

Anti Money Laundering Intelligence Office



Strategic Report
2018

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I. Overview

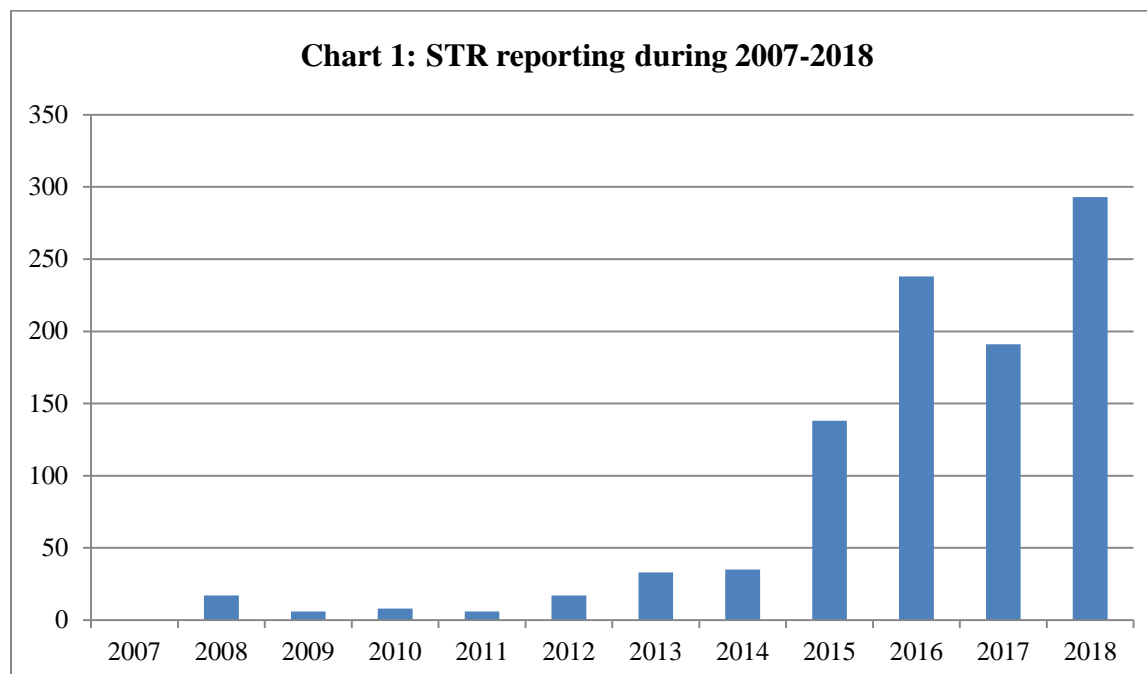
Strategic Analysis is a part of operational analysis which is useful for Anti Money Laundering Intelligence Office (AMLIO) in a variety of ways, focusing on identifying trends and innovation of money laundering and financing of terrorism “ML/FT”) from reported, to determine development policy and strategic 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.

AMLIO launched its first strategic report in 2017, which can help identify strengths, weaknesses, and deficiency and help to set a plan to resolve remaining issues such as early in 2018 AMLIO conducted workshop for REs that increases the number and effectiveness of STR reporting, establishing a centralized CTR database to enable analysts to quickly search and use data in a timely manner. 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 2018, AMLIO received 293 STRs from reporting entities (REs) particularly financial institution (95% from commercial banks, 5% from leasing companies), which indicate the decrease of reporting in 2017 estimate 53,4%. The cause of increase is due to in 2018, AMLIO has conduct outreach on STR reporting obligations to the commercial banks for 07 times and encourage them to study on internal policy for KYC/CDD measures, STR detection and filter, confidentiality of reporting, more focus on transactions related to the money exchange, using of counterfeit banknotes and in providing information to AMLIO. The efficiency of STR reporting in 2018 is better than 2017.



2. Report of Reporting Entities

In 2018, there are commercial banks and leasing companies reported STRs to AMLIO. The STR reporting mainly from commercial banks, the performance is better than in 2017, as the AMLIO has strongly promoted the financial institution to implement its rights and obligations such as set the plan for creating policy, training, internal inspection and evaluate the implementation, risk management, KYC/CDD measures which focus on Lao nationality and Chinese with transactions that do not provide complete documentation, insufficient reason, STR detection procedure, STR filter, confidentiality of reporting and providing information to AMLIO, and also monitoring, encourage the implementation of AML / CFT work across the financial institutions, especially the banking sector. However, there are some REs have not yet implemented and focus on AML / CFT.

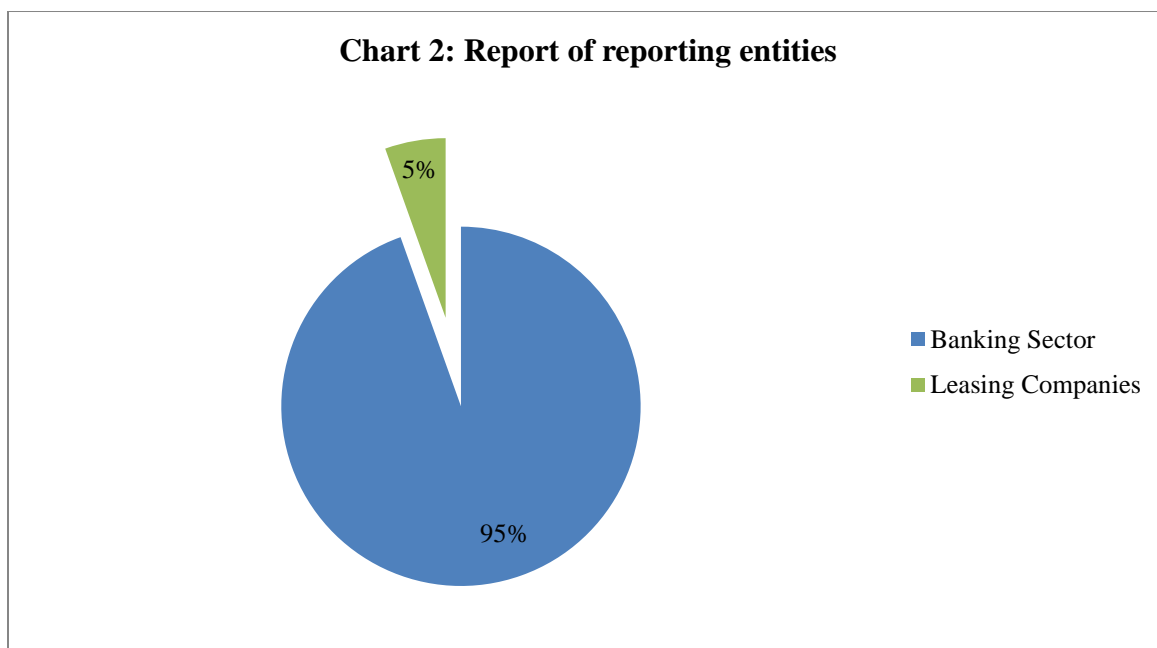
- **Banking sector:**

In 2018, AMLIO received 277 STRs from commercial banks, overall average each month is 11 STRs for minimum and 48 STRs for maximum, also 18 of 42 commercial banks are reporting regularly to AMLIO, while another 24 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 14 banks appear to have neglected the STR reporting, demonstrated in many aspects as no review before and after transaction of the customer, compliance officer for AML/CFT of some banks do not understand its obligation.

- **Leasing companies**

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 2018, AMLIO received 16 STRs from 01 leasing company. The cause of the deployment of the other 29 companies based on the monitoring and inspection results has not yet been fully realized and understood by AML / CFT, especially the STR report, which has not yet begun to implement and train its staff on the STR reporting obligations. In which the reason for not submitting the STR of 29 companies based on the monitoring and inspection results has not yet fully realized and understood the AML/CFT, especially the STR reporting, which has not yet begun to implement and train its staff on the STR reporting obligations.



3. STR reporting by country

In 2018, natural persons and legal persons are reported 293 STRs to AMLIO and related to 19 countries, most of them are Lao nationality (206 STRs) and Chinese (45 STRs) and the remaining 42 STRs are other nationalities (see table below).

Through the analysis show that 206 STRs of Lao nationality are carry on an internal transfer transaction, money exchange and using counterfeit banknotes. 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 not sufficiency reason.

No.	Nationality	Amount
01	Lao	206
02	Thai	10
03	Vietnamese	7
04	Chinese	45
05	Korean	4
06	American	1
07	Australian	1
08	Indian	4
09	Singaporean	1
10	South African	1
11	English	2
12	French	2
13	Filipino	2
14	Malaysian	1
15	Iranian	1
16	Czech	1

17	Swiss	2
18	Sri Lanka	1
19	Hungarian	1
Total		293

4. Suspicion trend of reporting entities

The summary of 293 STRs mentioned above are reported by REs demonstrate 23 indicators of suspicion. There are 06 out of 23 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 75 STRs refer to transaction related to money exchange; 68 STRs refer to transfer entry and exit the account with large amount without reason; 38 STRs refer to using counterfeit banknotes.

Overall, the suspicion analysis shows that most of these suspicions are mainly from transaction linked to money exchange and high-value transfer, enabling banks to detect and report transactions to AMLIO. In addition, found the use of counterfeit banknotes for commodities trading in many parts of the country, especially in the provinces.

Moreover, there are 17 indicators occurred in 2018 such as online gambling, utilize personal accounts for doing business, related to risk person in crime, etc., which are caused by tight KYC/CDD process such as review customer background regularly, risk management and using the watch list system of banks and leasing companies.

No.	Trend/Indicators	Total
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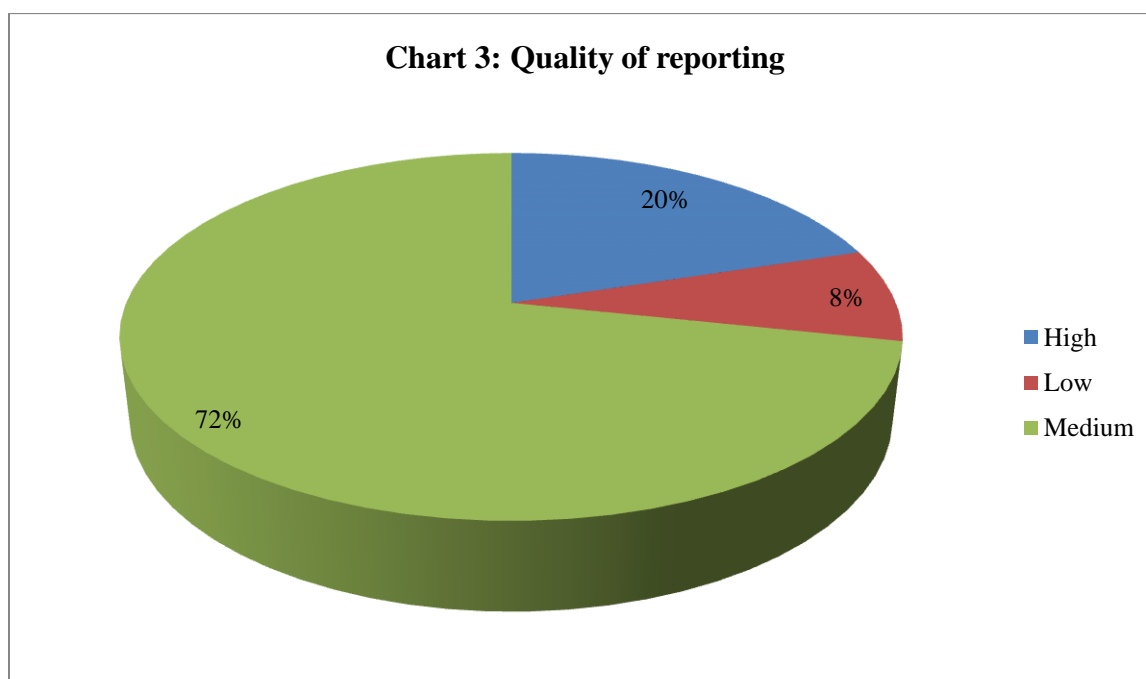
01	Transaction related to money exchange	75
02	The transfer entry and exit the account with large amount	68
03	Using counterfeit banknotes	38
04	Deposit/withdraw cash entry/exit the account with large amount	16
05	Activity not consistent with business/customer background	15
06	Use of forged documents, counterfeit ATM cards or unreliable document	15
07	No business license	14
08	PEPs	11
09	Frauds	7
10	Drug	5
11	Online gambling	4
12	Unknown source of fund	3
13	Received/transfer from high risk countries and black list	3
14	Related to risk person in crime	3
15	Denied transaction/unable to provide information to REs	3
16	Cheques with insufficient money	2
17	Name in BLACK LIST	2
18	Name in the criminal record	2
19	Fund raising	2
20	Anonymous transaction	2
21	Freezing order by Government Inspection Authority	1
22	Unable to know the reason of closing old account and open new account by same person	1
23	Utilize personal accounts for doing business	1
Total		293

5. Quality of reporting

The review of the effectiveness of 293 STRs has shown 59 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. In addition, 03 STRs can proceed to the 02 FIRs and disseminated to competent authorities for further investigation.

Meanwhile, 210 STRs count as medium level as the STRs are completed with KYC/CDD and filtered by REs but not detail such as high value of cash transaction with the aim of operating a foreign exchange business by using personal account to transfer, deposit cash without going through legal person account or money changer account which the gaps occurred as tax evasion and unable to know the source of fund.

For the rest 24 STRs AMLIO has counted as low level because incomplete form, insufficient suspicion, information is incomplete and not as clear: unable to know the reason of closing old account and open new account by same person, found in STR detection system without verification before submit to AMLIO.



6. Request for information to reporting entities

Request for information to REs is a part of analysis to complete the assumption of suspicion. In 2018, 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 and also foreign FIUs upon request, there are 707 requests and more than 50 requests per month on average. 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. The cause is new compliance officer and lack of training so delay report has occurred.

7. Information Exchange with Domestic Authorities

In 2018, 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) 14 times, without MOU 20 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 dealing with narcotic, frauds, inspecting issuance of business license procedure, criminal record and tax payment, this particular information will be included in the analysis report. The mechanism on information exchange is creased from time to time 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 legislations in order to raising awareness for competent authorities on the significant of information exchange. However, the information exchange between AMLIO and competent authorities are not in timely manner due to it is done by paper based.

8. Information Exchange with Foreign Counterparts

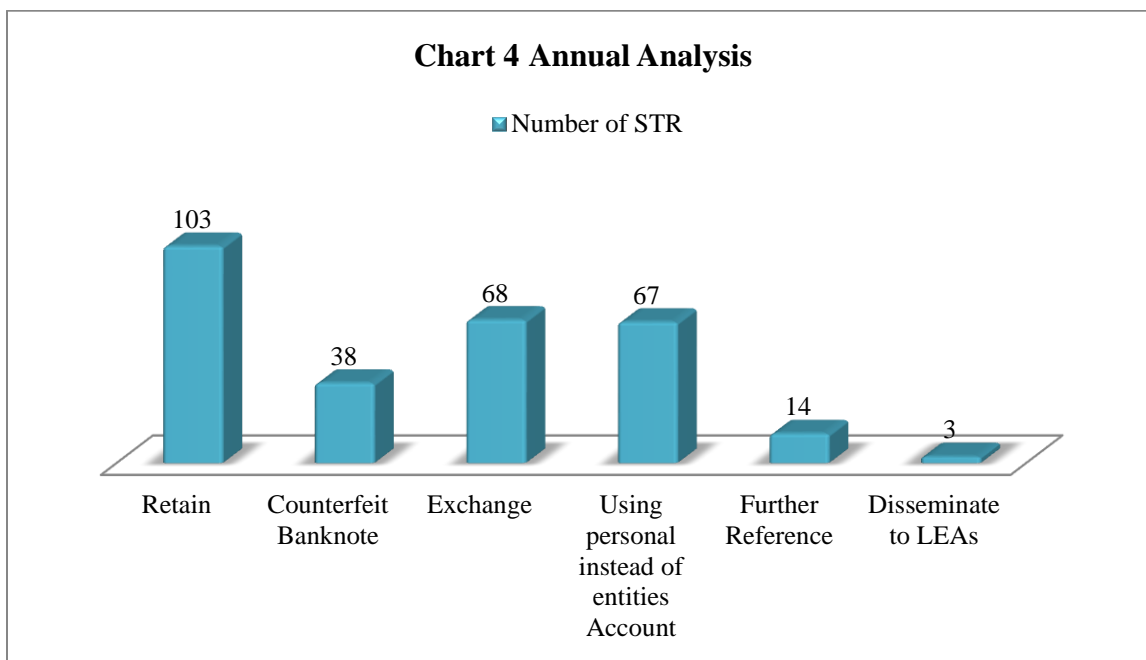
In 2018, AMLIO exchanged information with foreign counterparts such as the Financial Intelligence Unit (FIU) of its neighbor, to provide information under a MOU signed; for instance, 07 information requesting from 3 FIUs (Thailand, Vietnam and Cambodia) and AMLIO responded to 6 as per the requests (one in the progress) The number of information exchange is rapidly increased, it is double from 2017. Moreover, to extend its wide-range cooperation, in 2018 AMLIO had also signed 5 more MOUs with foreign partners namely: Myanmar, Bangladesh, Brunei, the Philippines and Singapore.

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 task of AMLIO as well as investigations of competent authorities.

9. Annual Analysis

From the results of the primary analysis of total 293 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 etc, then analyze under the assumption of suspicion by finding additional information within the entire database of AMLIO, from the REs, other open sources and relevant agencies, etc. There are 103 STRs are stored as further reference data due to after gone 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 report to competent authorities periodically such as 1) Statistic of using counterfeit banknotes 38 cases have sent to Currency Issuing Department, Bank of Lao PDR, 2) Statistic of money exchange by natural person and legal person which unregistered 68 cases (shared with The Monetary Policy Department, Bank of Lao PDR), 3) Statistic of using of personal accounts instead of entities 67 cases and reported to high ranking officer in order to seek for directive on addressing these gaps.

After primary analysis of 14 STRs found the components of suspicion with unlawful activities and need to be taken in-depth analysis. Throughout the in-depth Analysis of 14 STRs, 11 of them have not yet meet any suspicious that should be submitted to the competent authorities and in some cases after comparing to further information from the relevant sectors can be confirmed that no suspicion, therefore, AMLIO keep those STRs in its database for further reference. Moreover, 03 STRs are combined into 02 FIRs with additional information on the accessibility of AMLIO to be submitted to competent authorities to take further investigation. After submission of the FIRs, AMLIO conduct a periodically monitoring of the progress of the investigation to ensure information has provided in timely manner in case additional information is needed.



III. Cash Transaction Report (CTR)

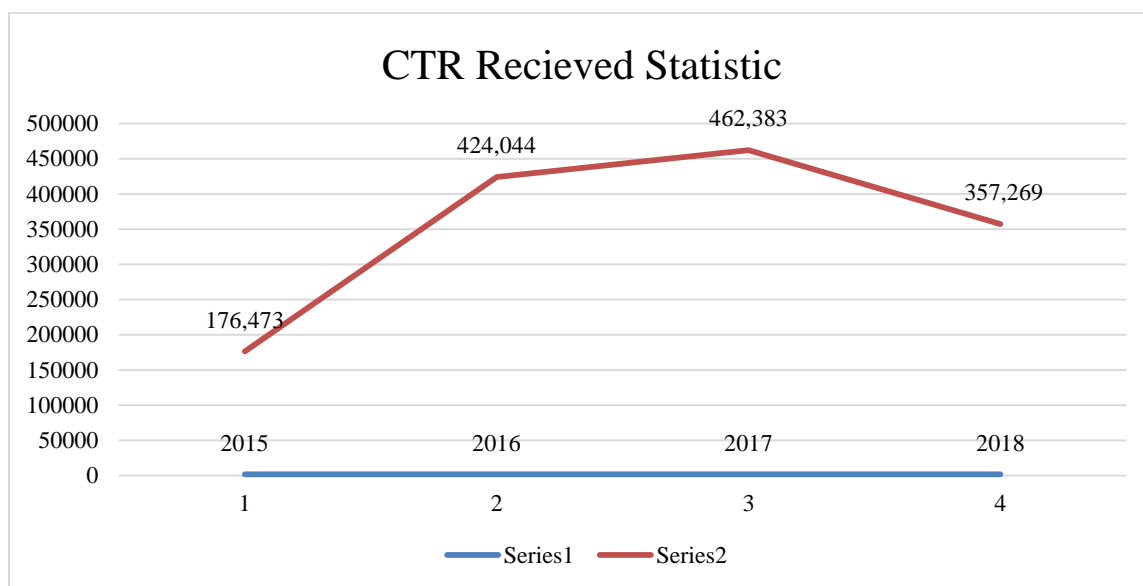
1. Annual CTR reporting

In 2018, AMLIO received 357.269 CTRs from REs particularly financial institution such as banking sector 356.843 CTRs, Leasing companies 8 CTRs and micro-finance institutes 418 CTRs, it appears that the CTR report has decreased from 2017 at 22.7%; currently AMLIO has total number of 1.062.900 CTRs from the REs, the cause of decreasing of the CTRs due to banking sector has provided more products with modern technology that enables convenient of online transactions such as money transfer and online settlement which is reflecting on cash usage reduction.

Upon receiving of the CTRs, AMLIO has stored in its database to support effective STR analysis and there is also a periodically 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) 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:

- Lack of awareness raising for DNFBPs on their obligation of the transaction reporting.
- Delay with the reporting timeframe, majority in giving input on the CTR form is incomplete and inaccurate which AMLIO several times sent back to REs to modify.

- Previously CTRs stored in Excel database therefore there are limitation on searching and reviewing information to address such deficiency, in the end of 2018 AMLIO developed software called CTR Management system to centralize all information and assist analyst to get access to information more precise and timelier. However, the particular system needs to retrieve all CTRs from the previous database in form of both documentary and excel files to which, it is now under progress.



IV. Cross Border Report (CBR)

AMLIO received 08 CBRs in 2018 from Customs Department, Ministry of Finance indicated the increasing 1 CBRs from 2017 the total CBR received is from spontaneously declare of passengers who carrying cash exceeding the threshold 100.000.000 kip as defined in Regulation On the Declaration of Cash, Precious metals and Bearer Negotiable Instruments While Entering/Exiting the Lao PDR No.06/NCC, dated 19 May 2015.

V. Conclusion

1. STR reporting and Analysis

Overall, STR reporting in 2018 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 FIs are now having better understand on their reporting duties.

Although numbers of STR was rapidly increased but mostly they were not meet with the analysis indicators, especially 80% of STR received in 2018 could not be files as FIR to send to investigative authorities in order to conduct further investigation, it is just only usual transaction information that is already correspondence to their nature of business and identification, to which the banks itself could not apply proper KYC as per AMLIO set out. Meanwhile, the actual purpose of reporting is just to be implied to prevent themselves from rating deficiency with AML/CFT implementation while conducting the onsite inspection (the report was sent just to be statistic and verified that they are already complied with the regulations.)

2. Cash Transaction Report

CTR reporting in 2018, there are only 4 institutions from the 10 REs as indicated in the Law on AML/CFT namely banking sector, micro-finance institutes, leasing company and insurance company can comply with CTR reporting to MALIO. Due to there are different types of FIs therefore, they could not meet the criteria set out in the Regulation on Reporting of Cash Transaction Report No.417/NCC, dated 15 June 2015. However, for those FIs which already submitted the report to AMLIO in 2018, they are not fully implied with all requirement which demonstrate in various aspect as following: filling incorrect form, fail with the timeline and not fully attention on implementing their obligation and duties.

3. Cross Border Report

In 2018 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. 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 2018 can identify potential threats, trends, potential gaps and vulnerabilities of the relevant sectors to address this AML / CFT risk as following:

No.	Content
Trend of risky transaction	
1	Foreign Currency Exchange

2	High-value internal transfers without sufficient reason
3	Utilization of counterfeit banknote and bound
Potential Threats	
1	Online Gambling
2	Utilization of individual account instead of entities account.
3	Related to risky person on committing crime
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 is not yet concisely, such as the implementation of the KYC/CDD
3	The implementation on reporting of REs are not effective
Vulnerabilities	
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
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STR		
1	Launching STR Online System that developed by AMLIO	2019 onward
2	Encouraged and Conducted an outreach plan for REs such as banking, micro-finance, Money transfer service provider, insurance, securities company and etc.. on utilizing STR Online System	2019
3	Studying on measures against REs who failed compliance with regulation	2019
4	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	2019 onward
5	Establish additional mechanisms for information sharing to increase cooperation with relevant sectors and raising awareness particularly on confidentiality of information sharing processes	2019 onward
6	Extended MOU signing with foreign FIU to enhance cooperation with friendly countries and expand the information exchange framework	2019 onward
7	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.	2019 onward
8	Follow up the progress of investigation relating to FIRs that AMLIO submitted to investigative authorities	2019 onward
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.	2019 onward
10	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	2019 onward
CTR		
1	Launching CTR Management System that developed by AMLIO	2019
2	Encouraged and Conducted an outreach plan for REs such as banking, micro-finance, Money transfer service provider, insurance, securities	2019 onward

	<p>company and etc. on utilizing CTR Management System as following:</p> <ul style="list-style-type: none"> - Implement the submission of the report on timeframe as set out by AMLIO; - Complete the accurate 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. 	
3	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.	2019 onward
CBR		
1	<p>Further elaborate mechanism with Customs Department to resolve this issue:</p> <ul style="list-style-type: none"> - Enhance capacity building for Customs officer for CBR reporting - Coordinate regularly to obtain CBR in accordance with the issued regulation; - Addressing some issues on CBR reporting for instance: establishment of CBR Online System through online Platform. 	2019 onward

Vientiane Capital, Date.....

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