



OUR VISION: Protecting Fiji from Money Laundering
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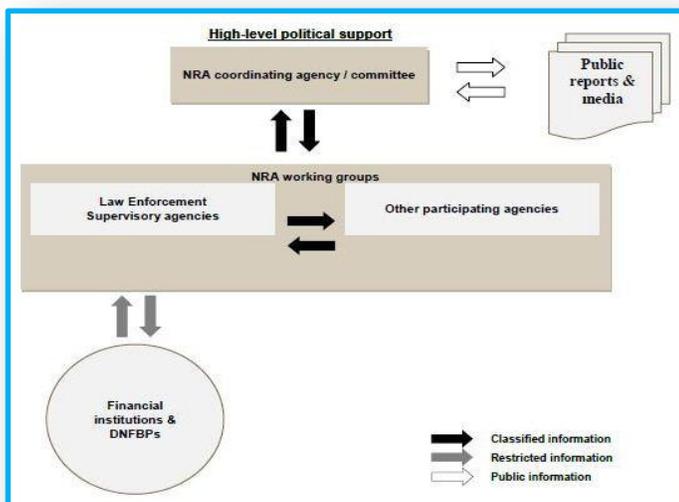
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FIJI'S NATIONAL MONEY LAUNDERING RISK ASSESSMENT

A National Risk Assessment of the money laundering and terrorist financing risks for Fiji commenced on 9 February 2015.

The international standards on combating money laundering and terrorist financing (FATF¹ Recommendations) requires that Fiji must identify, assess and understand the money laundering and terrorist financing risks that it faces. This means that Fiji must undertake a national assessment of its money laundering and terrorist financing risks. [To continue reading, please click on the link](#)



Source: FATF Guidance Booklet on National Money Laundering and Terrorist Financing Risk Assessment

¹ The Financial Action Taskforce (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of weapons of mass destruction. The FATF Recommendations are recognised as the global AML/CFT standards. Visit FATF website: www.fatf-gafi.org

EGMONT BECA PUBLICATION

In 2011, the Fiji FIU had submitted the "The Fiji Turtle Island Resort Case:" to the Egmont Group of FIUs Best Egmont Case Award (BECA) competition and Fiji FIU was selected as one of the 3 finalists.

The Training Working Group of the Egmont Group of FIUs has now published the first Best Egmont Case Award (BECA) book of Egmont Financial Analysis Cases.

The book showcases the excellent work done by FIUs in identifying and prosecuting money laundering offences. The book comprises twenty two cases by investigation type and included examples of bribery, corruption, drug trafficking, fraud, human trafficking, organised crime, and terrorist financing.

Please click on the links below to read more on Fiji's case submission:

<http://www.fijifiu.gov.fj/Pages/New/Egmont-BECA-Publication.aspx>

<http://www.egmontgroup.org/library/cases>

FIJI'S NATIONAL MONEY LAUNDERING RISK ASSESSMENT (CONT)

Countries have different levels of risk for money laundering (ML) and terrorist financing (TF). A country's risk for ML/TF depends on various factors such as the strength of its laws and regulations, capacity of law enforcement and financial supervisors, and products and services offered by financial institutions and other non-financial businesses and professions (such as lawyers, accountants, real estate agents).

The Asian Development Bank has provided technical assistance towards this project through the engagement of a technical consultant who is assisting the taskforce and relevant government officials to conduct the National Risk Assessment (NRA).



ADB Consultant & ADB Senior Legal Counsel with Director FIU at the media briefing on Fiji's NRA. Photograph Source: Reserve Bank of Fiji

As the regulator of Fiji's financial system, the Reserve Bank of Fiji and the FIU will play a key role in the NRA process.

Other relevant agencies, including government departments, statutory bodies, non-government organizations (NGO's) and the private sector financial institutions will also contribute towards the NRA process.

The NRA seeks to address 3 key areas:

- **Fiji's capacity** as a country to process and absorb money laundering and terrorist financing transactions (measured by the size and the nature of Fiji's financial sector);
- **Fiji's threats** to money laundering and terrorist financing (assessed by calculating the total proceeds generated from predicate offences committed during a specified period of time); and
- **Fiji's vulnerabilities** to money laundering and terrorist financing activities.

The key objectives of the NRA is to identify, assess and understand the risk of money laundering and terrorist financing in Fiji. The NRA will assist the Fijian Government and its implementing authorities to:

- understand the sources and methods of money laundering in Fiji;
- identify vulnerabilities and risks for money laundering and terrorist financing across various sectors; and
- evaluate weaknesses in the institutional systems for dealing with money laundering and terrorist financing.

Based on the assessment of ML/TF risk at a national level, Fiji will be able to apply a risk-based approach to implementing the international AML standards or the FATF Recommendations.

The risk-based approach will have **two key objectives** for Fiji:

1. Ensures that measures to prevent or mitigate money laundering and terrorist financing in Fiji are commensurate with the risks identified. Thus, where risk for money laundering and terrorist financing is higher, the Fijian Government and its implementing agencies will be

able to apply more stringent AML/CFT measures. Where risk for money laundering and terrorist financing is lower, we may apply simplified AML/CFT measures.

2. Assists in the allocation and prioritisation of resources and efforts by relevant authorities tasked with AML/CFT obligations, particularly the members of the National AML Council.

The results of the NRA may be used by a diverse range of users such as the Reserve Bank of Fiji and the FIU, self-regulatory bodies (Fiji Institute of Accountants, Finance Companies Association, and Association of Banks in Fiji), law enforcement agencies and policy makers for decision making on policy response to ML/TF risks identified and on resourcing allocation.

The implementation of the outcomes of NRA and subsequent assessment of the overall effectiveness of Fiji's AML/CFT framework will positively contribute to the following objectives:

- a. **Maintain financial system safety and protection;**
- b. **Better positioning of Fiji as a global partner in the fight against financial crimes;**
- c. **Ensure global compliance and adherence to international standards;**
- d. **Ensure that Fiji is not subject to any financial blacklisting, sanctions and public notices;**
- e. **Positive contribution towards ease of doing business ranking for Fiji;**
- f. **Create appetite and conducive environment for foreign investment.**

“POLITICALLY EXPOSED PERSONS” (PEPS)

The Financial Transactions Reporting (FTR) Act 2004 defines a “**politically exposed person**” as any individual who is or has been entrusted with any prominent public function in a foreign country, such as a Head of State or of government, a senior politician, a senior government, judicial or military official, a senior executive of a state owned corporation, and any important political party official and **includes the family members or close associates of any such person.**

Examples of Domestic PEPs

- President
- Prime Minister
- Cabinet Ministers
- Members of Parliament
- Permanent Secretaries and Department Heads
- Heads/Deputy/Executives of FICAC, RBF, FDB, FEA, Housing Authority, Water Authority of Fiji, LTA, FRCA, AFL, (other similar agencies & institutions)
- Chief Justice
- Members of the Judiciary
- Senior officials of political parties e.g. president, vice president, general secretary, treasurer
- Other(s).



Members of the Fijian Parliament.

Source: <http://www.parliament.gov.fj/> (October 2014)

Who are International Organization PEPs?

Persons who are or have been entrusted with a prominent function by an international organization; refers to members of senior management or individuals who have been entrusted with equivalent functions e.g. Directors, Deputy Directors and Members of the board or equivalent.

Examples of International Organization PEPs

- United Nations officials
- European Union officials
- Asian Development Bank officials
- PFTAC officials
- SPC officials
- PIF officials
- ILO officials
- Senior Diplomats
- Etc

Due to their position and influence, it is recognized that many PEPs are in positions that potentially can be abused for the purpose of committing ML offences, corruption and bribery; this has been confirmed by analysis and case studies internationally.

To prevent the misuse of the financial system by PEPs, and to detect such potential abuse if and when it occurs, preventive measures must be applied with respect to business relationships with PEPs.

These requirements are preventive (not criminal) in nature, and should not be interpreted as branding or labelling PEPs as such being involved in criminal activity.

Recommendation 12 of the revised FATF recommendations states that refusing a business relationship with a PEP simply based on the determination that the client is a PEP is contrary to the latter (i.e. labelling PEPs as criminals).

Required Preventative Measures to be taken by Financial Institutions when monitoring accounts for Foreign PEP's



Source: FATF

DID YOU KNOW????

Under the Financial Transactions Reporting (FTR) Act, “The FIU plays the role of a supervisory authority. According to Section 25.(1) (j), the Unit in consultation with the relevant supervisory authority, must issue guidelines to financial institutions in relation to customer identification, record keeping and reporting obligations and the identification of suspicious transactions”.

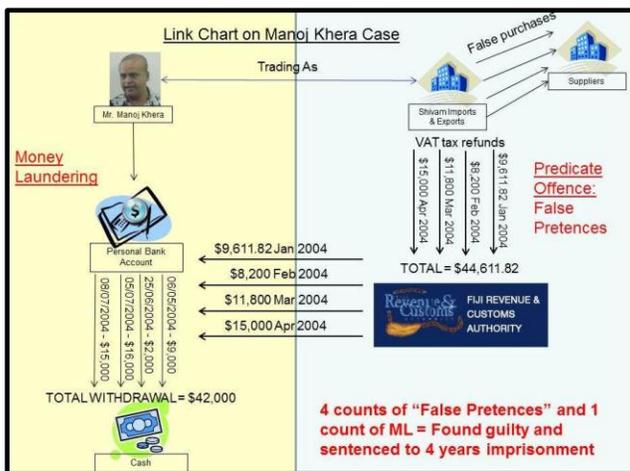
CASE STUDIES

LAUNDERING OF PROCEEDS OF TAX OFFENCES

In 2004, a commercial bank reported a case to Fiji FIU regarding a businessman, Person X, receiving large Inland Revenue cheques into his account. The case was scrutinized by Fiji FIU and it was established that Person X had fraudulently obtained VAT refund cheques.

In July 2014, Mr. Manoj Kumar Khera (brother of Person X) was convicted for money laundering and false pretences. He was sentenced to four years imprisonment. A copy of the court rulings including judgment and sentencing is available on the Fiji FIU website.

<http://www.fijifiu.gov.fj/Pages/Case-Laws/2014.aspx>



Source: FIJFIU

UNEXPLAINED WEALTH

The FIU received a STR from a member of the public on an employee of a local municipal Council, Person A.

It was reported that Person A is a truck driver. He built a house valued at \$150,000 in 2010.

Person A reportedly owns a mini bus valued at \$90,000 and a Ford Ranger motor vehicle valued at \$80,000.

Person A also owns two taxis valued at \$60,000. He runs a temple from his residential premises.

He does not appear to have any accountability on the income generated from temple donations.

The FIU is currently analysing Person A for possible possession of unexplained wealth.

WIRE TRANSFERS RELATED TO ALLEGED DRUG TRAFFICKING

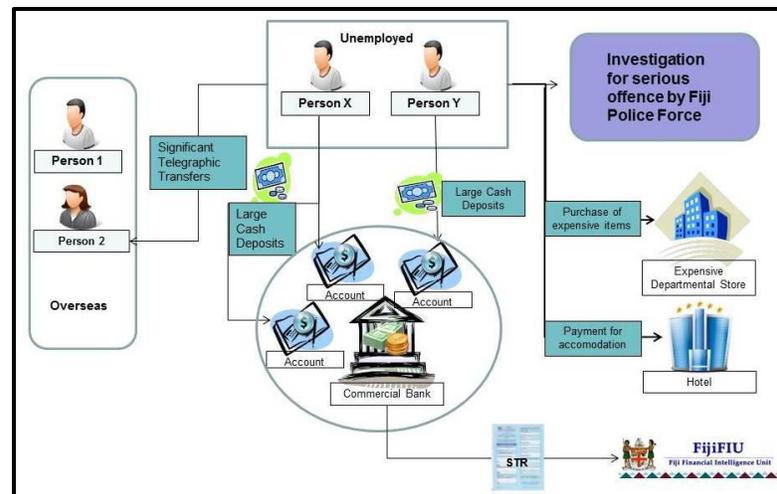
While profiling the two individuals, FIU liaised with Police and established that Person X and Person Y were under investigation for supplying illegal drugs.

Both individuals were unemployed, however our analysis found significant financial transactions conducted by both of them.

Analysis of the financial transactions conducted by Person X and Person Y established the following:

- Numerous cash deposits made into personal bank accounts. The source of funds for the deposits could not be clearly supported;
- Overseas cash withdrawals via international debit cards were conducted from the bank accounts of Person X and Person Y, although both individuals were in Fiji during the date of the overseas withdrawals;
- Large amount of funds were being remitted to relatives residing overseas although both individuals did not have a regular source of income;
- Purchases made at hardware stores were believed to be for house renovations;
- Purchases and payments made at hotels and expensive stores showed the lavish lifestyles of Person X and Person Y;

The case was disseminated to Police for their formal investigation. Investigations are currently underway.



Source: FIJFIU

EMAIL SPOOFING

The Financial Intelligence Unit (FIU) would like to warn and advise business entities who engage in purchasing goods and services from overseas suppliers to exercise extreme caution when dealing with their overseas business transactions and payment instructions.

The Director of the FIU, Mr Razim Buksh, said that cases have recently been brought to the attention of the FIU whereby corporate and business entities have fallen victims through email spoofing and identity theft.

Recent cases reported to the FIU show that email correspondence sent between the ordering local business entities and their overseas suppliers were intercepted by cybercriminals.

EMAIL SPOOFING is a type of attack over the internet where the source of an email is fake.

You will be fooled to believe that the email is from someone you know when in fact it is not. The cybercriminals would then use email spoofing to communicate with the local business entities using the same email address of the overseas supplier.

The cybercriminals then advise the local business entity that due to changes within their (overseas supplier) finance and accounting department, the payment should be redirected to another bank account. This bank account belongs to the cybercriminals themselves.

EMAIL SPOOFING: WARNING

Mr Buksh added that local business entities should immediately become suspicious when they are advised of any last minute changes in bank account details or payment instructions.

All payment instructions should be verified by the local business through alternate communication links, such as facsimile messages, or telephone verification with the genuine supplier.

NEXT ISSUE

- **Key Outcomes of National Risk Assessment of Fiji's ML/TF framework**
- **Human Trafficking: Red Flag Indicators for Financial Institutions**
- **Unexplained Wealth Provisions: What does it mean for Fiji Citizens??**
- **Case Studies**

UPCOMING EVENTS

Fiji's National Money Laundering Risk Assessment

March- May 2015

Mutual Evaluation of Fiji's AML/CFT Framework

October 2015

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FIU e-Bulletin March 2015 is the second issue and we welcome any feedback and comments.

Should you require any clarification or have any issues regarding any material published in this e-Bulletin, please contact: Mr. Avaneesh Raman on telephone 3223283 or email avaneesh@rbf.gov.fj.

DISCLAIMER

The Fiji Financial Intelligence Unit issues this e-Bulletin to enhance information about Anti-Money Laundering issues.

Our goal is to keep this information timely and accurate. If errors are brought to our attention, we will try to correct them.

However, the Unit accepts no responsibility or liability whatsoever in relation to the information in this e-Bulletin.

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