

Anti Money Laundering Intelligence Office



Strategic Report
2017

Contents

I.	Overview.....	1
II.	Suspicious Transaction Report - STR	1
1.	Annual STR reporting	1
2.	Report of Reporting Entities.....	2
	• Banks	2
	• Leasing companies.....	3
3.	STR reporting by country	3
4.	Suspicion trend of reporting entities.....	4
5.	Quality of reporting	5
6.	Request for information to reporting entities	6
7.	Information exchange with domestic authorities	6
8.	Information Exchange with foreign partners.....	7
9.	Annual Analysis	7
III.	Cash Transaction Report - CTR	8
1.	Annual CTR reporting	8
IV.	Cash border Report - CBR.....	9
1.	Annual CBR reporting.....	9
V.	Conclusion	9
1.	STR reporting and Analysis	9
2.	CTR and CBR reporting.....	10
VI.	Action Plan	12

I. Overview

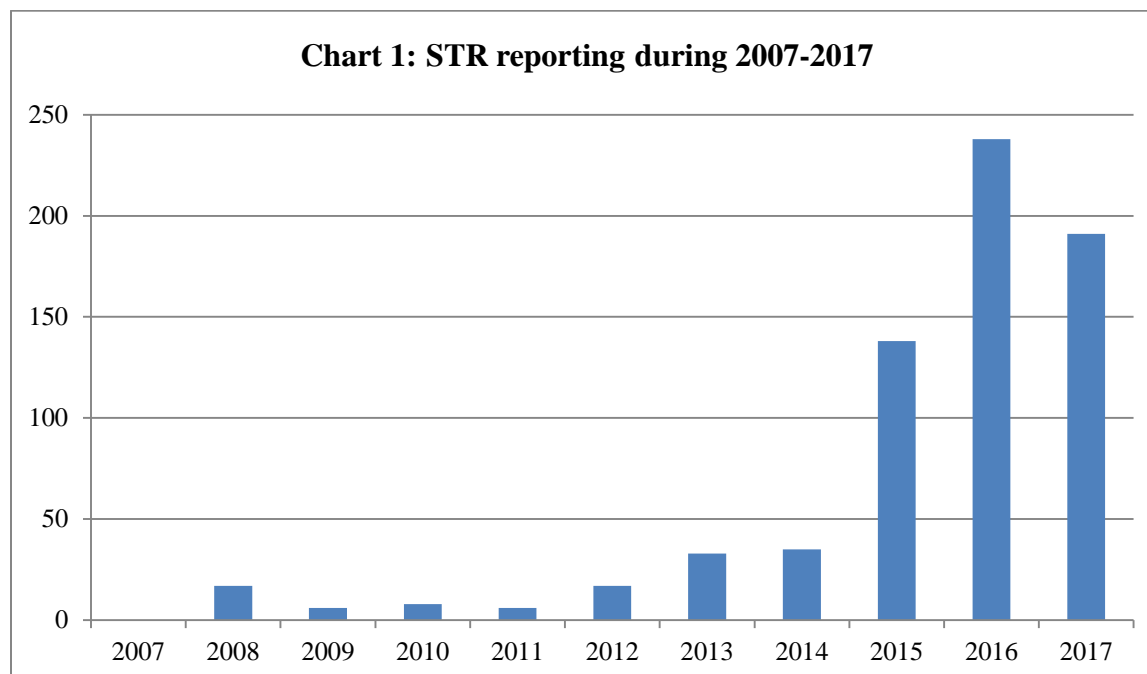
Strategic Analysis is a part of operational analysis which is useful for Anti Money Laundering Intelligence Office (AMLIO) in a variety of ways, focusing on identifying trends and innovation of money laundering and financing of terrorism “ML/FT”) from reported, to determine development policy and strategic plan for anti-money laundering and combating the financing of terrorism “AML/CFT”, the aim is to make work progress and disseminate to all stakeholders, society, domestic and foreign partners within the scope of the law.

Strategic analysis is using of statistical data in the entire AMLIO database to analyze the performance of the past, such as strengths, weaknesses and deficiencies to determine future plans to address, to define trends or potential trends of the ML in any sector or business, to develop a policy to suppress this trend to comply with the domestic context.

II. Suspicious Transaction Report - STR

1. Annual STR reporting

In 2017, AMLIO received 191 STRs from reporting entities (REs) particularly financial institution (98% from commercial banks, 2% from leasing companies), which indicate the decrease of reporting in 2016 estimate 26%. AMLIO has emphasized on filter the STR before submit such as clear identify the suspicion, clear indicator, enhance KYC/CDD and record all information to comply with related legislation and these are the cause of decrease and to mitigate the number of low quality STR reporting, raising the awareness on STR reporting procedure for REs.



2. Report of Reporting Entities

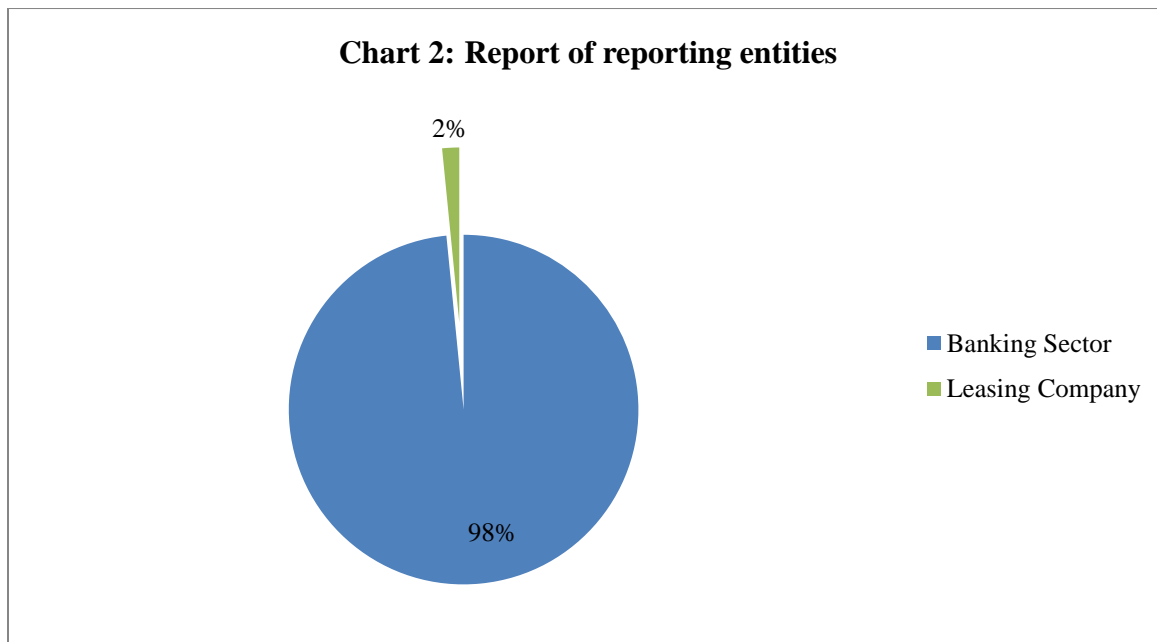
REs have obligation for STR reporting as identified in the AML/CFT law and related regulation such as Decision on Reporting Suspicious Transaction Related Money Laundering or Financing of Terrorism No.13/NCC, dated 19 October 2015, Instruction on Suspected Transactions Reporting on Money Laundering or Financing Terrorism No.42/AMLIO, dated 12 January 2016; Instruction on Indicators of Transactions Suspected of Money Laundering or Financing Terrorism No.41/AMLIO, dated 12 January 2016. Likewise, the dissemination of AML/CFT to financial institution, AMLIO emphasize on STR reporting regularly. In 2017 there are banking sector and leasing company sector have reported the STR to AMLIO.

- **Banking sector:**

In 2017, AMLIO received 188 STRs from commercial banks, overall average each month is 06 STRs for minimum and 28 STRs for maximum, also 22 of 42 commercial banks are reporting regularly to AMLIO, while another 20 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, which is able to know source of fund and customer's background and also using the modern and comprehensive AML system (share with their headquarter) of implementation that leads to no STR report, while the other 10 banks are small size and new set up.

- **Leasing company**

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 2017, AMLIO received 03 STRs from a leasing company. There is a lack of awareness and understanding of how to report, the AML/CFT issue is still new.



3. STR reporting by country

Natural persons and legal persons are reported 191 STRs to AMLIO and related to 18 countries, most of them are Lao nationality (120 STRs) and Chinese (41 STRs). Through the analysis show that 120 STRs of Lao nationality are carry on an internal transfer transaction without reason and not suitable for their profession. For natural persons and legal persons of Chinese are business man 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 high amount for no reason.

No.	Nationality	Amount
01	Lao	120
02	Chinese	41
03	Thai	6
04	Vietnamese	6
05	Burmese	1
06	Korean	3
07	American	1
08	Australian	1
09	Kazakh	1
10	German	1
11	English	1
12	French	1
13	Filipino	2
14	Malaysian	2
15	Canadian	1
16	Iranian	1
17	Kenyan	1
18	Cambodian	1
Total		191

4. Suspicion trend of REs

The summary of 191 STRs mentioned above are reported by REs demonstrate 16 indicators of suspicion. There are 06 out of 16 indicators have identified in the Instruction On Indicators of Transactions Suspected of Money Laundering or Financing Terrorism No.41/AMLIU, dated 12 January 2016. Such as 1) The transfer entry and exit the account with large amount without reason; 2) Deposit/withdraw cash entry/exit the account with large amount without reason; 3) Using counterfeit banknotes to conduct transaction; 4) The customer unable to provide sufficient source of fund; 5) Transaction is inconsistent with the business/customer background; 6) Transaction related to money exchange. Those 06 indicators are higher than others such as 51 STRs refer to transfer entry and exit the account with large amount without reason, 45 STRs refer to transaction related to money exchange

and 32 STRs refer to deposit/withdraw cash entry/exit the account with large amount without reason.

Moreover, there are 10 indicators occurred in 2017 such as customer background related to narcotic, cheques with insufficient money, etc. mentioned indicator was found by tight KYC/CDD process such as review customer background regularly, risk management and watch list system.

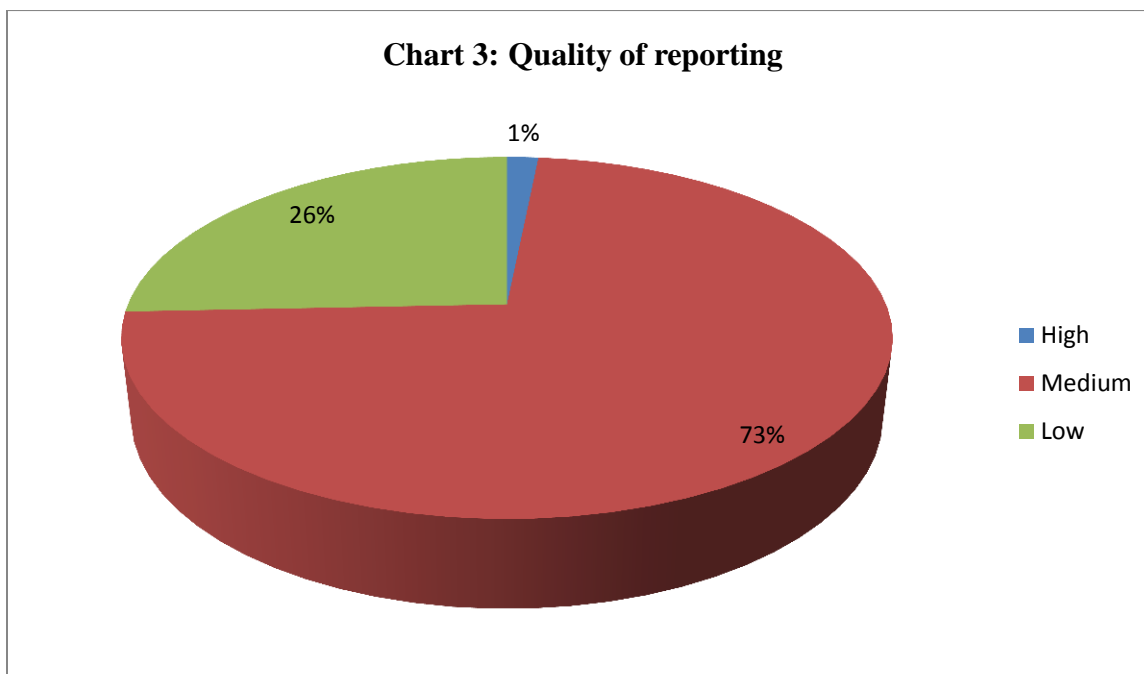
No.	Trend/Indicators	Total
01	Transfer entry and exit the account with large amount without reason	51
02	Transaction related to money exchange	45
03	Deposit/withdraw cash entry/exit the account with large amount without reason	32
04	Using counterfeit banknotes to conduct transaction	15
05	Customer background related to narcotic	9
06	Cheques with insufficient money	7
07	Received transfer from high risk country and blacklist	6
08	Customer related to suspicious person	5
09	Unreasonable transaction and denied	5
10	Customer do not provide sufficient reason or source of fund	3
11	Cash smuggling (mass media)	3
12	Transaction is inconsistent with the business/customer background	3
13	PEPs	2
14	Running business without registration	2
15	Watch list of Bank Supervision Department	2
16	Name in the criminal record	1
Total		191

5. Quality of reporting

The review of 191 STRs has shown that 03 STRs can proceed to the Financial Intelligence Report (FIR) and disseminated to competent authorities for further investigation. There are 49 STRs count as medium quality with KYC/CDD, objective of transaction, etc.

In addition, 139 STRs are low and the cause of that is a clear understanding of suspicion (new staff), insufficient information, the consideration is not exhaustive before submit to AMLIO, without more detailed examination.

From the above information, the effectiveness of the 2017 STR reporting is still low, despite the AMLIO has emphasized on more AML/CFT operation, but from the consolidated statistics can show that the REs need more training on suspicion, collecting information, etc.



6. Request for Information to REs

Request for information to REs is a part of analysis to complete the assumption of suspicion. In 2017, AMLIO has requested for information to banks which related to STR information and financial flow of the natural person and legal person and disseminated to competent authorities, there are 134 requests and more than 10 requests per month on average.

7. Information exchange with domestic authorities

In 2017, AMLIO exchanged information with ministries, LEAs, supervisors and relevant agencies to support STR analysis includes information exchange with the parties with the Memorandum of Understanding (MOU) 10 times, without MOU 10 times. The type of information sharing with relevant agencies is mainly financial flow of natural person and legal

person upon the request from investigative authorities in connecting with narcotic drugs, frauds, business license, tax, etc. In practice, there are some gaps due to many agencies have not yet signed the MOU and hand carry, therefore, it takes time for exchange.

8. Information exchange with foreign partners

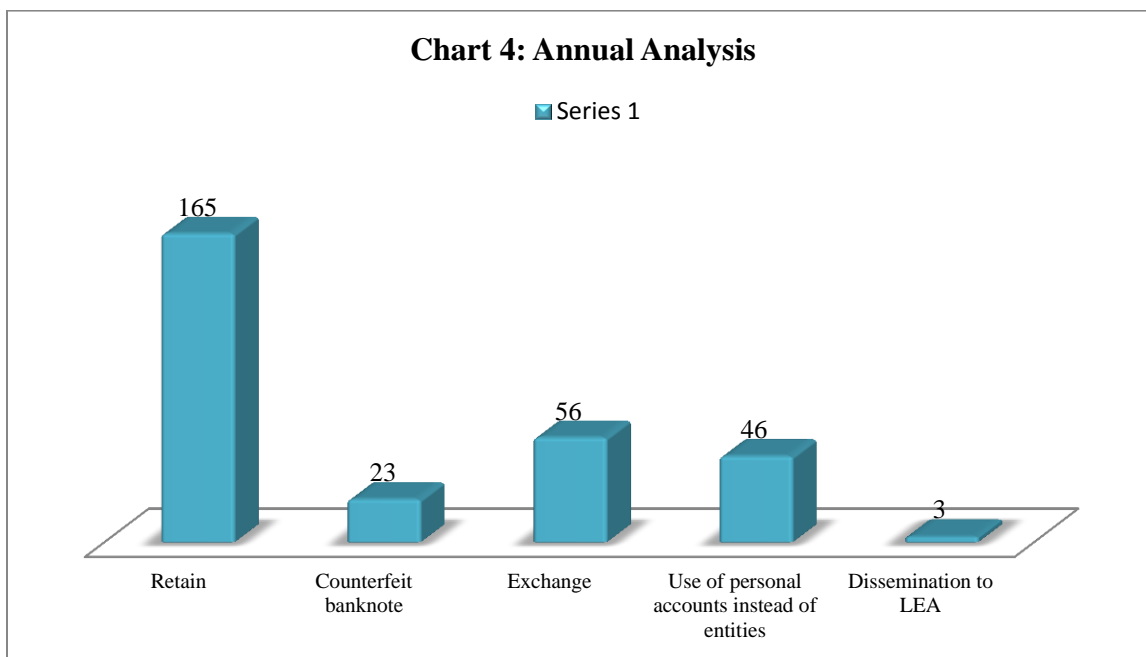
In 2017, AMLIO exchanged information with foreign partners as the Financial Intelligence Unit (FIU) of its neighbors, to provide information under a signed MOU, including 03 requesting from 3 FIUs (Thailand, China and Cambodia). The exchange of information is useful for analysis and proceedings for both parties.

To further expand the framework of cooperation and exchange of information, there is a need to expand the signing of MOUs with other jurisdictions to serve as a channel for the sharing of information and useful for the analysis of AMLIO and investigations of competent authorities.

9. Annual Analysis

From the results of the primary analysis of total of 191 STRs by reviewing all reports received, taking into account the completeness, accuracy with reporting rules, such as timelines, reasons of suspicions, appendix and data quality of reports and more, then analyze under the assumption of suspicion by finding out more information within the entire database of AMLIO, from the REs, from the open source, etc. there are 165 STRs are stored as data and divided into various type of statistic in term of supporting information to competent authorities such as 1) Statistic of using counterfeit banknotes 23 cases have sent to Currency Issuing Department, Bank of Lao PDR, 2) Statistic of money exchange by natural person and legal person which unregistered 56 cases (shared with The Monetary Policy Department, Bank of Lao PDR), 3) Statistic of using of personal accounts instead of entities 46 cases and reported to high ranking for guidance on issuance of these gaps.

After primary analysis of 26 STRs found the components of suspicion with unlawful activities and have to figure out, in-depth analysis. Through the in-depth Analysis of 26 STRs, 23 of them have not yet meet any suspicious that should be submitted to the competent authorities and in some cases after further information from the relevant sectors can be confirmed that no suspicion, therefore, AMLIO keep those STRs in its database. Moreover, 03 STRs are become to 02 FIRs with additional information on the accessibility of AMLIO to be submitted to competent authorities. After submission of the FIRs, AMLIO conduct a periodic monitoring of the progress of the investigation to provide additional information.



III. Cash Transection Report - CTR

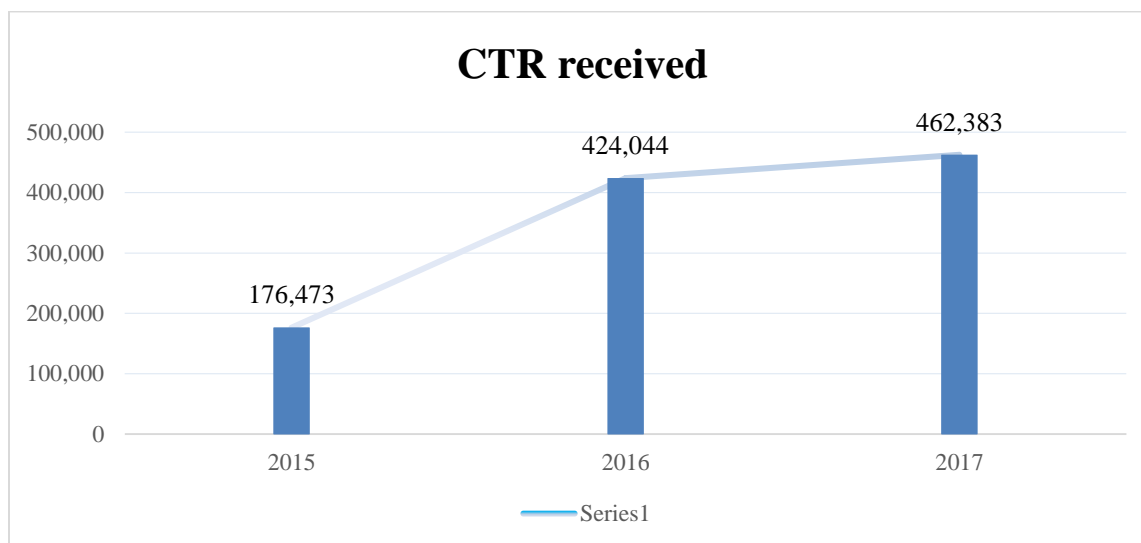
1. Annual CTR reporting

In 2017, AMLIO received 462,383 CTRs from REs particularly financial institution such as banking sector 461,978 CTRs, Leasing companies 6 CTRs and micro-finance institutes 399 CTRs, it appears that the CTR report has increased from 36% in 2015 and 15% in 2016, to present day, with 1,062,900 CTRs from the REs have been reported to AMLIO, the cause of increasing of the CTRs is cash base economy.

Receiving of the CTRs, AMLIO has stored in its database to support STR analysis and there is also a periodically review of the CTR reporting of REs with according to 1) compliance with the report submission procedure, 2) complete the information with the form correctly, 3) completeness of reporting and 4) review of reporting. To find unusual and suspicious cash movements that could be turned into a suspicious transaction, there are some gaps in the implementation mentioned above as following:

- Lack of awareness raising for DNFBPs on their obligation of the transaction reporting.
- Fail with the reporting timeframe, majority in inputting information on the CTR form is incomplete and inaccurate.

- Storage CTRs in Excel database therefore there are limitation on searching and reviewing information



IV. Cash border Report - CBR

1. Annual CBR Reporting

AMLIO received 07 CBRs in 2017 from Customs Department, indicated the increasing 4 CBRs from 2015 (no report in 2016), CBR reporting is an obligation of Customs officer has to comply regularly as defined in Regulation On the Declaration of Cash, Precious metals and Bearer Negotiable Instruments While Entering/Exiting the Lao PDR. However, through coordination and implementation, the relevant departments have not clear understood and not able to implement properly.

V. Conclusion:

1. STR reporting and Analysis

Overall, STR reporting in 2017 from the 17 REs there is only banking sector can implement the AML/CFT issues particularly STR reporting but not fully implementation and not all the banks have pay attention on AML/CFT issues. Therefore, STR reporting is low efficiency, small number of reporting, reason of suspicion is unclear, which the main cause is the REs have not yet taken any serious measures against AML / CFT such as lack of awareness for both financial institutions and DNFBPs.

According to the low efficiency STR reporting, the consequence was effect to analysis and dissemination to competent authorities are low quality, on the other hand the received STRs do not meet with the suspicion indicators and predicate offences, At the same time, requests for information to ministries and stakeholders are not cooperated properly, delayed in response, take time due to the online system not available, lack of experience and skill for the analysts.

2. CTR and CBR Reporting

Overall, CTR reporting in 2017 from the 17 REs, there are banking sector, micro finance institutes and leasing companies can comply with CTR reporting obligation but not fully implement, there are a number of banks submitted with incorrect form, fail with the timeline. In addition, CTR stored in Microsoft Excel, resulting in delays, retrieval or searching is not up to date.

CBR reporting in 2017 demonstrated not fully implementation of the Customs officer and need more coordination and awareness raising on AML/CFT.

From all the data, the pros and cons of the implementation situation in 2017 can identify potential threats, trends, potential gaps and vulnerabilities of the relevant stakeholders to address this AML / CFT risk as following:

No.	Contents
Trends of risky transactions	
1	High-value internal transfers without sufficient reason

2	Foreign exchange transactions through bank accounts
3	Cash deposit and withdraw without specifying the source and unknown the precise purpose of use
Potential threats	
1	Money laundering acts through drug trafficking
2	Money laundering acts through a check utilization pattern
3	Money laundering acts through the use of counterfeit banknotes
Potential gaps for ML/FT	
1	90% of REs are not yet fully aware of the AML/CFT and needs to take measures to implement
2	Internal policy of REs are not yet concisely, such as the implementation of the KYC/CDD
3	reporting of REs are not effective
Vulnerabilities	
1	Measures to encourage, disseminate, and enhance the AMLIO understanding of the REs obligations, which 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 up to date, making analysis slow
4	the stakeholders involved in AML/CFT have not yet fully implemented their rights and duties

VI. Action Plan

No.	Contents	Expected to finish
STR		
1	Develop an outreach plan for the REs with STR reporting obligation	2018-2020
2	<p>Develop a deep outreach plan for banking sector:</p> <ul style="list-style-type: none"> - Study on internal policy for KYC/CDD measures which focus on Lao nationality and Chinese with transactions that do not provide complete documentation, insufficient reason and not comply with the relevant legislation issued by AMLIO - Understand of detection for STR and filter - Confidentiality of reporting and providing information to AMLIO - Encourage the implementation of the AML / CFT in the banking sector unanimously 	2018
3	Conduct administrative measures against REs that do not follow the rules set out	2018-2019
4	More MOUs signing with stakeholders to expand the framework of domestic cooperation as well as facilitate the understanding of AML / CFT work for stakeholders, especially the exchange of information	2018 onwards
5	Establish additional mechanisms for information sharing to increase cooperation with relevant sectors and raising awareness particularly on confidentiality of information sharing processes	2018
6	More MOU signing with foreign FIU to enhance cooperation with friendly countries and expand the information exchange framework	2018 onwards

7	Monitor the implementation of relevant departmental matters relating to the use of counterfeit banknotes, currency exchange and the use of individual accounts in place of the legal entity	2018 onwards
8	Follow up the progress of investigation relating to FIRs that AMLIO submitted to	2018 onwards
9	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	2018 onwards
10	Upgrade knowledge and skill for analysts, such as the international assistance in training, workshop and sharing experience with others FIU in the field to increase staff knowledge	2018 onwards
11	Develop the system: - STR online - Security database	2018 onwards
CTR		
1	Develop an outreach plan for the REs with CTR reporting obligation	2018
2	Develop a deep outreach plan for banking sector: - Implement the timely submission of the report - Complete the correct information in the form provided by the AMLIO - The information provided on the form must go through the Approval process to ensure the accuracy of the information	2018
3	Develop the system: - Reporting via the online system to facilitate the data collection and	2018 onwards

	confidentiality - Creates a modern databases that facilitate searchable and use the information in a timely manner	
CBR		
1	Further elaborate mechanism with Customs Department to resolve this issue: - Understanding of the Customs officer for CBR reporting - Coordinate regularly to obtain CBR in accordance with the issued regulation - Conducting a consultation meeting to promote the implementation to address the constraints of actual implementation	2018 onwards

Vientiane Capital, Date.....

Director General

Of Anti Money laundering Intelligence Office,