

# Anti-Money Laundering Intelligence Office



Strategic Report

**2019**

(Unofficial Translation)

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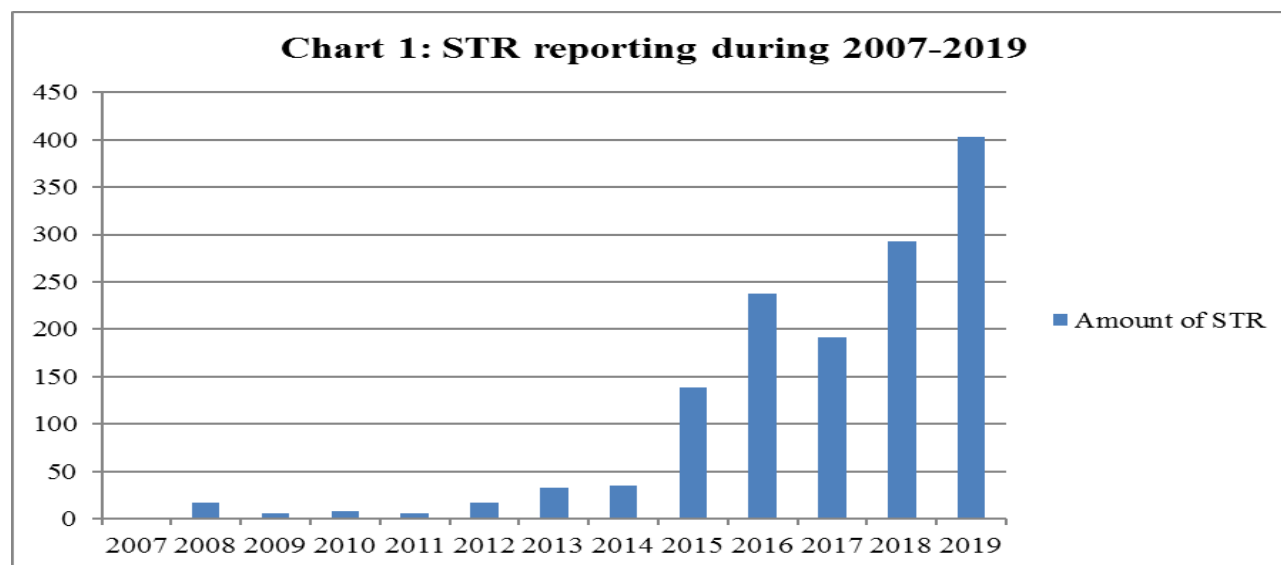
## I. Overview

Strategic Analysis in 2017 and 2018 help to identifying trends and innovation of money laundering and financing of terrorism “ML/FT”) from reported, by using all the statistical data in the database to analyze and identify the results of the implementation in the past, such as identify strengths, weaknesses, and deficiency and help the AMLIO can set a plan to resolve remaining issues. In 2019 AMLIO able to resolve the many deficiencies such as using the STR and CTR online system developed by AMLIO and disseminate the system to the REs, therefore the number of STR and CTR reporting is increased, completed to collect the data of CTR from 2015-2019 into the database, and completed to develop CBR online system, which the number of CBR reporting are increased. At the same time, the AMLIO has also expanded its domestic and international cooperation with the signing of the MOU, thus increasing the number of information exchanges.

## II. Suspicious Transaction Report - STR

### 1. Annual STR reporting

In 2019, AMLIO received 403 STRs from reporting entities (REs) particularly financial institution (94% from commercial banks, 6% from leasing companies), which indicate the increase of reporting in 2018 estimate 37,54%. The cause of the increase is due to in 2019, AMLIO has notice to REs using the STR online system and conduct outreach on STR reporting method through the online system, encourage them to study on internal policy for KYC/CDD measures, make understanding on STR detection and filter, the confidentiality of reporting, more focus on transactions related to the money exchange, high-value internal transfers without sufficient reason and utilization of counterfeit banknotes and bound might be the priority trends identified in 2018.



## **2. Report of Reporting Entities**

In 2019, Reporting on STRs of REs is submitted online. However initial online submissions are still difficult due to limited understanding of the procedures and methods of reporting through the new system, and there are some REs still submit in the form of documents. As a result, AMLIO has focused on disseminating and raising awareness of REs, as well as developing STR online guidelines that enable REs to conduct online reporting, which has resulted in convenient, quick, secure, and reducing the cost of paper and delivery. which the number of STR in 2019 increased compared to 2018. In addition, AMLIO also deeply outreach to REs in the financial sector based on the strategic report 2018 such as KYC which focusing on customers (Lao and Chinese) that operate the activities not corresponding. The trend of the risky transaction (Transaction related to money exchange, High-value internal transfers without sufficient reason, Utilization of counterfeit banknote and bound, Utilization of individual account instead of entities account), and pay more attention to the potential of the new risky transaction, the criminals might use as a tool for money laundering and financing of terrorism (ML /TF), the risk assessment on AML /CFT.

- **Banking sector:**

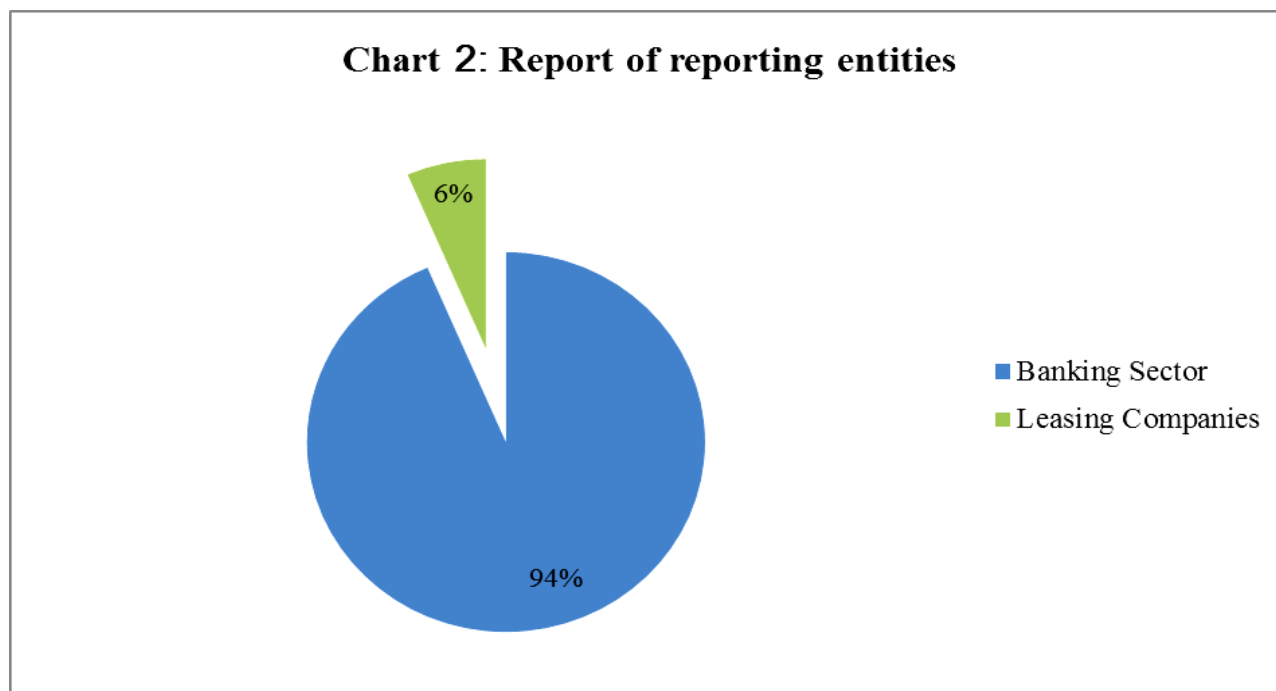
In 2019, AMLIO received 377 STRs from commercial banks, the overall average each month is 15 STRs for minimum and 75 STRs for maximum, which increased from 2018 by 36%. 19 of 42 commercial banks are reporting regularly to AMLIO, while another 23 banks do not report, with the result being that 10 banks were small foreign-owned banks serving specific customer of their country that is doing business in the Lao PDR, and most customers before establishing a relationship or doing any transaction have ever done KYC/CDD procedure. Therefore, no STR reporting from those 10 banks.

The other 13 banks appear to have neglected the STR reporting, demonstrated in many aspects as no review before and after the transaction of the customer, compliance officer for AML/CFT of some banks do not understand its obligation.

- **Leasing companies**

The leasing company is one sector that growing quickly in the Lao PDR, currently, there are 30 companies and most companies provide small loans to natural persons within the country. In 2019, AMLIO received 26 STRs from 01 leasing company which increased from 2018 by 62%. The cause of the deployment of the other 29 companies based on the monitoring and inspection shows that the amount of loan is quite small, the process of KYC /CDD and the condition of service are embraced tightly therefore there is no suspicion on ML /TF arise. However, there is some leasing company

does not pay more attention to the AML /CFT, which lacks continuous implementation and training to the staff especially the obligation to report the STR.



- **Other sectors:**

Besides 2 sectors mentioned above (banking sectors and leasing company) there is no reporting from other sectors due to the customers using the services are not suspicious on ML/FT, For example, 1) Money Wire Transfer Service Provider (MWTSP) is under the supervision of the commercial banks if the MWTSP facing with the suspicion they are going to report to the commercial banks before submitting the report to the AMLIO. While the independent company, the majority services are in small volume which able to do the KYC, the most of customers are using money wire transfer service clearly objective and small amount they transfer for paying electricity, water supply, and pay for school charge 2) Insurance Company: the majority of customers are clearly refilling the information into the KYC form, the mainly of insurance is insurance for the car, from the inspection and monitoring of insurance customer, show that there is no risk using the product to do ML /FT. In addition, some of the DNFBPs do not understand the reporting. However, to address this issue AMLIO planned and trained on the reporting in order to make understanding for them as well as to mitigate the risk that might occur. From the implementation, displayed that they have more understanding of ML/FT and some of them such as Casino is beginning to draft the

internal regulation related to the reporting on ML/FT and coordinated to AMLIO to make the list and password for submitting the information via online.

### 3. STR reporting by country

In 2019, natural persons and legal persons are reported 403 STRs to AMLIO and related to 15 countries, most of them are Lao nationality (215 STRs) and Chinese (134 STRs) and the remaining 54 STRs are other nationalities (see table below).

Through the analysis show that in the case of Lao nationality the majority are carried on an internal transfer transaction, money exchange, and using counterfeit banknotes. For natural persons and legal persons of Chinese the majority are businessman and vendor, the nature of transactions there are a number of group people deposit in one account and not be able to know the source then withdraw by cash or use the card for payment in China with the high amount for not sufficiency reason.

No.	Nationality	Amount
01	Lao	215
02	Chinese	134
03	Vietnamese	17
04	Thai	13
05	Belgium	5
06	French	5
07	Canada	3
08	Iranian	2
09	South Korean	2
10	American	2
11	Ireland	1
12	Malaysian	1
13	Filipino	1
14	Singaporean	1
15	Turkey	1
<b>Total</b>		<b>403</b>

#### 4. Suspicion trend of reporting entities

The summary of 403 STRs mentioned above are reported by REs demonstrate 19 indicators of suspicion. Which most of the indicator was reported are: 1) High-value internal transfers without sufficient reason covered 23% of all STRs, 2) complicated transfer transaction which the most are Chinese who works in Lao PDR using the people who have a bank account to transfer money to their country 3) the suspicious transaction related to money exchange are often facing due to the majority currency using in Lao PDR are USD, THB, and LAK.

Moreover, there are 19 suspicious occurred in 2019 such as utilize personal accounts for doing business, operate the transaction related to Crypto Currency, and online gambling, which demonstrate that those transactions are increased and there is no specific regulation to supervise. However, AMLIO collected the statistic to report to the relative section to be the case study and solve that problem. In addition, BOL also issued the notice to ban the Financial Institution that supervised by BOL to operate the activities related to the using of Crypto Currency and warned people to be careful that might be a victim of these activities.

No.	Trend	Total
01	High-value internal transfers without sufficient reason	93
02	Complicated transfer	87
03	Transaction related to money exchange	60
04	Utilize personal accounts for doing business	37
05	Unknown source of fund	25
06	Deposit/withdraw cash entry/exit the account with large amount	23
07	Using counterfeit banknotes	17
08	Activity not consistent with business/customer background	13
09	Online gambling	12
10	Avoid Tax	11
11	Crypto Currency	6
12	Frauds	4

13	Drug	4
14	Deceive to transfer money	3
15	Received/transfer from high-risk countries and black list	2
16	Cheques with insufficient money	2
17	Freezing order by Government Inspection Authority	2
18	PEPs	1
19	Denied transaction/unable to provide information to REs	1
	<b>Total</b>	<b>403</b>

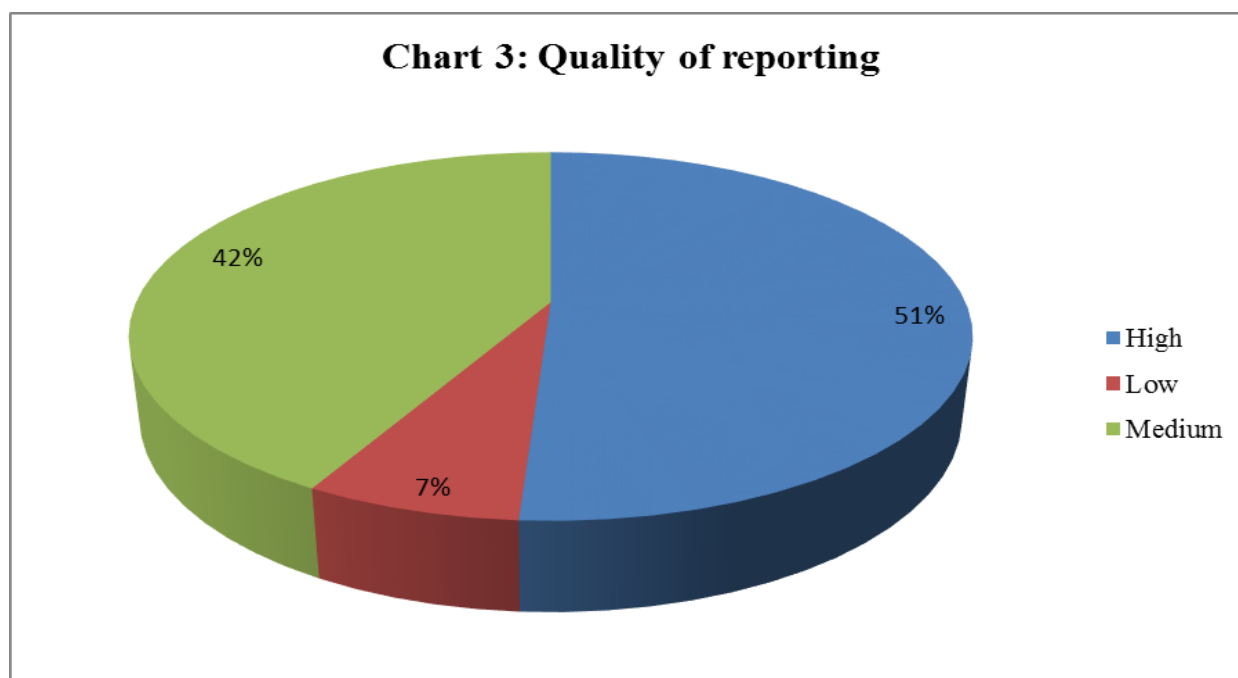
### 5. Quality of reporting

The review of the effectiveness of all STRs has shown 232 STRs completed and corrected form by REs and comply with indicators for ML/TF which issued by AMLIO, the REs conducted measures on KYC/CDD and filter and information is useful for analysis and disseminated to competent authorities for further investigation and relevant agencies to be future reference.

Meanwhile, 171 STRs count as medium level as the STRs are completed with KYC/CDD and filtered by REs, through the analysis of AMLIO compared with AMLIO' database, source of other information, more information from REs and World-Check One show that those reports have insufficient suspicion to be the ML/TF, therefore AMLIO collected into the database.

For the ineffectiveness of STRs in 2019, AMLIO has deleted the STRs database and notice to REs the reason for the rejection, and let them report again. AMLIO has deleted 30 ineffectiveness STRs of 04 commercial banks due to those are low quality, incomplete form, insufficient suspicion, information is incomplete and not as clear, found in STR detection system without verification before submitting to AMLIO.





## **6. Request for information to reporting entities**

Request for information to REs is a part of the analysis to complete the assumption of suspicion. In 2019, AMLIO has requested information from banks which related to STR information and financial flow of the natural person and legal person and disseminated to competent authorities and also foreign FIUs upon request, there are 902 requests and more than 75 requests per month on average, which increased from 2018 by 28%. These are always provided by the banks, but the provision of information at the request of the AMLIO finds that many banks are not able to meet the deadline. Due to requests of AMLIO are increased and a lot of document and limit time, therefore, it is difficult for those banks to collect the document and submit to AMLIO on time.

## **7. Information Exchange with Domestic Authorities**

In 2019, AMLIO exchanged information with ministries, LEAs, supervisors, and relevant agencies to support STR analysis under the AML/CFT legislation framework which included information exchange with the parties through the Memorandum of Understanding (MOU) 15 times, which increased from 2018 by 7%, information exchange without MOU 32 times which increased from 2018 by 60%. The type of information sharing with relevant agencies is mainly financial flow of natural person and the legal person upon the request from investigative authorities in dealing with drug, frauds, in addition, AMLIO also exchanged information with Court and

Supervisor on inspecting issuance of business license procedure. The mechanism on information exchange is increased from 2018 due to AMLIO extended its wide-range cooperation within the nation in form of MOUs with remained relevant agencies as well as conducted outreach on AML/CFT legislation in order to raise awareness for competent authorities on the significance of information exchange. However, the information exchange between AMLIO and competent authorities is not in a timely manner due to it is done on paper-based.

## **8. Information Exchange with Foreign Counterparts**

In 2019, AMLIO exchanged information with foreign counterparts such as the Financial Intelligence Unit (FIU) under an MOU 06 times which related to the suspicion on smuggling money to another country illegally, drug, use of forged documents, embezzlement, and tax evasion; for instance, 04 information requesting from 2 FIUs (Thailand and Korea) and AMLIO responded to 2 as per the requests (2 in the progress), AMLIO requested the information from FIU 02 times and was responded 01 times.

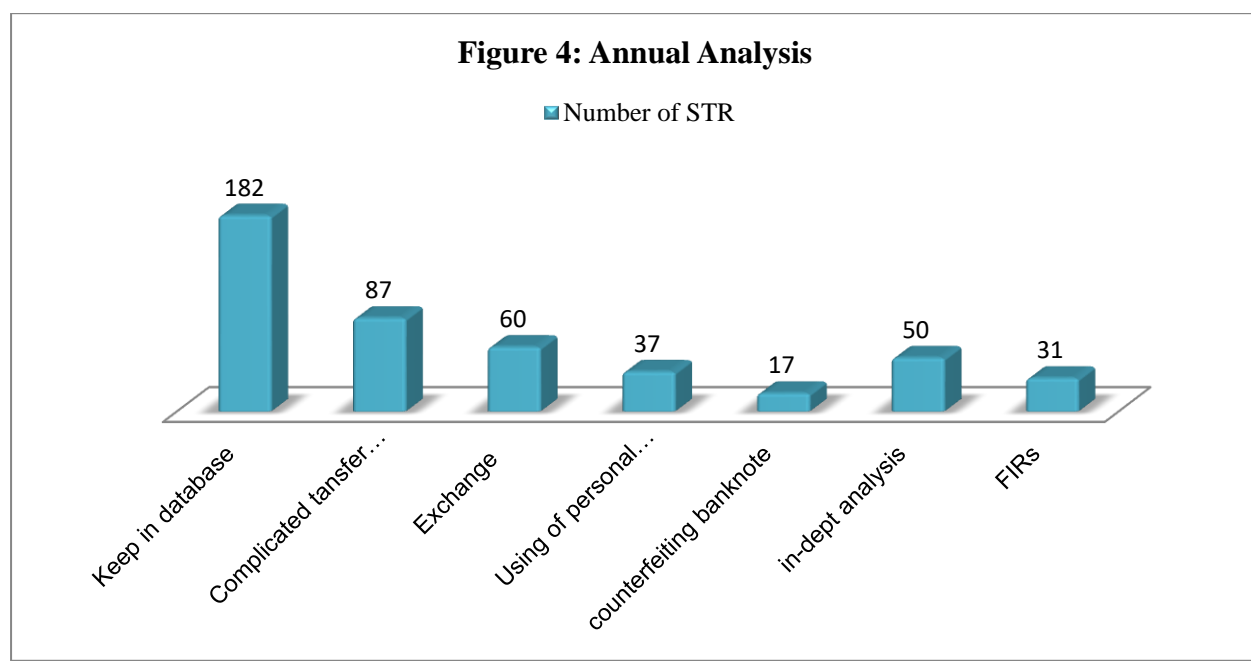
To further expand the framework of cooperation and exchange of information in 2019, AMLIO has signed MOU with Bank Negara Malaysia (BNM) and there is a need to expand the signing of MOUs with other jurisdictions and attend to be the Egmont Group member to serve as a channel for the sharing of information and useful for the analysis task of AMLIO as well as investigations of competent authorities.

## **9. Annual Analysis**

The results of the primary analysis of total 403 STRs by reviewing all reports received, taking into account the completeness, accuracies with reporting rules, such as timelines, reasons of suspicions, appendix and data quality of reports and etc., then analyzed under the assumption of suspicion by finding additional information within the entire database of AMLIO, from the REs, other open sources and World-Check One. There are 152 STRs are stored as further reference data due to after going through the process it comes up with insufficient evidence to be considered to ML/TF cases. On the other hand, for those STRs which met with the criteria and could be useful for investigative authorities then AMLIO filed a report to competent authorities periodically such as 1) Complicated Transfer Transaction 87 cases have sent to Payment Systems Department, Bank of Lao PDR, 2) Statistic of money exchange by the natural person and legal person which unregistered 60 cases (shared with The Monetary Policy Department, Bank of Lao PDR), 3) Statistic of using of

personal accounts instead of entities 37 cases and reported to high ranking officer in order to seek for a directive on addressing these gaps, 4) Statistic of using counterfeit banknotes 17 cases have sent to Currency Issuing Department, Bank of Lao PDR.

After primary analysis of 50 STRs found the components of suspicion with unlawful activities and need to be taken in-depth analysis. By searching the additional information from the other source that AMLIO able to access such as the information from the related authorities through legislation mechanism on AML/CFT and MOUs, the information from REs and etc., to compare with its hypothesis. Throughout the operational analysis of 50 STRs had found that 19 out of them were not sufficient ground to proceed further to the LEAs and some had verified its inaccuracy with suspicious indicators after extensive researched by the analyst, hence, it was stored in the database for future references. In addition, there are 31 STRs that were meet with indicator and had sufficient grounds then 31 FIRs from 50 STRs had been filed to investigative authority to conduct further investigation. Upon the dissemination, AMLIO officers continuously monitor the case periodically in case additional information is required so that the request can be responded in timely manner.



### III. Cash Transaction Report (CTR)

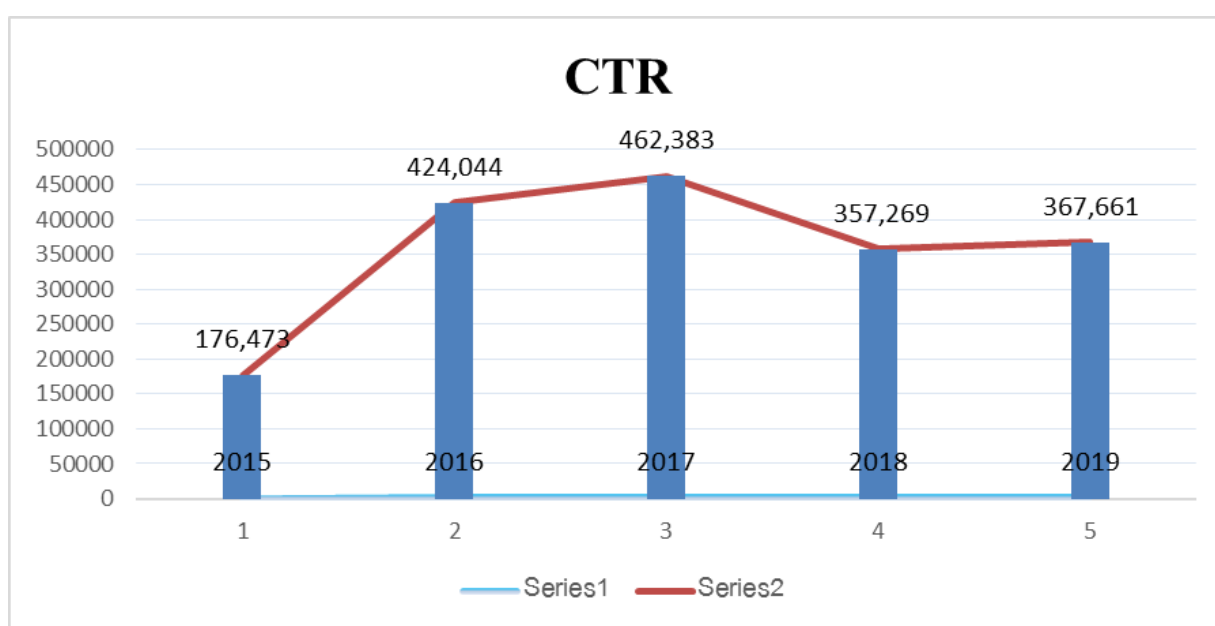
#### 1. Annual CTR reporting

In 2019, AMLIO received 367.661 CTRs from REs particularly financial institutions such as the banking sector 367.268 CTRs, leasing companies 11 CTRs, and micro-finance institutes 382

CTRs, it appears that the CTR report has increased from 2018 at 2.9%; due to people are increased to use cash compared with 2018. Currently, AMLIO has a total number of 1.787.830 CTRs from the REs

Upon receiving the CTRs, AMLIO kept the statistic and CTR into the database system which was developed by AMLIO to be the information that useful for analyzing, can take to compare with the consistencies and the frequency of the transaction of the relevant natural person and legal person and there is also a periodical review of the CTR reporting of REs according to 1) compliance with the reporting submission procedure, 2) complete the information with the form correctly, 3) completeness of reporting and, 4) timeline, 5) review of reporting for the purpose of finding unusual and suspicious cash movements that could be turned into a suspicious transaction, there are some difficulties in the implementation mentioned above as following:

- There is only the reporting from a financial institution, has not yet been from DNFBP;
- In 2019, REs started to use the new form of CTR and submit it through an online system that was developed by AMLIO, some of them cannot implement follow the plan and continue to report by the old form of CTR;
- To input the CTR which received from REs (2015-present) into the database are faced with the difficulty due to in the past the CTR is in form of paper. Before inputting to the database, the information has to convert to the new version. Therefore, spent a lot of time per CTR, the staff need Overtime for those CTR.



## **IV. Cross Border Report (CBR)**

AMLIO received 10 CBRs in 2019 from Customs Department, Ministry of Finance indicated the increasing 2 CBRs from 2018. Due to in 2019 AMLIO has completed to establish the data sharing system for CBR with Customs Department, Ministry of Finance to solve the problem on the difficulty of the CBR reporting. In addition, AMLIO also made understanding to the Customs Department to know the importance of CBR reporting, which all reports were reported in 2019 is linked to notifications of passengers entering and exiting the Lao PDR voluntary.

## **V. Conclusion**

### **1. STR reporting and Analysis**

Overall, STR reporting in 2019 from FIs such as banking sector and leasing company has increased and contain more quality if compare to 2017 due to AMLIO conducted in-dept outreach for FIs on implementing their obligations of STR reporting procedure. Meanwhile, AMLIO has also encouraged REs on implementing other AML/CFT requirements especially emphasize to REs on STR online reporting procedure.

Due to the unqualified STRs made by REs, it consequently reflects to the analysis result and inaccurate information to the LEAs. Moreover, the information requests to some line-ministries and relevant agencies were not fully cooperated and responded in timely manner as some of their employees were not fully aware and understand the task on the AML/CFT aspects, plus the knowledge of analyst is also limited and yet comprehensive the financial analytical regime.

### **2. Cash Transaction Report**

The CTR report for 2019 shows a slight increase from 2018 and received only from financial institutions. In 2019, AMLIO has transformed the channel for reporting from the paper to the online system. REs started to use the new form of CTR and submit it through an online system that was developed by AMLIO, however, some of them cannot implement follow the plan and continue to report by the old form of CTR. And make difficulty to AMLIO to convert the information to the new version form in order to input to database.

### 3. Cross Border Report

In 2019 overall on CBR implementation of Customs authorities as Customs Department both provincial and central level has been in the good progress and better understanding on their reporting duties. Nevertheless, CBR reporting is still small compared to the number of border entry and exit of individuals, both domestic and foreign. However, CBR reporting for Customs authorities at border checkpoint in local area still faced challenges, due to the limitation of knowledge on implementing their obligations as indicated in the Law on AML/CFT and relevant legislations.

**From all the data, the pros and cons of the implementation situation in 2019 can identify potential threats, trends, potential gaps and vulnerabilities of the relevant sectors to address this AML / CFT risk as following:**

No.	Content
<b>Trend of risky transaction</b>	
1	High-value internal transfers without sufficient reason
2	Complicated Transfer Transaction
3	Money Exchange
<b>Potential Threats</b>	
1	Utilization of individual account instead of entities account
2	Transaction relative to Crypto Currency
3	Online Gambling
<b>Potential Gaps for ML/FT</b>	
1	Some REs has never conducted an RBA therefore they do not understand the risks of their sector and do not yet understand how risks need to be addressed or mitigated.
2	Some REs does not yet have AML / CFT inspections within their institution; thus they cannot identify deficiencies in the implementation of AML / CFT obligations.
3	Some of the REs' reporting has ineffectiveness implementing such as poor quality STR reporting to AMLIO without filtering and do KYC /CDD.
<b>Vulnerabilities</b>	
1	Measures to encourage, disseminate, and enhance understanding obligation for the REs of AMLIO are not yet up-to-date and thorough enough.
2	The exchange of information for the analysis is still limited and not diverse.

3	The analytical tools are not systematics and modern so, it reflects on time consuming analysis
4	The relevant parties involving in AML/CFT have not yet fully implemented their rights and duties.

## VI. Action Plan

No.	Contents	Deadline
<b>STR</b>		
1	Improving the online STR reporting system based on the actual use and feedback of REs in periodic utilization.	2020 onward
2	Encouraged and Conducted an outreach plan for REs on utilizing STR Online System	2020
3	Studying on measures against REs who failed compliance with regulation	2020
4	Studying to establish the Data Sharing between AMLIO and REs for safety and quickly in terms of financial information exchanging.	2020
5	Extended MOUs signing with relevant agencies to expand the framework of domestic cooperation as well as facilitate the understanding of AML/ CFT work for stakeholders, especially the exchange of information.	2020
6	Studying additional mechanisms base on the Data Sharing to increase cooperation with relevant sectors and raising awareness particularly on confidentiality of information sharing processes.	2020
7	Extended MOU signing with foreign FIU to enhance cooperation with friendly countries and expand the information exchange framework.	2020 onward
8	Applying to be the Egmont Group members to expand the exchange of information widely	2020
9	Monitor the implementation of relevant departmental on matters relating to the utilization of counterfeit banknotes, currency exchange and the use of individual accounts instead of the entities account.	2020
10	Establish more cooperative working mechanism with the Investigative Authorities to raise the awareness and understanding the importance and focus of AML / CFT work, as well as FIRs from the AMLIO.	2020 onward



11	Working with the supervisor of REs on the supervision on AML/CFT base on the RBA of REs bot off-site and on-site.	2020
12	Upgrade capacity building on knowledge and skill for analysts, such as the international assistance in training, workshop and sharing experience with other FIU in the field to increase staff abilities.	2020 onward
<b>CTR</b>		
1	Improving the online CTR reporting system based on the actual use and feedback of REs in periodic utilization.	2020
2	Continue to Encourage and Conduct an outreach plan for REs on utilizing CTR Management System as following: <ul style="list-style-type: none"> <li>- Implement the submission of the report on timeframe as set out by AMLIO;</li> <li>- Complete the accurate information in the form provided by the AMLIO;</li> <li>- The information provided on the form must go through the Approval process to ensure the accuracy of the information.</li> </ul>	2020
3	Establishing the regulation and CTR form that consistency of DNFBPs.	2020
4	Embark importing the CTRs received from 2015 to present into the CTR Management System in order to centralize the information and assist analyst to find and use them in timely manner.	2020 onward
<b>CBR</b>		
1	Encouraging and make understanding to the Customs Department to know the importance of CBR reporting, to pay more attention to report on CBR.	2020 onward

Vientiane Capital, Date.....

**Director General**  
**Of Anti Money laundering Intelligence Office**