

Financial Intelligence Unit



بروني دارالسلام سنترال بڠكا
BRUNEI DARUSSALAM CENTRAL BANK

Annual Report

20 20



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MESSAGE FROM THE MANAGING DIRECTOR



HAJAH ROKIAH BINTI HAJI BADAR
Managing Director

Assalamualaikum Warahmatullahi Wabarakatuh

It is my great pleasure to present the fifth publication of the Annual Report of the Financial Intelligence Unit (FIU), Brunei Darussalam Central Bank (BDCB) for the year 2020.

2020 is remembered as a year of global disruption, and also of innovation. All aspects of society are reoriented around surviving the global pandemic brought about by the disease known as COVID-19. Cross-border movement restrictions brought down stinging repercussions to the global economy, much of which is still felt today. Despite the tribulations, we witnessed the infinitely inspiring capability of people to innovate and to adapt to the restrictive conditions, for the better of society, and for worse. Countries around the globe experience a dramatic change in criminal threats. Brunei Darussalam was not exempted from a shift in criminal offence trends that were brought about by the cross-border non-essential travel restrictions.

Considerable cooperation and effective coordination between the various domestic agencies involved in the Anti-Money Laundering and Counter Terrorism

Financing (AML/CFT) regime of the country was needed more than ever. The FIU rose to this task by making great efforts to support our domestic partners in sharing financial intelligence and information.

The Mutual Evaluation process of Brunei Darussalam commenced in 2020. Despite the challenges in enabling closer cooperation between domestic agencies due to limitations from social distancing requirements, the FIU in its role as the NAMLC Secretariat succeeded in coordinating the country's preparations to be assessed for Technical and Effectiveness Compliance to the Financial Action Task Force Recommendations.

The FIU earned international recognition through winning the Best Egmont Case Award 2020, a competitive award coveted by financial intelligence units around the globe. The case study submitted demonstrated an investigation that benefited from the FIU's contribution through provision of intelligence that added value to the investigation, effective domestic and international cooperation, the use of innovative techniques and a successful outcome of the case – all of which are considered essential criteria for the Award.

In facing the major changes in the financial sector landscape, BDCB practices risk-based supervision and works proactively with the financial sector to protect its integrity and reputation from the threat of financial crime. The AML/CFT Supervision arm of BDCB, housed under the FIU, has taken great strides this past year in developing guidance to financial institutions and bolstering the foundations of its work by formalising its risk-based supervision methodology.

As we move forward together, we hope to maintain the support and good cooperation with our partner agencies in the fight against money laundering and terrorism financing.

Thank you.

FOREWORD BY THE HEAD OF FIU



HJH NURALIA BINTI HAJI ABDUL RAHIM
Head of FIU

Assalamualaikum Warahmatullahi Wabarakatuh

From the outset, the year 2020 was always set to be a challenging year as Brunei Darussalam was scheduled to undergo the Mutual Evaluation by the Asia-Pacific Group on Money laundering. This peer review which involves a comprehensive review of a country's anti-money laundering and countering the financing of terrorism regime coupled with the impact of COVID-19 generated additional challenges which the FIU successfully navigated.

Adapting to a different working environment, the FIU in its role as the Secretariat of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), coordinated several discussions and workshops throughout the year with key partner agencies towards the completion of the Technical Compliance Questionnaire and Effectiveness Questionnaire, as part of the requirements of the Mutual Evaluation process. This was only possible with the support and continuing commitment of the domestic law enforcement agencies and steady support from the NAMLC members.

The year 2020 will additionally be remembered for being extraordinary, when the FIU participating for the first time won the Best Egmont Case Award (BECA) Competition. This Award program features the best works and accomplishments of an FIU, which underlines the important role of FIUs in their respective countries in the global fight against crime. This result is a glorious demonstration of the effectiveness of cooperation amongst domestic partner agencies as well as with our international partners in demonstrating the effectiveness of the AML/CFT regime in Brunei Darussalam.

In ensuring that the financial institutions and designated non-financial businesses and professions support the AML/CFT regime in Brunei Darussalam, the AML/CFT Supervision role within the FIU continues to monitor these entities through a risk-based approach for an effective supervisory program. This program comprised of onsite and offsite inspections and issuance of Directions, resulting in the application and imposition of sanctions on supervised entities where non-compliance was identified. The number of Suspicious Transaction Reports (STRs) received in 2020 increased further with a total of 3,186 STRs submitted to the FIU, representing a 50 percent increase over the previous year and demonstrates the improvements made in the efficacy of monitoring unusual and suspicious activities and the reporting of STRs by our reporting entities.

This is the FIU's fifth production of its annual report. It chronicles successful achievements that interest and benefit its readers to encourage broader awareness of the FIU's roles and responsibilities in implementing Brunei Darussalam's AML/CFT regime.

About the Financial Intelligence Unit



Background

Money Laundering (ML) and Terrorism Financing (TF) are serious threats to global security, the integrity of the financial system, and sustainable growth. The Financial Action Task (FATF), as the global monitoring body for ML and TF, aims to prevent these illegal activities and the harm they cause to society through the development of the FATF Recommendations, or FATF Standards.

FATF Recommendation 29 requires each country to establish a Financial Intelligence Unit (FIU) as an independent body to serve as the national centre for collecting, analysing and disseminating financial intelligence and information. The role of an FIU is integral in the fight against ML, associated predicate offences, and TF.

In line with FATF Recommendation 29, Brunei Darussalam founded its FIU in February 2007 under the Financial Institutions Division, Ministry of Finance. Subsequent to the establishment of the Brunei Darussalam Central Bank (BDCB), on 1 January 2011, the FIU became a function under BDCB.

Through the powers and responsibilities accorded under the Criminal Asset Recovery Order, 2012 (CARO), Anti-Terrorism Order, 2011 (ATO), and Anti-Terrorism (Terrorist Financing) Regulations, 2013 (TFR), the FIU plays a pivotal role in the fight against ML, associated predicate offences, and TF. The FIU has three primary functions:

INTELLIGENCE



Section 30, CARO prescribes the FIU as the agency responsible for receiving, requesting, analysing, and disseminating reports and information concerning ML, TF, suspected proceeds of crime, and other serious offences. The financial intelligence and information produced by the FIU are disseminated to various partner agencies, both domestic and international.

AML/CFT SUPERVISION



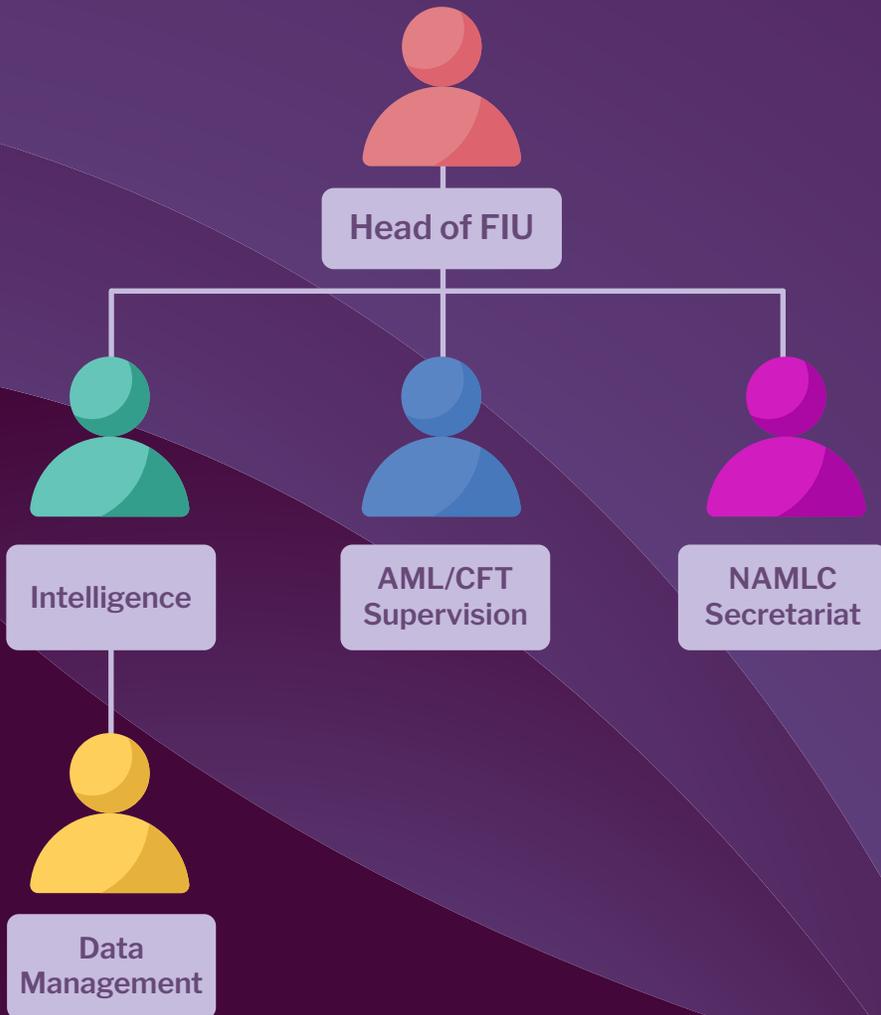
This function's primary role is to monitor the compliance of reporting entities, which includes financial institutions (FIs), designated non-financial businesses and professions (DNFBPs), and dealers in high value goods, towards AML/CFT obligations on a risk-based approach. This includes ensuring that the reporting entities understand their respective ML/TF risks, and develop and implement methods to mitigate those risks.

NATIONAL ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM COMMITTEE SECRETARIAT



As the Secretariat to the National Anti-Money Laundering and Combating The Financing Of Terrorism (NAMLC) Committee, the FIU actively monitors Brunei Darussalam's national compliance with the FATF Standards.

2020 Organizational Structure



Milestones

2016

Completed Brunei Darussalam's first National Risk Assessment on Money Laundering and Terrorism Financing

.....

2017

March

Issued a Guidance Paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR) Under Section 15 of Criminal Asset Recovery Order and Section 47 of Anti-Terrorism Order (STR Guidance Paper)

August

- Became a member of Financial Intelligence Consultative Group (FICG) and International Community of Experts (ICE)
- Launch of first FIU Annual Report

September

- Signed an MoU between FIU and Cambodia Financial Intelligence Unit (CAFIU), National Bank of Cambodia
- Organised a Counter Terrorism Financing (CTF) workshop

November

Hosted the first CTF Conference

.....

2018

February

APG Regional Pre-Mutual Evaluation Training Workshop

March

Won the Team Prize Winner for Most Innovative Idea at the ASEAN-Australia Special Summit Codeathon

May

- Signed an MoU with the Suspicious Transaction Reporting Office, Commercial Affairs Department, Singapore Police Force (STRO)
- Implementation of Section 39 of the Criminal Asset Recovery Order, 2012

June

Issued a Guidance on Obligations Under the Anti-Terrorism (Terrorist Financing) Regulations, 2013

July

Signed an MoU between FIU and Anti-Money Laundering Intelligence Office (AMLIO), National Coordination Committee for Anti-Money Laundering and Counter-Financing of Terrorism of Laos

2018
(cont.)

August

Hosted the Financial Intelligence Consultative Group (FICG) Regional Face to Face Meetings

August - September

Hosted the first Regional Financial Intelligence Analyst Course (FIAC)

November

Launched the Non-Profit Organisations (NPO) and Red Flag Indicators Report Project with Australian Transaction Reports and Analysis Centre, Australia (AUSTRAC) and Pusat Pelaporan dan Analisis Transaksi Keuangan, Indonesia (PPATK)

December

Completed a review of Financial Action Task Force compliance ahead of Mutual Evaluation

2019

February

Imposed a monetary penalty on a financial institution for non-compliance to AML/CFT obligations

July

Imposed a monetary penalty on a financial institution for non-compliance to AML/CFT obligations

October

Conducted a mock assessment on compliance with FATF Immediate Outcome 4

November

- Issued amendments to the Guidance Paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR) Under Section 15 of Criminal Asset Recovery Order and Section 47 of Anti-Terrorism Order (STR Guidance Paper)
- Signed an MoU with the Anti-Money Laundering Council (AMLC), the Financial Intelligence Unit of the Republic of the Philippines

2020

January

Issued a Guidance Paper to Financial Institutions on AML/CFT Transaction Monitoring Programme

April

Imposed a monetary penalty on a financial institution for non-compliance to AML/CFT obligations.

May

Submission of FATF Technical Compliance Questionnaire responses to APG

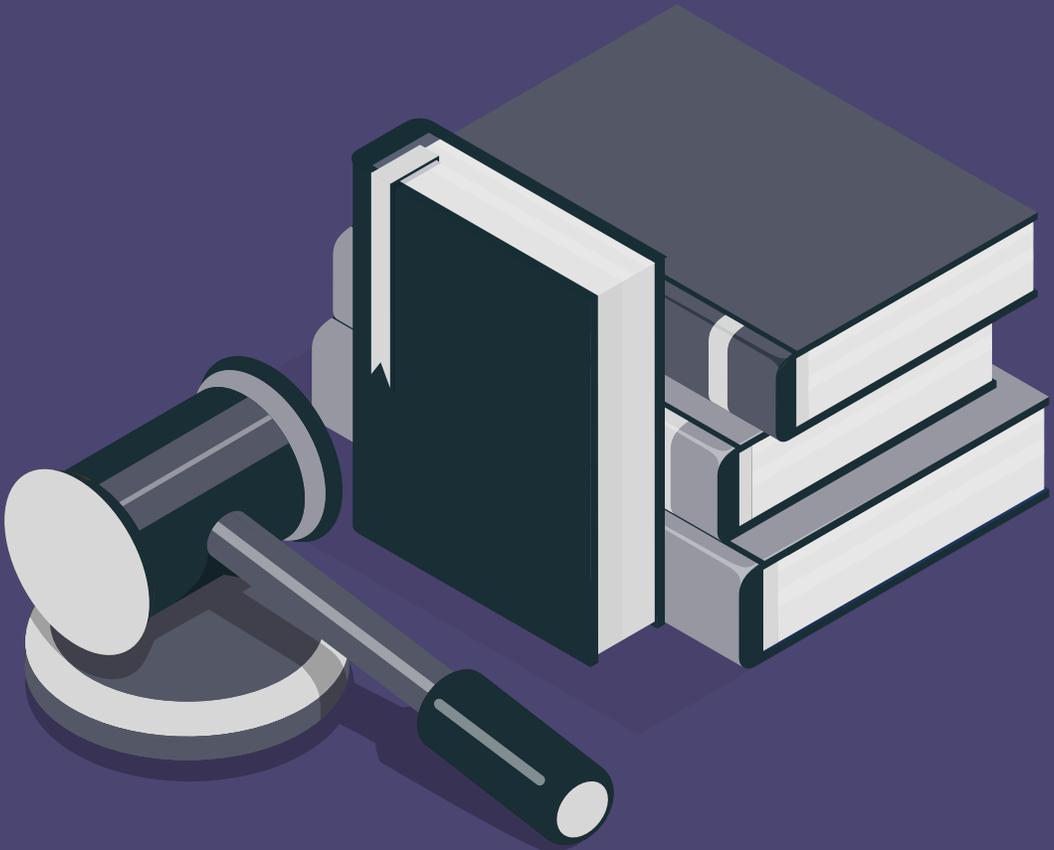
July

- Submission of FATF Effectiveness Questionnaire responses to APG
- Won Best Egmont Case Award (BECA) 2020

October

Imposed a monetary penalty on a financial institution for non-compliance to AML/CFT obligations.

Legal & Regulatory Framework



Legal & Regulatory Framework

Criminal Asset Recovery Order, 2012 (CARO)

The CARO was enacted on 16 June 2012 as the primary statute governing the AML/CFT regime in Brunei Darussalam, which criminalises money laundering under Section 3, CARO:

Section 3, CARO - Money laundering offences



Any person who commits the offence of money laundering and knows or has reasonable grounds to believe or suspect that it is derived or realised directly or indirectly from the commission of an unlawful activity or fails to take reasonable steps to ascertain whether or not the property is proceeds of crime, is liable on conviction to a fine not exceeding BND500,000, imprisonment for a term not exceeding 10 years or both, and in the case of a body corporate to a fine not exceeding BND1,000,000.



The CARO spells out the AML/CFT requirements for financial institutions and designated non financial businesses and professions to implement their obligations, which include:

- 1** Customer due diligence;
- 2** Appointment of designated compliance officer;
- 3** Internal reporting procedures;
- 4** Record keeping;
- 5** Measures to prevent tipping off; and
- 6** Submission of suspicious transaction reports (STRs) and cash transaction reports (CTRs).

Functions and powers of the FIU under the CARO include the following:



Receive STRs and CTRs from the reporting entities.



Analyse the STRs, CTRs, and Physical Currency and Bearer Negotiable Instruments (CBNI) reports.



Disseminate financial intelligence products to competent authorities.



Issue guidelines in relation to customer identification, record keeping and reporting obligations, and the identification of suspicious transactions.



Provide training programs for FIs and DNFBPs in relation to customer identification, record keeping and reporting obligations, and the identification of suspicious transactions.



Conduct research into trends and developments in the area of ML and TF and improved ways of detecting, preventing and deterring ML and TF activities.



Educate the public and creating awareness on matters relating to ML and TF.



Liaise with, and enter into any agreement with, any foreign government institution or agency, or any international organisation, regarding the exchange of information.

Amendments were made to CARO in April 2020, granting the BDCB powers to impose compounds for offences made under CARO or any regulations made thereunder.

Anti-Terrorism Order, 2011 (ATO)

The ATO was enacted on 18 July 2011 as the primary statute criminalising various terrorism financing offences in Brunei Darussalam under the following sections:

- **Section 4:** Provision or collection of property to commit terrorist acts, for terrorist group or terrorist.
- **Section 5:** Provision of services for commission of terrorist acts.
- **Section 6:** Use of property for commission of terrorist acts.
- **Section 7:** Arrangement for acquisition, retention or control of terrorist property.
- **Section 8:** Dealing with terrorist property.



Functions and powers of the FIU under the ATO include the following:

1



Receive, request, analyse and disseminate information concerning suspected proceeds of terrorist financing.

2



Order the suspension of a transaction for a period not exceeding 3 business days.

3



Issue directions or guidelines on the reporting of suspicious transactions.

4



Share information with any foreign counterpart agency that performs similar functions based upon reciprocity or mutual agreement on the basis of cooperation arrangements.

Anti-Terrorism (Terrorist Financing) Regulations, 2013 (TFR)

The TFR was issued on 8 December 2012 pursuant to section 70, ATO to implement the United Nations Security Council Resolutions (UNSCRs) 1988 (2011), 1267 (1999), 1989 (2011), 2253 (2015) and 1373 (2001).



The TFR requires every person in Brunei Darussalam and citizens of Brunei Darussalam outside of Brunei Darussalam to freeze without delay funds or other assets of, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any person or entity either (i) designated by the United Nations Security Council in accordance with Resolution 1267, 1988 and its successor Resolutions; or (ii) designated by Brunei Darussalam pursuant to Resolution 1373.

Under the TFR, FIs and DNFBPs are required to report to BDCB through the FIU if they suspect the following:

- A person is a designated person;
- A person is dealing or has dealt with property owned, held or controlled by a designated person; **or**
- A person is making or has made property or financial services available for the benefit of a designated person.

Brunei Darussalam Central Bank Order, 2010 (BDCB Order)

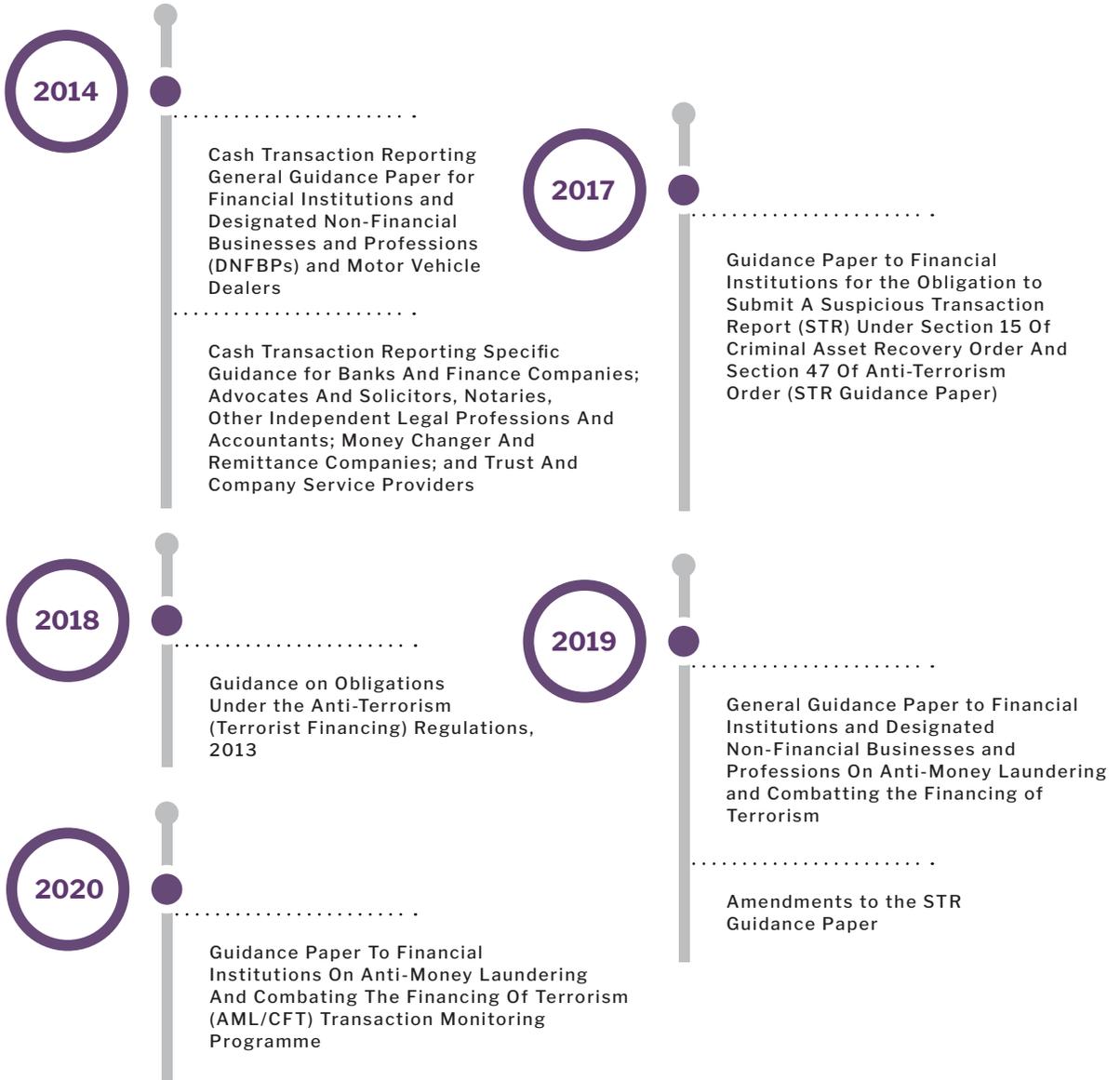
The BDCB Order was enacted on 14 December 2010 to establish and incorporate BDCB to act as the central bank of Brunei Darussalam, to formulate and implement monetary policy, to advise the Government on monetary arrangements, and to supervise financial institutions.

Section 34, BDCB Order grants BDCB the power to issue directions or make regulations for the prevention of ML or TF. Between 2018 and 2020, BDCB issued a total of 6 directions under Section 34, BDCB Order.



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Guidance Papers Issued by the FIU

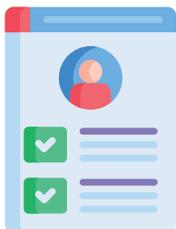


Guidance Paper to Financial Institutions on AML/CFT Transaction Monitoring Programme

This guidance paper was issued on 16 January 2020 to provide clarification and guidance to FIs on the expected overall AML/CFT transaction monitoring programme based on the size, complexity, and risk profile of the respective institutions, in line with the requirements of Part II of CARO.

Part II of CARO requires reporting entities to implement customer identification measures to prevent ML/TF, report suspicious transactions, and implement internal AML/CFT controls.

The key elements and expected outcomes of an effective AML/CFT transaction monitoring programme should enable FIs to detect and investigate ML/TF and help strengthen FIs' internal controls and ML/TF risk mitigation measures.



The TMS Guidance Paper consists of five parts, i.e.:

1. Know your customer / customer due diligence

Sets out the expectations for FIs to establish customers' known profiles or behaviours and categorise customers according to ML/TF risks, as a prerequisite for an effective AML/CFT transaction monitoring programme.

2. Identification and detection of suspicious and unusual transactions

- Sets out the minimum capabilities of AML/CFT transaction monitoring for FIs with different complexities, where less complex FIs with lower ML/TF risks may rely on transaction monitoring systems that are less automated.
- On the other hand, more complex FIs with higher ML/TF risks and large volumes and variances of transactions are expected to adopt automated transaction monitoring systems that are capable of automatically identifying, detecting and flagging up suspicious and unusual transactions.
- Describes the minimum criteria transaction monitoring system for parameters to be implemented to detect suspicious and unusual transactions.





3. Review of suspicious and unusual transactions

- Sets out the expectations for the review of alerts generated during AML/CFT transaction monitoring, including the skills of staff reviewing the alerts, and having written policies and procedures in place.
- Remind FIs to ensure their internal policies and controls prevent any staff from tipping off customers during the review of alerts generated.
- Sets out the expectations for FIs to ensure data confidentiality is protected.



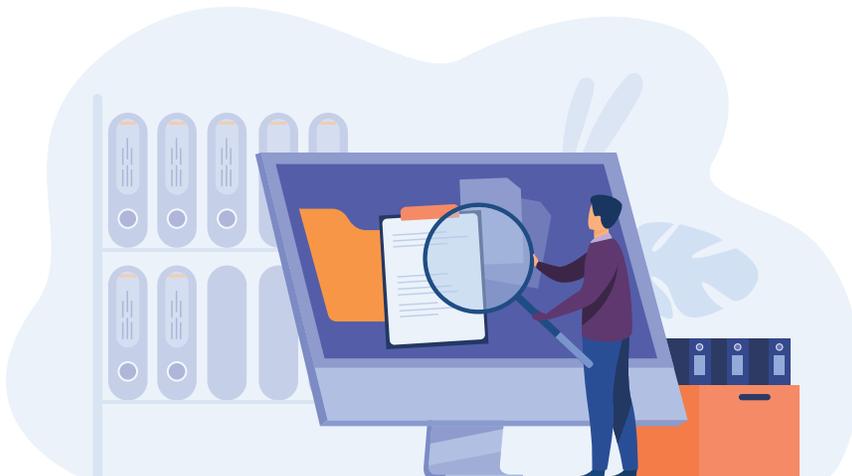
4. Quality assurance and system enhancement

Sets out the expectations for FIs to conduct quality assurance checks and enhancements of automated transaction monitoring systems on a periodic basis to ensure the effectiveness of the overall AML/CFT transaction monitoring programme.



5. Independent audit and oversight

- Sets out the expectations for FIs to conduct independent assessments to assess the effectiveness of the AML/CFT transaction monitoring programme to identify gaps and areas of improvements.
- Provides the expectation for the board of FIs to have oversight over the effective implementation and operation of the AML/CFT transaction monitoring programme.



NAMLC Secretariat



The National Anti-Money Laundering and Combating the Financing of Terrorism Committee

The National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC) serves as a mechanism for relevant domestic competent authorities to coordinate, implement and monitor the development and implementation of national AML/CFT initiatives.

As a strategic body, NAMLC formulates policies and provides advisory roles and strategic directions to relevant agencies. NAMLC directs working-level objectives to address operational issues and work closely with various stakeholders to maintain the integrity and robustness of the country's AML/CFT regime by exchanging information with law enforcement agencies, other competent authorities as well as FIs and DNFbps.

NAMLC is chaired by the Deputy Minister of Finance and Economy (Fiscal), and its members consist of:



Commissioner of Police, Royal Brunei Police Force (RBPF) as Deputy Co-Chair;



Director or Deputy Director or Assistant Director, Anti Corruption Bureau (ACB);



Managing Director, BDCB as Deputy Co-Chair;



Director or Deputy Director, Narcotics Control Bureau (NCB);



Deputy Managing Director (Regulatory and Supervision) or Assistant Managing Director (Regulatory and Supervision), BDCB;



Director or Deputy Director, Internal Security Department (ISD);



Director of Criminal Investigations, Criminal Investigations Department, RBPF;



Controller or Deputy Controller, Royal Customs and Excise Department (RCED);



Director of Criminal Intelligence, Department of Criminal Intelligence, RBPF;



Director or Deputy Director, Immigration and National Registration Department (INRD);



Assistant Solicitor General or Principal Counsel, Attorney General's Chambers (AGC);

The FIU acts as the Secretariat to the NAMLC. The following activities took place in 2020:

12 May

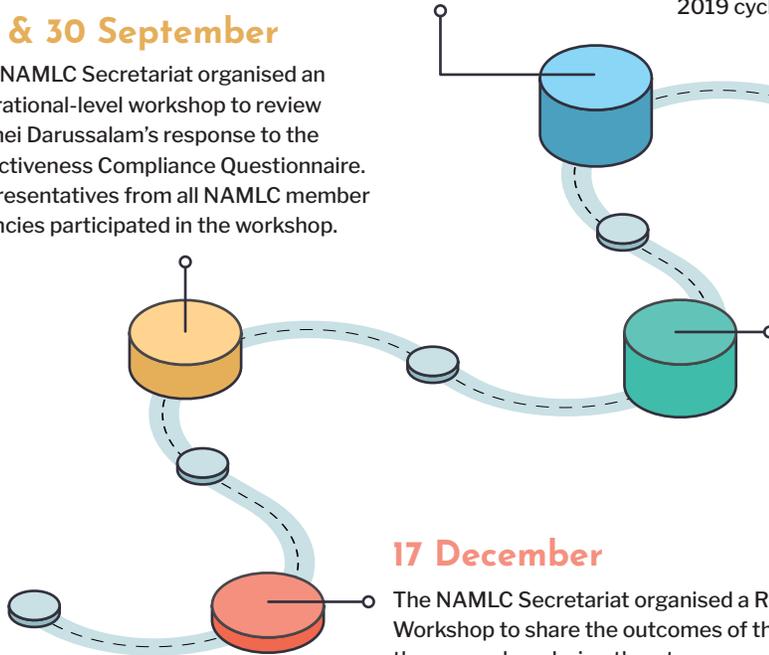
25th NAMLC meeting (virtual) reviewed the country's response to the APG Mutual Evaluation Technical Compliance Questionnaire.

22 January & 29 February

23rd and 24th NAMLC meeting - discussed the country's preparations for the APG Mutual Evaluation process as well as the developments of each agency in implementing the National Strategy on AML/CFT for the 2017 - 2019 cycle.

29 & 30 September

The NAMLC Secretariat organised an operational-level workshop to review Brunei Darussalam's response to the Effectiveness Compliance Questionnaire. Representatives from all NAMLC member agencies participated in the workshop.



27 August

26th NAMLC meeting - included a conference call between the Committee and an external AML/CFT consultancy firm to discuss on the ongoing progress made by Brunei Darussalam in its Mutual Evaluation process.

17 December

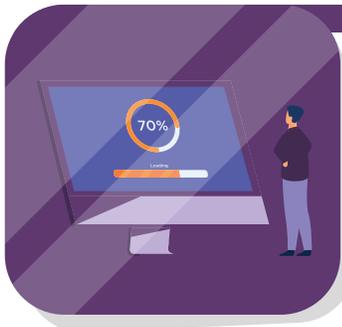
The NAMLC Secretariat organised a Risk Assessment Workshop to share the outcomes of the updates made to the money laundering threat assessment and terrorism financing risk assessment. The half-day workshop was attended by 38 participants consisting of representatives from NAMLC agencies and other domestic intelligence agencies.



APG Mutual Evaluation of Brunei Darussalam

The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organisation, where its members and observers are committed to the effective implementation and enforcement of the FATF Standards. Compliance to the FATF Recommendations is assessed through a mutual peer review system known as a Mutual Evaluation. The review is conducted by a number of experts drawn together from APG member jurisdictions specially trained and qualified in the FATF's assessment methodology.

The assessment methodology comprises two components:



The technical compliance assessment addresses the specific requirements of the FATF Recommendations, principally as they relate to the country's relevant legal and institutional framework, and the powers and procedures of the competent authorities. These represent the fundamental building blocks of an AML/CFT system.



The effectiveness assessment differs fundamentally from the assessment of technical compliance. It seeks to assess the adequacy of the implementation of the FATF Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is, therefore, on the extent to which the legal and institutional framework is producing the expected results.

Intelligence



2020 Achievements

Amount Reported in CTRs



Number of Cash Transaction Reports (CTRs) Received

6,508

Number of Suspicious Transaction Reports (STRs) Received

3,187

Request for Information (RFI) Received and Sent to Stakeholders

Received from Domestic Agencies:



196
495 persons and 42 entities

Received from International Counterparts:



1
2 persons and entities

Sent to International Counterparts:



1
2 person



No. of Intelligence Reports Disseminated

13

STR-Based

9

non-STR-based

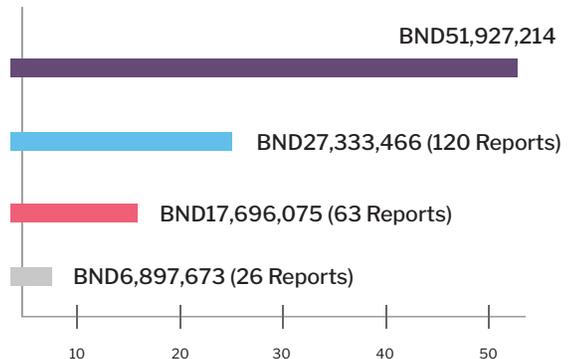
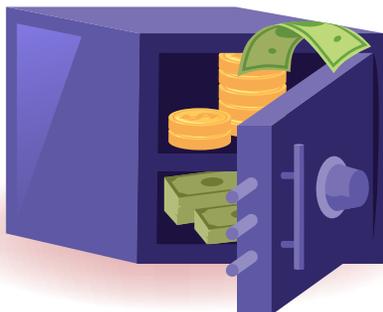
22

Total

Physical Currency or Bearer Negotiable Instruments (CBNI) Reports

No. of CBNI Reports Received

209



- Total Amount Reported in CBNI reports
- Reported Entering Brunei Darussalam
- Reported Exiting Brunei Darussalam
- Reported Transiting Through Brunei Darussalam

Best Egmont Case Award 2020

On 31 July 2020, the FIU of Brunei Darussalam was announced as the winner of the prestigious Best Egmont Case Award (BECA) 2020, a highly coveted achievement among the 164 members of the Egmont Group of FIUs ('Egmont Group').

This year marks the 10th year of the BECA competition, which received 24 cases from 19 members FIUs, where FIU Brunei Darussalam was chosen as a finalist with FIU Guatemala.

FIU Brunei Darussalam's submission related to the involvement in support of a trial involving criminal breach of trust and money laundering concluded in 2020. The case study demonstrated an investigation that benefited from the FIU's contribution through the provision of intelligence that added value to the investigation, extensive cooperation with domestic and international partners, the use of innovative techniques, and a successful outcome of the case – all of which are considered essential criteria for the Award.

BECA is an annual contest created in 2011 to recognize successful cases from which member-FIUs can learn and appreciate real-life examples of cases that have been successfully prosecuted. The 2020 BECA Competition showcased a diversity of ML/TF typologies. Topics featured included: drug trafficking, cybercrime, terrorism financing through human trafficking, Business Email Compromise scams, illegal trade in fauna and flora, and ML involving cryptocurrency and virtual assets.

This marks only the second time an FIU in Southeast Asia has won this international award, following the success of AMLC (FIU of the Philippines) in 2015.

EGMONT
GROUP



Report & Statistics

Suspicious Transaction Report (STR)



A Suspicious Transaction Report (STR) is filed whenever a transaction(s) or attempted transaction(s) is/are found with suspected involvement in a serious offence. A serious offence is an offence that is committed for which the penalty is not less than BND1,000. This includes offences of ML, associated predicate offences, and TF.

In 2020, the FIU received a total of 3,187 STRs, the highest number of STRs filed since reporting began in 2008. This significant increase can be attributed to reporting entities' improved monitoring and detection of suspicious activities related to predicate crimes.

Banks continue to be the most active reporting entities, accounting for 99% of the total STRs received in 2020. Submissions from the Banking sector increased from 2,063 in 2019 to 3,160 in 2020 (or by 53%), continuing the rising trend in numbers of STRs reported by banks over the past five years.

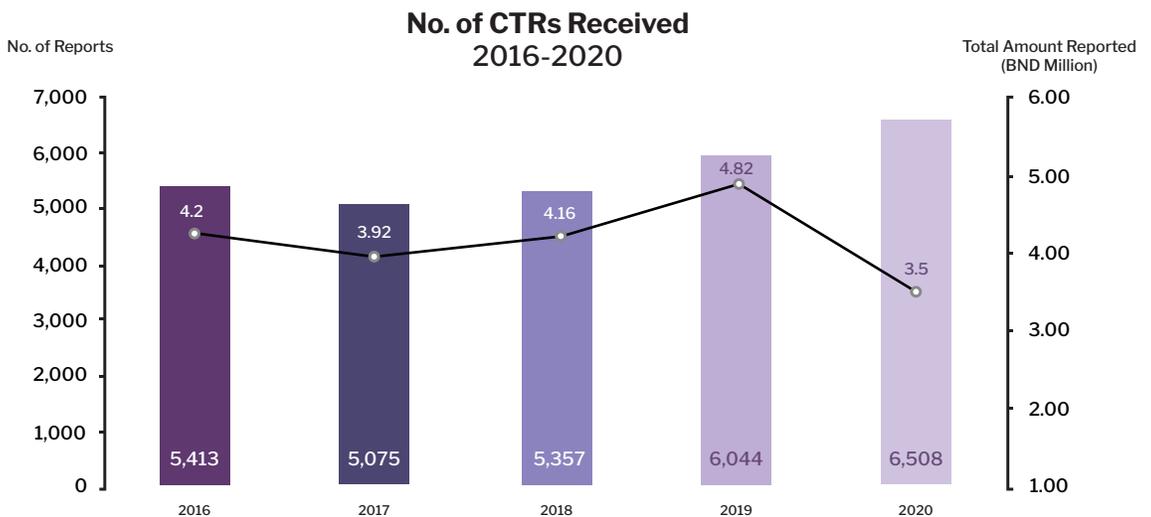
Table 1 details the STRs received from 2016 to 2020 classified by the categories of reporting entities.

Comparison of the Number of STRs received between 2016-2020

Table 1

Reporting Entities	2016	2017	2018	2019	2020
Bank	82	210	459	2,063	3,160
Finance Company	0	3	6	3	4
Insurance / Takaful Company	0	0	0	1	1
Money Changing Business	0	2	0	7	2
Remittance Business	1	3	2	7	20
Company Service Provider	0	1	0	0	0

Cash Transaction Report



A Cash Transaction Report (CTR) is filed on any cash transaction(s) amounting to BND15,000 or more, or the equivalent in a foreign currency within a day. The CTR requirement was first implemented in June 2014. CTRs are required to be submitted by FIs, DNFBPs, and dealers in high value goods (specifically motor vehicle dealers) directly to the FIU through the Integrated Financial Intelligence System (IFIS).

In 2020, the FIU received 6,508 CTRs from reporting entities, amounting to BND3.49 million and over 285 thousand transactions. From the CTRs received in 2020, 47% were submitted by banks, followed by remittance businesses at 34% and motor vehicle dealers at 10%. Following previously observed patterns, these sectors continue to report the majority of CTRs received over the years.

The total monetary value of CTRs received decreased from BND4.82 million in 2019 to BND3.50 million in 2020. This change can be attributed to the impacts of COVID-19 on the Bruneian economy and the safety measures introduced in Brunei Darussalam such as the closing of borders in March 2020.

Table 2 details the CTRs received from 2016 to 2020 classified by the categories of reporting entities.

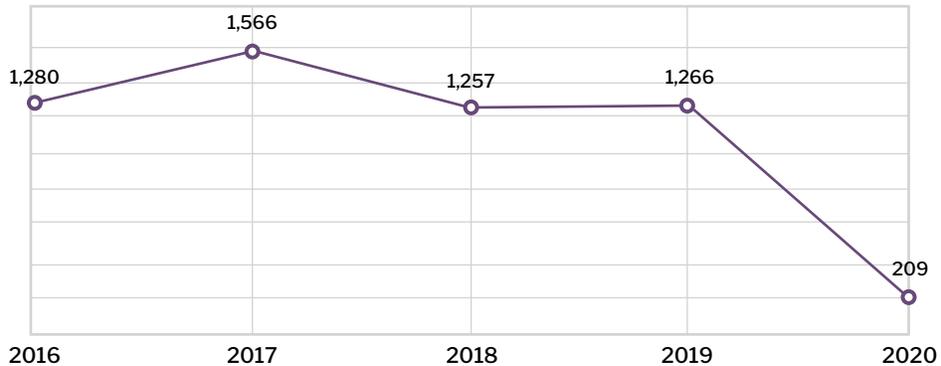
Comparison of the Number of CTRs received between 2016-2020

Table 2

Reporting Entities	2016	2017	2018	2019	2020
Advocates & Solicitors	6	10	12	9	6
Bank	3,791	3,538	3,236	3,493	3,071
Finance Company	212	194	221	215	438
Insurance / Takaful Company	30	29	29	36	24
Money Changing Business	220	180	185	330	116
Motor Vehicle Dealer	504	458	462	457	665
Real Estate Agent	0	0	0	1	0
Remittance Business	650	656	1,212	1,503	2,188
TOTAL	5,413	5,075	5,357	6,044	6,508

Physical Currency and Bearer Negotiable Instruments (CBNI) Report

Total No. of CBNI Reports Received 2016-2020



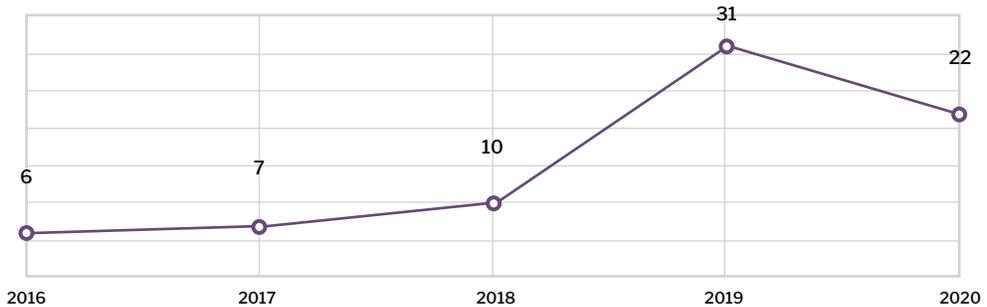
The CARO imposes measures for the disclosure of information regarding movements of Physical Currency and Bearer Negotiable Instruments (CBNI) into and out of Brunei Darussalam for the purposes of detecting, investigating, and prosecuting any offences involved under ML, associated predicate offences, and TF.

The CBNI reporting requirement was first implemented in August 2011. Any persons carrying BND15,000 or more, or the equivalent in foreign currency across Brunei Darussalam borders are required to submit a CBNI Report.

As of May 2018, the CBNI reporting requirement has been expanded to include any persons moving CBNI across Brunei borders amounting to BND15,000 or above by cargo, courier, postal service or any other means.

	2016	2017	2018	2019	2020
No. of Reports In	839	713	639	785	120
Total Amount (In) BND Millions	114.90	88.00	165.24	199.50	27.33
No. of Reports (Out)	441	343	256	481	63
Total Amount (Out) BND Millions	87.20	54.00	69.44	130.40	17.70

**No. of Intelligence Reports Disseminated
2016-2020**



Where there are suspicions of activity relating to ML, associated predicate offences, and TF, the FIU disseminates the results of its analysis to relevant authorities and stakeholders in the form of Intelligence Reports. These intelligence reports are based on analysis of STRs or other reports received by the FIU, such as CTRs and CBNI reports, as well as research or analysis of other sources of information available to the FIU. Intelligence reports aim to assist LEAs and intelligence agencies in the investigation of criminal activity.

A marked increase in the number of disseminations was observed in the past five years as the FIU strived to increase its output and produce more effective reports based on quality and timely analysis.

Data Management

Integrated Financial Intelligence System (IFIS)

The reports described above are received and stored through the IFIS.

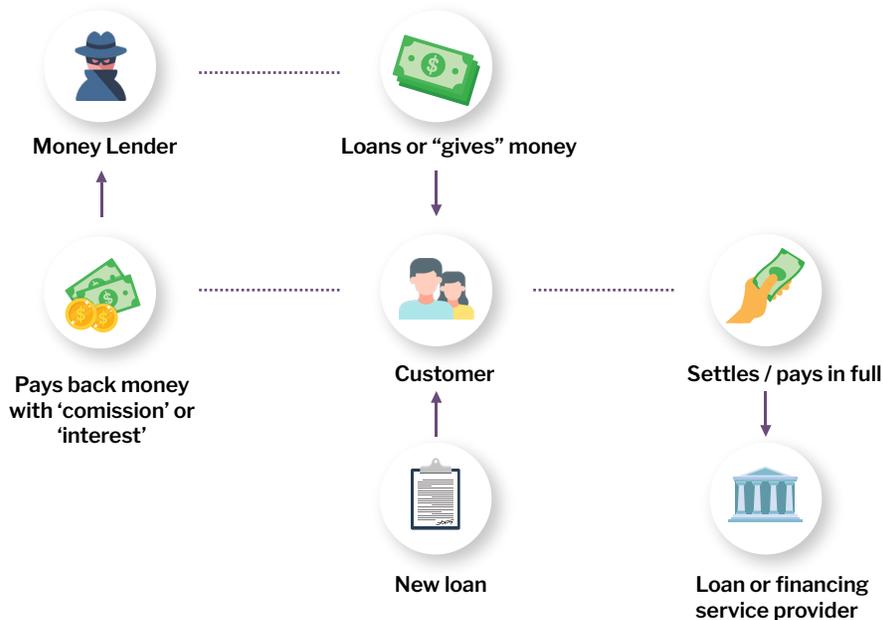
IFIS is a secure online reporting facility for the submission of reports to the FIU. The system is the main platform for receiving, analysing, and storing reports and information such as STRs, CTRs, CBNI reports, and RFIs.

IFIS utilizes the latest version of goAML, an Anti-Money Laundering system, developed by the United Nations Office on Drugs and Crime (UNODC). The goAML is equipped with the latest technology and secure network infrastructure, which provides a secure online communication platform between the FIU and reporting entities as well as stakeholders.



Typology: Unlicensed Money Lending

The FIU has observed a trend of activity that alludes to money lending without license, which is an offence under Section 8 of the Money Lenders Act Cap.62 and money laundering as an offence under Section 3 of the CARO, 2012. The modus operandi is depicted below:



- a. **Person X (Moneylender)** searches and identifies potential customers using social media, particularly Facebook. Person X may prey on other persons who have a need to purchase assets through obtaining a loan but are not able to, due to exceeding their Total Debt Service Ratio limit,
- b. **Person Y (Customer)** seeks **Person X's** help to settle their debt in order to obtain a larger financing or loan amount for any unspecified personal purposes.
- c. **Person X** provides **Person Y** with the money needed to settle their debt with the condition that **Person Y** obtain a new loan of an amount sufficient to repay **Person X** with a “commission fee” or “interest”.
- d. **Person X** may give the money to **Person Y** in the form of cash or electronic fund transfer.
- e. **Person X** may use another third party to perform the electronic fund transfer on their behalf.
- f. **Person Y** uses the funds to settle their loan in full.
- g. Soon after that, **Person Y** applies for a new loan of an amount larger than previously settled. The difference in amount includes the “commission” or “interest” to be paid to **Person X**.

International Cooperation

Egmont Working Group Meeting

The FIU attended the Egmont Working Group Meeting on 28 – 30 January 2020 in Balaclava, Mauritius. More than 300 participants representing Egmont Group members, international partners, and observers gathered for this event hosted by FIU-Mauritius. This is an annual meeting to discuss the challenges faced by FIUs in combating money laundering, associated predicate offences, and terrorist financing; especially in the areas of international cooperation, information sharing, and development of financial intelligence. In addition, the FIU attended two workshop sessions led by the Egmont Centre of Financial Intelligence Unit Excellence and Leadership (ECOFEL), which aimed at improving FIUs' operations.



Financial Intelligence Consultative Group (FICG)

The FICG is an information exchange platform intended to improve the understanding of key regional terrorism financing risks and strengthen collaboration on mutually agreed transnational crime priorities. As a member of the FICG, the FIU attended an FICG meeting via tele-conference on 19 May 2020 to discuss updates on current work streams and project plans amongst member countries. On 30 September 2020, the FIU attended an FICG meeting via video conference, which discussed updates on current work streams and progress on other initiatives.

On 9-10 December 2020, the FIU attended the FICG Intercessional Meeting via video conference, which was held to allow for decision making on strategic matters and set clear objectives for future work to combat terrorism financing and other serious financial crimes.

Capacity Building

OECD Investigative Techniques for the Cash Economy Programme

An FIU officer participated in the Organisation for Economic Cooperation and Development (OECD) Investigative Techniques for the Cash Economy (Specialty) Programme, a certification course offered by the OECD on 18 November 2020 by the Asia-Pacific Academy for Tax and Financial Crime Investigation. The course provided the opportunity for senior tax and financial crime investigators to share their experiences and techniques in tackling financial crime.

FATF Webinar on ML and IWT

FIU officers participated in a webinar on Money Laundering (ML), and Illegal Wildlife Trade (IWT) held on 27 July 2020 organised by the Financial Action Task Force (FATF). The webinar discussed the main ML trends linked to IWT, as well as practical examples of how the relevant authorities can tackle the issue. The panel consisted of representatives from national governments, the United for Wildlife Financial Taskforce, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the United Nations Office for Drugs and Crime (UNODC), and civil society.

FATF Webinars on the ML/TF risk landscape and detecting ML/TF threats and challenges caused by COVID-19

FIU officers attended a webinar on the impacts of the COVID-19 pandemic on AML/CFT risks held on 30 July 2020 hosted by the FATF. The panellists include representatives from Australia, Mexico, INTERPOL, and Europol. The following day a webinar was held on the Impact of COVID-19 on the detection of ML and TF. Experts representing different national financial intelligence units, regulators, and the private sector were among the panellists for the webinar.

Training on Anti-Money Laundering and Combating Financial Terrorism in Securities Markets

Two FIU officers enrolled in an online training course on AML/CFT in the Securities Market organised by the Brunei Institute of Leadership and Islamic Finance (BILIF) on 18 October 2020. The training aimed to explain the fundamentals of ML and TF in the securities sector as well as highlighting the vulnerabilities of the various securities products type.

AML/CFT Supervision





Issued the Guidance Paper to Financial Institutions on AML/CFT Transaction

Monitoring Programme in January 2020 to assist financial institutions in developing and implementing their transaction monitoring programmes and detection of unusual or suspicious transactions, in line with the requirements under Part II of CARO.



Updated the ML/TF Risk Matrix

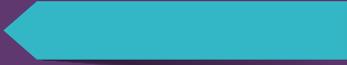
in March 2020 to identify priority areas for onsite and offsite examinations and review.



Completed onsite examinations on

three FIs to assess institutions' implementation of preventive measures as required under CARO, ATO and TFR, and provide recommendations to improve their overall level of compliance.

Highlights of 2020



Finalise the Risk-Based Supervision

Methodology in March 2020 which contains guidance and procedures for conducting risk-based AML/CFT supervision.



Issued ML/TF Risk Assessment

Questionnaires to three banks, four insurance companies and 18 remittance businesses as part of offsite monitoring to understand and identify any gaps or issues to be highlighted and rectified.



Application and imposition of sanctions

towards reporting entities to address issues of non-compliance to domestic regulatory requirements and ensure remedial actions are being implemented in reducing identified lapses in their AML/CFT framework.

Supervisory Activities and Enforcement Actions

The FIU ensures compliance with AML/CFT obligations through supervisory activities and enforcement actions such as onsite and offsite examinations and the issuance of supervisory letters and Directions.

	2017	2018	2019	2020
Supervisory activities				
No. of onsite examinations completed	1	20	3	3
Enforcement actions				
No. of Supervisory letters issued	7	10	45	17
No. of Directions issued	0	1	3	2
No. of Fines imposed	0	0	2	2

Supervisory letters issued in 2020 include matters relating to non-compliance with STR and CTR filing requirements under Sections 15 and 16, CARO respectively.

Enforcement Action Case Study: Non-compliance with CTR Filing Requirements

Between 2018 and 2020, the FIU has issued the following supervisory actions for non-compliance with the CTR filing requirements:

Actions Taken	2018	2019	2020
Supervisory letters	5	33	5
Directions	0	2	1
Fines	0	1	1

Reviews of CTRs submitted to the FIU identified non-compliance with CTR filing requirements present across the different FI sectors, in particular the banking and remittance sectors. The FIU issued supervisory letters to the institutions in question to seek clarification on the non-compliance with Section 16, CARO. The FIU saw an increase in the number of CTRs filed following the issuance of supervisory letters.

However, instances exist where supervisory letters to address non-compliance with CTR filing requirements have failed and Directions were issued by the FIU to address severe non-compliance with CTR filing requirements. Between 2019 and 2020, the FIU issued three directions pursuant to Section 34(1), AMBD Order, which resulted in the imposition of two penalties amounting to BND400,000 in total.

Outreach and Awareness

The FIU conducted the following activities in 2020 to assist reporting entities in their understanding of AML/CFT obligations as well as to enhance AML/CFT supervisory practices:

1. **Organised monthly clinic sessions with banks, money changing businesses, remittance businesses and insurance companies** from January until March 2020. Topics include identification and verification of customers and beneficial ownership information, terrorism financing and the implementation of targeted financial sanctions, enhanced due diligence measures, and transaction monitoring.



2. **Engagement with the Board of Valuers and Estate Agents** on 28 January 2020 to discuss AML/CFT supervision of real estate agents.

Capacity Building

i. Financial Action Task Force Virtual Supervisors' Forum

Three officers of the FIU attended the Financial Action Task Force (FATF) Virtual Supervisors' Forum, organised by the FATF Secretariat on 27 May 2020 held virtually via Zoom. Participants of the international forum consisted of officers and personnel from AML/CFT supervisory bodies of various countries, with panellists consisting of senior officers from World Bank and AML/CFT supervisory bodies of Spain, United Kingdom, and Ireland. The topics covered during the forum were the challenges for authorities to carry out supervision upon designated non-financial businesses and professions (DNFBPs) and the strategies for establishing a risk-based supervision.



ii. FinTech: Innovation in Payments and Settlements

Two FIU officers attended the Central Banking Training Cambridge Virtual Series on FinTech: Innovation in Payments and Settlements held on 30 September and 1 October 2020. The course explored the technological developments on payment systems and the impact on central banks and regulations, including studies on managing the risks arising from new payment methods. The training provided an opportunity to enhance knowledge on these topics and learn about the challenges faced by the public and private sectors. It is also designed to equip central bankers to meet these challenges.

iii. Anti – Money Laundering / Combatting the Financing of Terrorism: Implementing the Risk-Based Framework

An FIU officer attended the Central Banking Training Cambridge Virtual Series on Anti – Money Laundering / Combatting the Financing of Terrorism (AML/CFT): Implementing the Risk-Based Framework Settlements which was held on 30 September and 1 October 2020. The training included topics on conducting national money laundering and terrorism financing risk assessments, leveraging on regulatory technology to monitor, detect and tackle financial crime risks, and supervision technology to address the potential risks arising from virtual assets.



Acronyms

Acronym	Definition
ACB	Anti Corruption Bureau
AGC	Attorney General's Chambers
BDCB	Brunei Darussalam Central Bank
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of Southeast Asian Nations
ATO	Anti-Terrorism Order, 2011
AUSTRAC	Australian Transaction Reports and Analysis Centre
CARO	Criminal Asset Recovery Order, 2012
CBNI	Physical Currency and Bearer Negotiable Instruments
BILIF	Brunei Institute of Leadership and Islamic Finance
CTF	Counter Terrorism Financing
CTR	Cash Transaction Report
DNFBPs	Designated non-financial businesses and professions
FATF	Financial Action Task Force
FI	Financial Institution
FIAC	Financial Intelligence Analyst Course
FICG	Financial Intelligence Consultative Group
FIU	Financial Intelligence Unit
IFIS	Integrated Financial Intelligence System
INRD	Immigration and National Registration Department
ISD	Internal Security Department
IWT	Illegal Wildlife Trade
ML	Money Laundering
MOU	Memorandum of Understanding
NAMLC	National Anti-Money Laundering and Combating the Financing of Terrorism Committee
NCB	Narcotics Control Bureau
RBPF	Royal Brunei Police Force
RCED	Royal Customs and Excise Department
RFI	Request for Information
STR	Suspicious Transaction Report
TF	Terrorism Financing
TFR	Anti-Terrorism (Terrorist Financing) Regulations, 2013
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions

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