar businesses in the same industry/sector.

Businesses or sectors that have been reported as involved in illicit drug activities in Fiji are:

- a) second-hand motor vehicle and vehicle parts dealers,
- b) vehicle hire businesses,
- c) gyms,
- d) kava dealers
- e) carwash business,
- f) pharmaceutical companies,
- g) importers of chemicals,
- h) logistic business, and
- i) hotels and property development.

Banks should monitor the business accounts of entities in these sectors to ensure that the volume and nature of transactions are reasonable for that type of business or compared to sector averages.

2. Unusual cash transactions in business accounts such as:

- Large cash deposits just to facilitate payments.
- Consistent cash deposits into the account.
- Cash amounts deposited into business accounts are rounded figures.
- Customer places large, structured cash deposits into the same account at multiple bank branches on the same day.
- Large cash withdrawals or staggered cash withdrawals suggesting the customer maybe providing a cash-based business.

3. Foreign investors looking for local sources of funding indicating an inability to self-fund proposed investment proposals.

4. Quick expansion of business with no apparent economic purpose or reason.

5. Bank staff observe that there is not much people or foot traffic to a store to generate the financial flows observed within its account.

6. An account of a trade entity appears to be a "pay-through" or "transit" account with a rapid movement of high-volume transactions and a small end-of-day balance without clear business reasons, including:

- An account displays frequent deposits in cash which are subsequently transferred to persons or entities in free trade zones or offshore jurisdictions without a business relationship to the account holder.
- Incoming wire transfers to a trade-related account are split and forwarded to non-related multiple accounts that have little or no connection to commercial activity.

- Payment for imported commodities is made by an entity other than the consignee of the commodities with no clear economic reasons, e.g., by a shell or front company not involved in the trade transaction.

7. There is no online presence of the business (e.g. website, social media, blogs).

8. Local account signatories or directors do not have the business knowledge to run certain types of businesses successfully. These businesses normally generate significant volumes of transactions and reflect a large amount of internet-based payments. IP addresses for internet-based payments likely reflect areas outside of Fiji. This indicates that another individual(s) is controlling the business.

9. "Strawmen" as account holders - individuals who do not have the knowledge or expertise to run the business, implying that someone else is controlling the business.

10. Customer receives a sudden inflow of large electronic funds transfers and cash deposits, followed by an increased outflow of electronic funds transfers, cheques and bank drafts made out to multiple unrelated third parties for loans or investments, or to the individual conducting the transaction.

11. A trade entity displays a notable lack of typical business activities, e.g., it lacks regular payroll transactions in line with the number of stated employees, transactions relating to operating costs, tax remittances.

How to use this information?

- Share this information to improve awareness of staff of these crime threats to your business.
- Use your internal reporting systems and procedures to identify and report on a suspicious transaction(s).

How to contact us?

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Source:

1. UNODC Report: Transnational Organized Crime in the Pacific: Expansion, Challenges and Impact – October 2024
2. PIF Regional Transnational Organised Crime Disruption Strategy 2024 -2028
3. Fiji Financial Intelligence Unit (FIU)