

Financial Intelligence Unit

Annual Report

2019



اوتوريٲي مونيتاري بروني دارالسلام
AUTORITI MONETARI BRUNEI DARUSSALAM

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Message from the Managing Director

Assalamualaikum Warahmatullahi Wabarakatuh

I am pleased to present the fourth publication of the Annual Report of the Financial Intelligence Unit (FIU), Autoriti Monetari Brunei Darussalam (AMBD) for the year 2019.

Brunei Darussalam continues to experience sizable growth of its financial sector, with the country being recognized as one of the top 10 performing Islamic finance markets in 2019. AMBD has contributed to this achievement by creating a robust regulatory landscape, in line with its goals in the Financial Sector Blueprint 2016-2025 in introducing a risk-based supervision framework for the regulation of financial institutions within Brunei Darussalam.

In 2019, the FIU has made considerable efforts in areas of financial intelligence and cooperation. Nationwide cooperation against money laundering and terrorism financing is personified through the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), with its ultimate goal in maintaining a robust anti-money laundering and combating the financing of terrorism (AML/CFT) regime.

In this regard, the country recorded its first high-profile case on criminal breach of trust and money laundering. I would like to take this opportunity to applaud the tremendous cooperation shown between the FIU and the domestic law enforcement agencies, as well as its foreign counterparts throughout the conduct of this case. This case has displayed the crucial role of information exchange and the substantial need for quality cooperation in realizing that financial crimes are not just a threat to the financial sector, but also to the overall security and integrity of the country.

The constantly evolving global landscape in the area of technology has undoubtedly carried with it unorthodox methods and means of executing businesses and payments. With new technology comes greater risk, and it is of vital importance

that the financial sector enhances its awareness and preparedness in understanding the new forms of risk brought about by financial technology. This will require further strengthening the AML/CFT compliance on the various financial institutions and companies introducing new financial technology into the ecosystem.

As the country is undertaking necessary preparations for the Mutual Evaluation that will take place in 2020, I am confident in the abilities of the FIU as the central agency to continuously facilitate and strengthen the capabilities of Brunei Darussalam in dealing with money laundering and terrorism financing. We look forward to the continued support from our partner agencies, domestic and international, in the fight against money laundering and the financing of terrorism.

Thank you.

HAJAH ROKIAH BINTI HAJI BADAR
Managing Director



Foreword by the Head of FIU

Assalamualaikum Warahmatullahi Wabarakatuh

It gives me great pleasure to present the fourth annual report of the FIU and share updates throughout 2019. A continuing trend which has been experienced over the past few years on suspicious transaction reports (STRs), in 2019 the FIU received a dramatic increase in the number of STRs. Other notable matters during this time were enhanced supervisory activities as well as a greater contribution to national efforts in preparation of the 3rd round Mutual Evaluation by the Asia/Pacific Group on Money Laundering.

A record total of 2,069 STRs were received by the FIU from all reporting entities in 2019. This number represents an exponential increase compared to the previous year – for scale, the figure for 2019 is almost twice the total number of STRs filed since reporting began in 2008. This sudden spike in reports indicates improved efficiency and quality of our reporting entities' ability to detect and prevent financial crimes. It also indicates that higher expectations will be placed on the FIU's capabilities to analyse the breadth of information received and produce actionable intelligence reports to initiate and guide money laundering investigations.

Of significance in 2019, a high-profile case relating to criminal breach of trust and money laundering in Brunei Darussalam demonstrates how intelligence exchange contributed to effective investigation and evidence collection including the importance of both domestic and international cooperation between the law enforcement agencies, reporting entities and prosecutors. Indicators identified from studying the modus operandi in this particular case is also outlined in this report, with hopes that this information will benefit our reporting entities in identifying patterns of suspicious activity.

The FIU's role as primary AML/CFT supervisor for all financial institutions and designated non-financial businesses and professions (DNFBPs) presents unique challenges

considering the sheer number of entities and the variegated nature of their activities. Despite these issues, this reporting year marked significant milestones for the FIU's supervisory function, including the issuance of a General Guidance Paper aimed to assist reporting entities with the implementation of their AML/CFT framework, conducting onsite examinations on 3 financial institutions, and imposing sanctions on reporting entities' non-compliance to regulatory requirements.

In anticipation of the upcoming Mutual Evaluation, the FIU remains steadfast in its role as primary coordinating agency. As the Secretariat to the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), the FIU has enhanced information exchange and domestic cooperation through discussions with the relevant law enforcement agencies on executing the action points within the National Strategy on AML/CFT for the year 2017 – 2019, which all leads to strengthening the foundation of a more robust AML/CFT regime.

The momentum of 2019 will be carried forward as the FIU undergoes further challenges in the year ahead.

HAJAH NURALIA BINTI HAJI ABD RAHIM
Head of FIU



About

Financial Intelligence Unit
& 2019 Achievements



Background

The Brunei Darussalam Financial Intelligence Unit (FIU) was first established in February 2007 under the Financial Institutions Division, Ministry of Finance. Subsequent to the establishment of the Autoriti Monetari Brunei Darussalam (AMBD), a statutory body that acts as the Central Bank of Brunei Darussalam on 1 January 2011, the FIU became a function under AMBD.

The Criminal Asset Recovery Order, 2012 (CARO), Anti-Terrorism Order, 2011 (ATO), and Anti-Terrorism (Terrorist Financing) Regulations, 2013 (ATF) prescribe the FIU a pivotal role in the fight against money laundering (ML), terrorist financing (TF), associated predicate offences and serious offences through the execution of its three primary functions:

Financial Intelligence

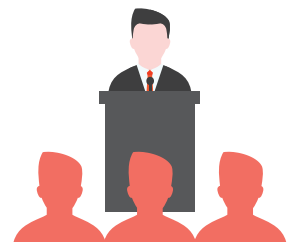
Section 30, CARO prescribes the FIU as the agency responsible for receiving, requesting, analysing and disseminating reports and information concerning ML/TF, suspected proceeds of crime and other serious offences. The financial intelligence and information produced by the FIU are disseminated to various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

NAMLC Secretariat

As the Secretariat to the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), the FIU actively monitors Brunei Darussalam's national compliance towards international anti-money laundering and combating the financing of terrorism (AML/CFT) standards outlined by the Financial Action Task Force (FATF) Recommendations.

AML/CFT Supervision

The FIU AML/CFT Supervision'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.



Mission & Vision

Mission

Obtain substantial level of effectiveness for AMBD related Immediate Outcomes in Brunei Darussalam's 2020 Mutual Evaluation.

Immediate Outcome 3: Supervisors appropriately supervise, monitor and regulate FIs and DNFBPs for compliance with AML/CFT requirements commensurate with their risks.

Immediate Outcome 4: FIs and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

Immediate Outcome 6: Financial intelligence and all other relevant information are appropriately used by competent authorities for ML/TF investigations.

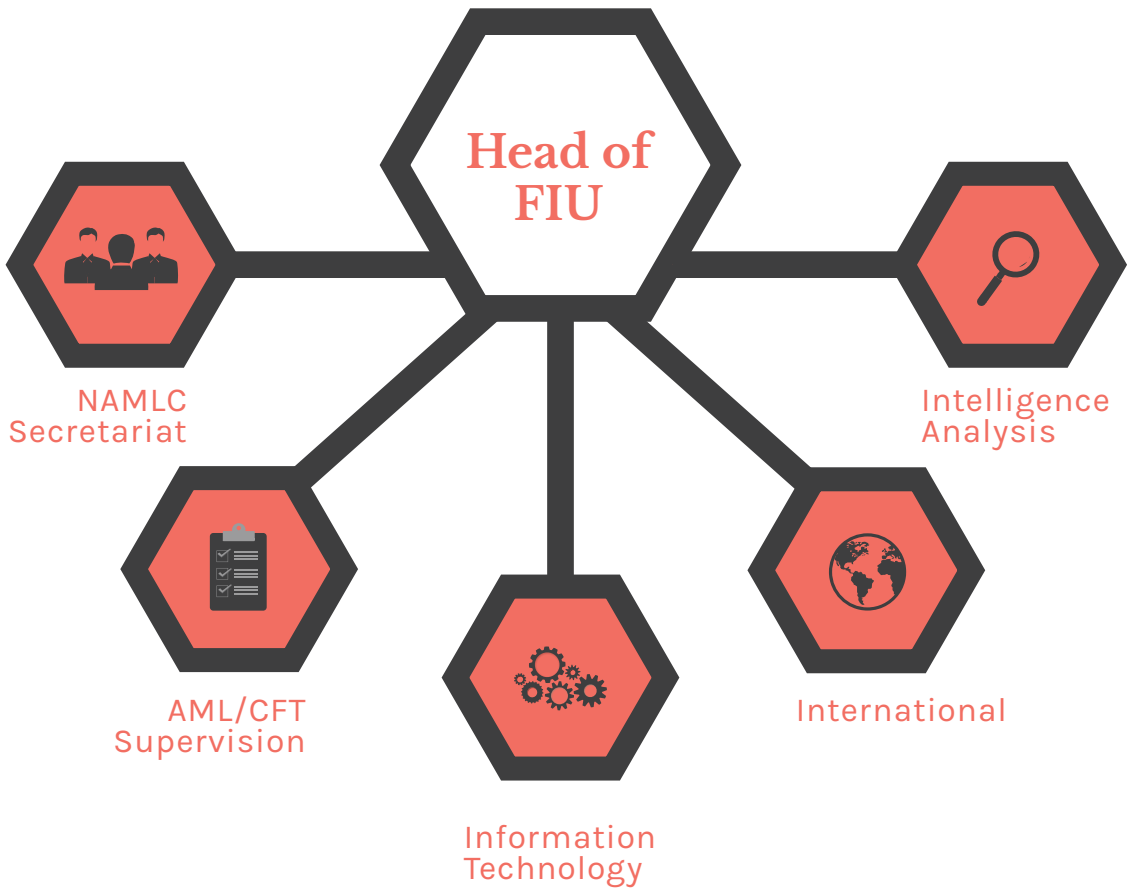
Immediate Outcome 11: Persons and entities involved in the proliferation of weapons of mass destruction (WMDs) are prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions (UNSCRs).

Vision

To be recognized as a reliable financial intelligence provider and partner in detecting financial crimes including ML, TF and financing of proliferation.



Organisational Structure



January-February

10 and 17 January

Clinic sessions on AML/CFT to money service businesses

15 and 28 January

Institutional ML/TF risk assessment of FIs and DNFBPs

March-April

4 March

Engagement with Regulatory and Supervision Department, AMBD

15 April

22nd National Anti-Money Laundering and Combating the Financing of Terrorism Committee Meeting

16 April

Issued a fine on a financial institution

May-June

27 May

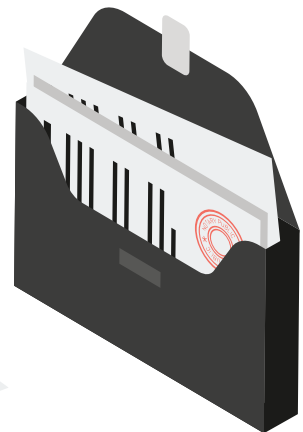
Completed an AML/CFT on-site examination on a bank

26 June

Completed risk assessment on cooperative societies

26 and 27 June

2 Officers obtained the ICA AML Certification



2019 Achievements

July- August

11 July

Issued General Guidance Paper to Financial Institutions and Designated Non-Financial Businesses and Professions on Anti-Money Laundering and Combating the Financing of Terrorism

24 July

Issued a fine on a financial institution

25 July

Conducted a briefing regarding the Asia/Pacific Group on Money Laundering Mutual Evaluation 2020

30 July and 1 August

Conducted a briefing regarding Physical Currency and Bearer Negotiable Instruments (CBNI)

September- October

16 September

Published the first FIU Bulletin for banks

20 September

Upgraded the Integrated Financial Intelligence System

7 - 11 October

Conducted Mock Mutual Evaluation on FIs and DNFBPs

November- December

11 - 14 November

Launched 3 projects as part of the Financial Intelligence Consultative Group,

- o Terrorism Financing Disruption Toolkit;
- o Regional Corruption Threat Assessment; and
- o Operational Guidance of Virtual Assets

13 November

Signed a Memorandum of Understanding with the Anti-Money Laundering Council, the Financial Intelligence Unit of the Republic of the Philippines

18 November

Completed an AML/CFT on-site examination on a bank

21 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

9 - 11 December

Hosted International Intelligence Fundamentals Course



Legal and Regulatory Framework and National Coordination



Legal and Regulatory Framework

Criminal Asset Recovery Order, 2012

The Criminal Asset Recovery Order, 2012 (CARO), was enacted on 16 June 2012. CARO is the primary statute governing the AML/CFT regime in Brunei Darussalam.

Penalty

Under Section 3, CARO, 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 \$500,000, imprisonment for a term not exceeding 10 years or both, and in the case of a body corporate to a fine not exceeding \$1,000,000.

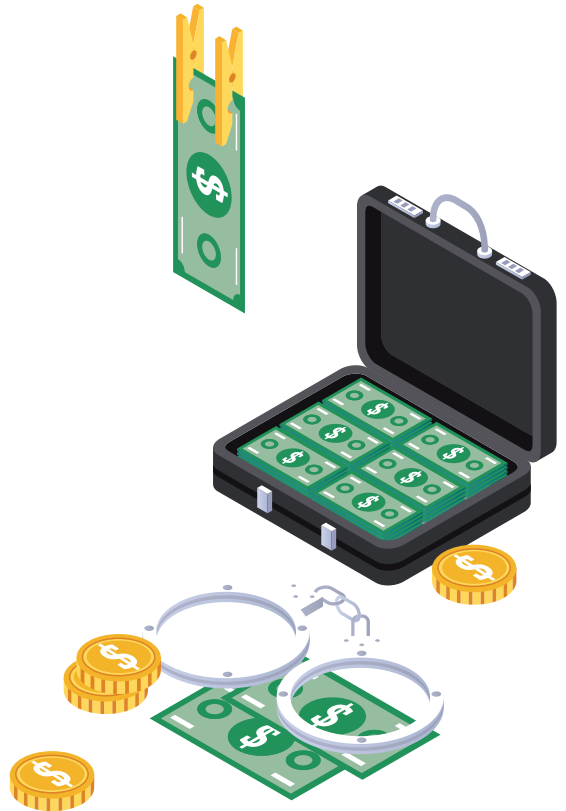
The legislation is applicable to a wide range of authorities and agencies relevant to AML/CFT.

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

1



Receive Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs) from reporting entities.



2



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

3



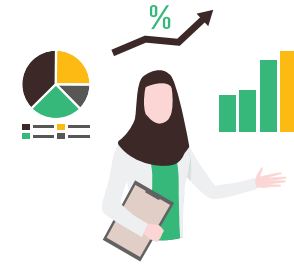
Disseminate financial intelligence products to competent authorities.

4



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

5



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

6



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.

7



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

8



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

Anti-Terrorism Order, 2011

The Anti-Terrorism Order, 2011 (ATO) was enacted on 18 July 2011. The ATO criminalises various TF offences in Sections 4 to 7:

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

Anti-Terrorism (Terrorist Financing) Regulations, 2013

The Anti-Terrorism (Terrorist Financing) Regulations, 2013 (ATF), became effective on 8 December 2012.

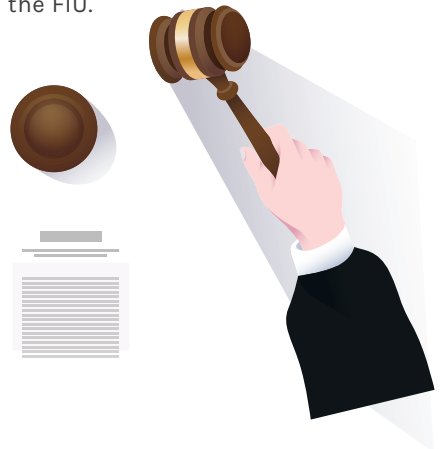
Under these regulations, FIs and DNFBPs are required to report to AMBD through the FIU if they suspect the following:

- 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.

PENALTY

Failure to comply with Sections 4 to 7 carries a penalty of a fine not exceeding \$5,000,000, imprisonment for a term not exceeding 30 years or both.

Under the ATO, the FIU has the power to receive STRs relating to terrorism and TF from FIs and DNFBPs whereby the ATO imposes a legal obligation on all FIs and DNFBPs to report suspicious transactions related to terrorism and TF to the FIU.



The ATF 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.

Autoriti Monetari Brunei Darussalam Order, 2010

The Autoriti Monetari Brunei Darussalam, 2010 (AMBD Order) was enacted on 14 December 2010. Section 34, AMBD Order grants AMBD the power to issue directions or make regulations for the prevention of money laundering or terrorism financing.



Guidance Papers Issued



2016

- Cash Transaction Reporting General Guidance Paper for Financial Institutions and Designated Non-Financial Businesses and Professions (DNFBPs) and Motor Vehicle Dealers
- Cash Transaction Reporting Specific Guidance for Banks And Finance Companies; Advocates And Solicitors, Notaries, Other Independent Legal Professions And Accountants; Money Changer And Remittance Companies; and Trust And Company Service Providers



2017

- 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)
- Guidance on Implementation of United Nations Security Council Resolutions (UNSCRs)



2018

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



2019

- General Guidance Paper to Financial Institutions and Designated Non-Financial Businesses and Professions On Anti-Money Laundering and Combatting the Financing of Terrorism (General Guidance Paper)
- Amendments to the STR Guidance Paper

General Guidance Paper

The General Guidance Paper was issued on 11 July 2019 to assist reporting entities with the development and implementation of their AML/CFT programme in line with 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 contents of AML/CFT Programmes required by CARO are provided for in 5 main sections of the General Guidance Paper:

- **AML/CFT Programme Framework**
 - Sets out the expected governance structure, standards of compliance officers, policies and procedures, and independent AML/CFT audits.
- **Risk Assessment Methodology**
 - Provides the different types of risks to assist reporting entities with identifying and analysing ML/TF risks and apply control measures that are commensurate with the identified risks.
- **Customer Due Diligence and Monitoring**
 - Sets out the minimum measures to be adopted for the identification and verification customers, including beneficial owners; and conditions for the reliance of intermediaries and third parties for customer identification.
 - Provides the expectations on monitoring and ongoing due diligence.
- **High Risk Customers**
 - Sets out measures to identify high risk customers and politically exposed persons.
- **Record Keeping**
 - Sets out the expectations for retaining and retrieving records.



Amendments to the STR Guidance Paper

Amendments to the STR Guidance Paper was issued on 21 November 2019 to provide further clarification to reporting entities on their obligations to report suspicious transactions to the FIU. The amendments included:

- Clarification on the time taken to verify suspicious transactions before reporting to the FIU, and
- The sharing of private or sensitive information by a financial institution in Brunei Darussalam that is a branch or subsidiary of a foreign company with its compliance function located overseas.

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 to work closely with various stakeholders to maintain the integrity and robustness of the country's AML/CFT regime by exchanging information with law enforcement agents, other competent authorities as well as FIs and DNFBPs.

NAMLC is chaired by the Deputy Minister of Finance and Economy, and 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, AMBD 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), AMBD;
- 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); and
- 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 22nd NAMLC meeting was held on 15 April 2019. The meeting discussed each agencies' progress in fulfilling the objectives of the National Strategy on AML/CFT (2017 – 2019), as well as the outcome of the review of FATF Compliance which was conducted in December 2018, ahead of the 2020 Mutual Evaluation.

Analysis and Intelligence



2019 Achievements

Amount Reported in CTRs

\$ 4.82 Bil

Number of Cash Transaction Reports (CTRs) Received

6,044

Number of Suspicious Transaction Reports (STRs) Received

2,069

Number of Physical Currency and Bearer Negotiable Instruments (CBNI) Report Received:

1,266



Request for Information (RFI) Received and Sent to Stakeholders:

Received from Domestic Agencies:

206

(685 Person & Entities)

Received from International Counterparts:

04

(17 Person & Entities)

Sent to International Counterparts:

08

(11 Person & Entities)

No. of Intelligence Reports Disseminated

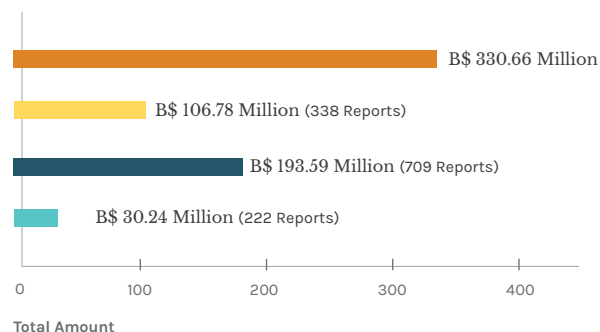
5 | 32 = 37

Based on STR

Not Based on STR

Total

2019



Total Amount

● Total Amount Reported in CBNI Reports

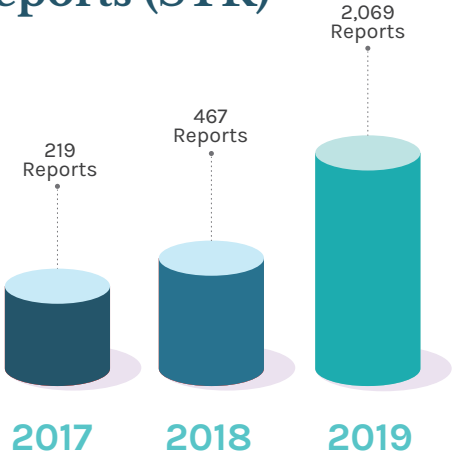
● Reported Exiting Brunei Darussalam

● Reported Entering Brunei Darussalam

● Reported Transit through Brunei Darussalam

Report Statistics and Trends

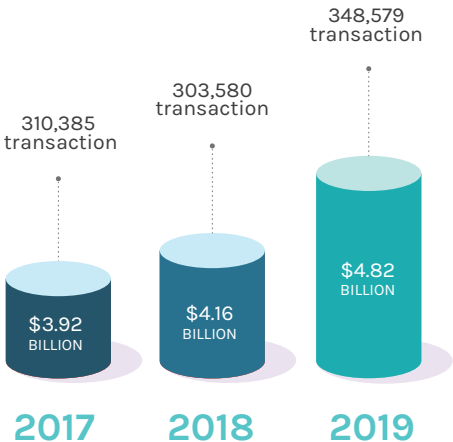
Suspicious Transaction Reports (STR)



An 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 any offence that is committed for which the penalty is not less than BND1,000 or a more severe penalty. This includes offences of ML, TF and other serious offences

In 2019, the FIU received the highest number of STRs filed since reporting began in 2008. The increase can be attributed to a rise in the number of reports filed by local banks that have improved their monitoring and detection of suspicious activities related to predicate crimes.

Cash Transaction Reports (CTR)



A CTR is made 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 submitted by FIs, DNFBPs and motor vehicle dealers who are registered as reporting entities. CTRs are submitted directly to the FIU through the Integrated Financial Intelligence System (IFIS).

Physical Currency and Bearer Negotiable Instruments (CBNI) Report

The Criminal Asset Recovery Order, 2012 (CARO) imposes measures for the disclosure of information regarding movements of CBNI into and out of Brunei Darussalam for the purposes of detecting, investigating, and prosecuting any offence involved under ML and related offences.

The CBNI Reporting requirement was first implemented in August 2011. A CBNI report is filed by a person carrying BND15,000 or more, or the equivalent in foreign currency across Brunei Darussalam borders.



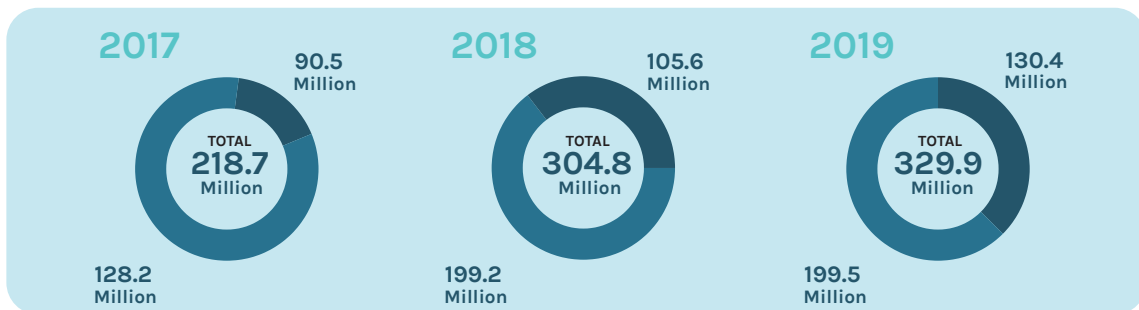
When travelling inward bound, the report is submitted to an officer at the Customs Control Post.

When travelling outward bound, the report is submitted to an officer at the Immigration Control Post.

Number of Reports



Value of Currency Declared (BND Million)



PENALTY

Failure to submit a CBNI declaration is an offence under CARO. If convicted, a person is liable to a fine not exceeding BND50,000 or imprisonment for a term not exceeding 3 years or both.

Case Study

Criminal Breach of Trust and Money Laundering

BACKGROUND

Two judicial officers faced 40 charges for offences of criminal breach of trust by a public servant under Section 409 of the Penal Code, Cap 22; money laundering (ML) under Section 3, CARO; and possession of unexplained property under Section 12(1)(b), Prevention of Corruption Act, Cap 131.

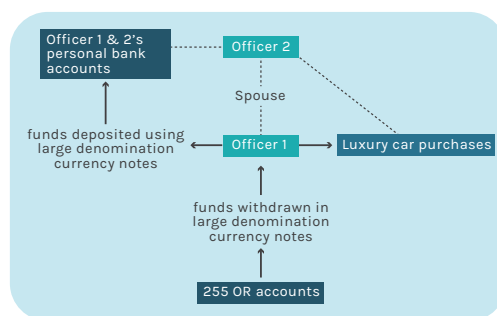
The investigation into the matter found that the married couple used their authority to unlawfully obtain funds from 255 Judgement Debtors' Official Receiver (OR) accounts between 2004 and 2017. More than BND15.7 million was embezzled and used to purchase at least 21 luxury cars and at least 456 high-value assets such as watches, handbags, accessories and shoes.

Intelligence provided by the FIU enabled investigators to determine that a portion of the funds withdrawn from these OR accounts were deposited in their personal savings accounts and withdrawn using BND10,000 notes. Serial number tracing proved useful in determining that the two judicial officers also used the BND10,000 notes withdrawn from the OR accounts to purchase luxury vehicles at several car dealers in the country.

Intelligence cooperation with several key partners overseas also confirmed that some of the proceeds of crime that were transferred to overseas accounts were used to pay rental fees on luxury accommodations and vehicles while the two judicial officers and their family were abroad.

On 15 January 2020, the two judicial officers were convicted of the charges and thereafter sentenced to 5 years and 10 years imprisonment. The judicial officers were given the opportunity to appeal this sentence.

The prosecution has applied for a restraining order under Section 49(1), CARO, over properties seized by the ACB during their investigations, as well as for the judicial officers to pay prosecution costs of a total of BND1.5 million within 6 months or otherwise face additional imprisonment. The High Court granted the prosecution's application on 27 February 2020.



RED FLAG INDICATORS

- Withdrawal of funds in cash from a bank, sometimes using large denomination notes including the BND10,000 notes.
- Large cash deposits are then made to their personal or joint savings accounts at other banks of unclear origin.
- Large cash deposits are conducted through the counter or cash deposit machine (CDM).
- Deposits from CDMs are conducted at an unusual hour (such as, close to midnight), to avoid being noticed by the bank's counters.
- Car purchases are paid in cash, including BND10,000 notes.
- Credit card debt is paid in cash

Management of Information



Integrated Financial Intelligence System (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, AML 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 its reporting entities and stakeholders.

The FIU upgraded its IFIS to the latest version in September 2019 with the onsite assistance of a representative from the UNODC. A refresher course on the latest version of IFIS was also delivered during the onsite visit which was attended by the FIU and the AMBD IT Infrastructure team.

To date, 111 financial intelligence units have engaged with UNODC among which 49 have already deployed goAML.



Members of the FIU with a UNODC representative
24 September 2019

International Cooperation



Memorandum of Understanding (MOU)

On 13 November 2019, the FIU signed an MoU with the Anti-Money Laundering Council, the Financial Intelligence Unit of the Republic of the Philippines during the Counter-Terrorism Financing Summit in Manila, Republic of the Philippines. The MoU allows for the exchange of financial intelligence that may assist in the investigation and prosecution of persons suspected of ML and TF. This marks the strong commitment of both agencies in the global fight against ML and TF.



MoU signing between FIU and Financial Intelligence Unit of the Republic of the Philippines
13 November 2019

Asia/Pacific Group on Money Laundering (APG)

On 18 - 23 August 2019, a Brunei Darussalam delegation consisting of representatives from the FIU, as the NAMLC Secretariat, and Attorney General's Chambers (AGC) attended the 22nd APG Annual Meeting and Technical Assistance Forum, which was held in Canberra, Australia. The APG Annual Meeting discussed and adopted the Mutual Evaluation reports of China, Hong Kong, Pakistan, Solomon Islands, The Philippines, and Chinese Taipei.



APG 22nd Annual Meeting
18 - 23 August 2019

Egmont Group of Financial Intelligence Units

On 28 - 30 January 2019, the Head of FIU and an officer from the FIU attended the Egmont Group Meeting in Jakarta, Indonesia. The Egmont Group is a global network of 155 financial intelligence units collaborating to foster and improve international cooperation, provide a platform for the secure exchange of information related to combating ML/TF and foster the implementation of domestic programs in the field of AML/CFT.

More than 300 participants, representing Egmont Group members, international partners, and observers, gathered for this event hosted by Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK - the FIU of Indonesia). The event aimed to accomplish the Egmont Group's mission of development, cooperation, and sharing of expertise on financial intelligence.



Egmont Group Meeting
28 - 30 January 2019

Counter Terrorism Financing Summit

On 11 – 14 November 2019, the Head of FIU and two officers from the FIU attended the 5th Counter Terrorism Financing Summit in Manila, Philippines. The Summit saw keynote speeches including from the Minister of Finance Indonesia, as well as panel sessions on topics related to AML/CFT, serious crimes, technological innovation, and public-private partnerships. The Summit also launched several projects that the FIU, AMBD as a member of the Financial Intelligence Consultative Group (FICG), joined and contributed to:

- 1. Terrorism Financing Disruption Toolkit**
– to identify ways to disrupt terrorist financiers by exploring participant countries’ counter-terrorism financing capabilities and information sharing principles.
- 2. Regional Corruption Threat Assessment**
– a threat assessment conducted based on input from participating FICG members to identify corruption typologies and possible regional counter-measures to tackle it.
- 3. Operational Guidance of Virtual Assets**
– a project that surveys the regulatory landscapes of virtual assets and virtual asset providers in the Southeast Asia, Australia and New Zealand region, to produce a comprehensive operational guidance on dealing with virtual assets and its providers.

A member of the FIU had also participated in one of the panel sessions whereby a presentation was given on the FIU, AMBD’s experience during the Multilateral Analyst Hubbing that took place in Kuala Lumpur, Malaysia on 29 April – 3 May 2019.



FIU delegation at the 5th CTF Summit
11 - 14 November 2019



A member of the FIU as a panel at the 5th CTF Summit
11 - 14 November 2019

Financial Intelligence Consultative Group (FICG) Regional Face to Face Meeting

In 2019, the FIU attended two FICG Regional Face to Face Meetings on 15 – 17 April 2019 in Perth, Australia, and on 5 – 8 August 2019 in Langkawi, Malaysia. The meetings allowed participating member countries to collaborate on regional projects related to money laundering and terrorism financing, and to facilitate preparations for the 5th Regional CTF Summit.



FICG Face to Face Meeting in Perth, Australia
15 – 17 April 2019



FICG Face to Face Meeting in Langkawi, Malaysia
5 – 8 August 2019

“No Money for Terror” Ministerial Conference On Counter-Terrorism Financing



‘No Money for Terror’ Ministerial Conference on
Counter-Terrorism Financing
7 – 8 November 2019

On 7 – 8 November 2019, more than 65 delegations including 23 Ministers, representatives from international bodies such as the United Nations, FATF and FATF-Style Regional Bodies, as well as representatives from the private sector met in Melbourne, Australia, for the ‘No Money for Terror’ Ministerial Conference on Counter-Terrorism Financing.

The Brunei Darussalam delegation was led by the Commissioner of Police as the Deputy Co-Chair of the NAMLC, and consisted of NAMLC Secretariat members including the Executive Director of the FIU, and a representative from the National Security Committee Secretariat.

The Conference assessed the evolving global and Indo-Pacific threat environment; built understanding of the key terrorism financing risks, trends and methods; and highlighted best practice from across the globe, between regions and across the public and private sector.

AML/CFT Supervision



AML/CFT Supervision

The AML/CFT Supervision function was set up under the FIU in July 2017 to streamline the supervision of reporting entities in ensuring compliance towards AML/CFT obligations, in line with the FATF Recommendations. Reporting entities consist of FIs and DNFBPs, as prescribed under Section 2, CARO.

The Immediate Outcome 3 provides the foundation of AML/CFT supervision:

1. Supervisors' understanding and identification of ML/TF risks.
2. Remedial actions and effective, proportionate, and dissuasive sanctions.
3. Promoting a clear understanding of AML/CFT obligations and ML/TF risks.
4. Risk-based supervision of compliance with AML/CFT requirements.
5. Impact of supervisory actions on compliance.

Highlights of AML/CFT Supervision 2019

1



Issued General Guidance Paper to Financial Institutions and Designated Non-Financial Businesses and Professions on Anti-Money Laundering and Combating the Financing of Terrorism to assist reporting entities with the implementation of their AML/CFT framework.

2



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 to provide further clarification to reporting entities.

3



Implementation and application of sanctions

to ensure reporting entities implement remedial actions to address deficiencies in their AML/CFT framework and to address non-compliance to regulatory requirements.

4



Institutional ML/TF risk assessment of the FIs and DNFBPs

to identify the ML/TF risks of each sector and the institutions within them.

5



Onsite examination on 3 FIs

to assess and provide recommendations to improve the overall level of compliance towards AML/CFT obligations.

6



Briefing on the APG Mutual Evaluation 2020

to prepare the reporting entities for the upcoming Mutual Evaluation in 2020.

7



Organised focus group sessions with selected institutions

to assist institutions with improving their overall AML/CFT compliance, and to prepare the selected institutions for the Mock Assessment organised by the FIU, AMBD as part of the preparation for the upcoming Mutual Evaluation in 2020.

8

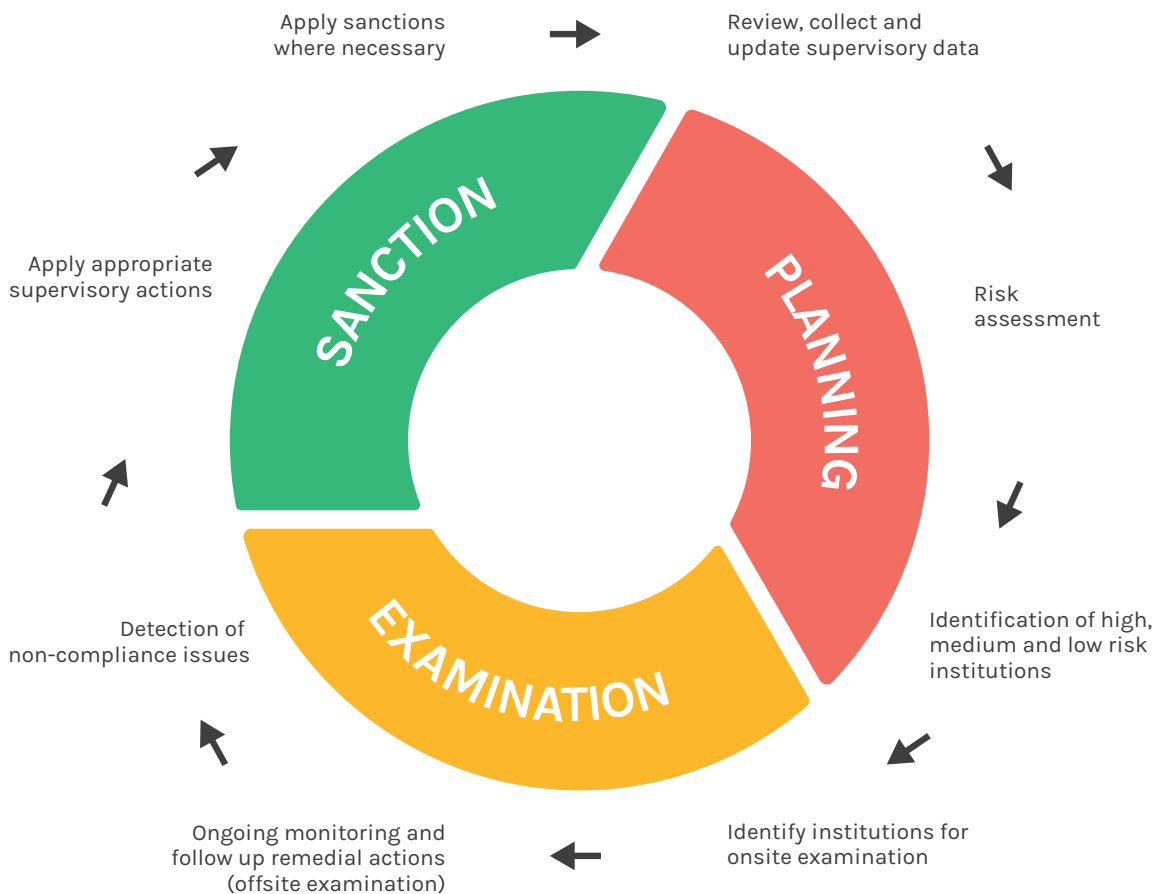


Introduced the institutional ML/TF risk assessment for FinTech companies

as part of offsite monitoring to understand the Fintech companies and to assist the companies with identifying any gaps or issues to address.

Risk-Based Supervision

AML/CFT supervision is conducted on a risk-based approach focusing on higher risks institutions to allow for better allocation of resources towards higher risk institutions. This is conducted based on a supervision cycle involving 3 main processes:



Planning

The institutional-level risks of the reporting entities derived from the sectoral risk score calculated in the Brunei Darussalam National Risk Assessment on Money Laundering And Terrorism Financing Report (NRA) 2016 and data collected from AMBD prudential regulators, institutional ML/TF risk assessments and any existing data allow the FIU to rank each sector and the institutions within them according to their level of ML/TF risks. Institutions with the higher ML and TF risks are selected for onsite examinations.

Examination

Onsite and offsite examinations are conducted on reporting entities to identify gaps and deficiencies, and to assess reporting entities' compliance towards AML/CFT regulatory obligations. In 2019, the FIU conducted 3 onsite examinations identified as high risk institutions, which included institutions from the banking and insurance sectors, to:

1. Assess the institution's overall compliance towards Brunei Darussalam's AML/CFT legal requirements under CARO, ATO and ATF;
2. Assess the adequacy and effectiveness of the institution's policies, procedures and internal controls in addressing the risks associated with ML and TF;
3. Detect and record deficiencies in the institution's implementation of AML/CFT measures; and
4. Provide recommendations on how the AML/CFT measures could be strengthened.

Onsite examination reports are issued after inspection on the institutions are completed, which contains the deficiencies identified and recommended remedial actions agreed by both the FIU and institutions inspected. Ongoing monitoring on the recommended actions are conducted to ensure reporting entities implement such actions effectively and in a timely manner.

Statistic of Onsite Examinations Conducted by FIU		
2017	2018	2019
1	20*	3

* includes thematic onsite examinations on the remittance sector.

Sanction

With the issuance of guidance papers and outreach and awareness conducted, the FIU expects FIs and DNFBPs to improve their level of compliance. Through ongoing monitoring and supervision of the reporting entities, the FIU is able to detect and identify deficiencies and non-compliance in the reporting entities' AML/CFT systems and processes to ensure:

1. Reporting entities effectively implement actions to address deficiencies and non-compliance to regulatory requirements;
2. Application of appropriate remedial actions and effective, proportionate, and dissuasive sanctions; and
3. Safeguarding of the financial system from potentially being abused by criminals for ML/TF.

04 AML/CFT Supervision

The FIU applies the following supervisory actions to address reporting entities' AML/CFT deficiencies:

- 1. Supervisory letters** to seek clarification, as well as to serve as an initial warning of non-compliance or AML/CFT deficiencies, and to remind reporting entities of regulatory obligations.
- 2. Directions** to serve as a final warning before regulatory actions are taken for deficiencies in reporting entities' AML/CFT framework and vulnerabilities to abuse for ML/TF and other financial crimes.
- 3. Fines** as a penalty for failing to comply with regulatory requirements or directions issued.

Statistic Of Supervisory of the FIU			
YEAR	2017	2018	2019
Supervisory Letters Issued	7	10*	45
Direction Issued	0	1	3
Fines Issued	0	0	2

* Figures have been updated to include reminder letters and letters requesting actions taken by reporting entities to address the recommendations made by the FIU.

The most common non-compliance observed in 2019 was related to failure to submit CTRs as required under Section 16, CARO, which resulted in the issuance of 2 directions and 1 fine; and weaknesses in transaction monitoring system, which resulted in the issuance of 1 direction and 1 fine. Other non-compliance involved deficiencies in AML/CFT framework, and failure to submit STRs.

Outreach and Awareness

In 2019, a number of outreach and awareness initiatives were conducted by the FIU:

- To improve reporting entities' understanding of AML/CFT obligations;
- As preparation for the Mutual Evaluation in 2020, a mock assessment was organised by the FIU; and
- Engagement with stakeholders to better understand the different FIs and DNFBPs sectors and discuss areas of cooperation.

Statistic of outreach conducted by FIU		
2017	2018	2019
4	1	34

Engagement with Stakeholders

The FIU collaborates with the relevant AMBD prudential supervisors to collect data required to understand the scale and complexity of the different sectors and institutions within them; share supervisory/regulatory information; and prepare the supervisors for the upcoming Mutual Evaluation in 2020.

Additionally, the FIU engaged with members of the Law Society of Brunei Darussalam, Brunei Darussalam Institute of Certified Public Accountants (BICPA), Brunei Automobiles Traders Association (BATA) to discuss areas of cooperation and to better understand the risks and existing regulations that applicable to each of the sectors.

FIU Capacity Building



FIU Capacity Building

Mobile Defence Intelligence Research and Analysis Course



Mobile Defence Intelligence Research and Analysis Course (MDIRAC),
15 – 26 April 2019

A member of the FIU attended the Mobile Defence Intelligence Research and Analysis Course (MDIRAC) hosted by the Directorate of Intelligence, Ministry of Defence from 15 – 26 April 2019. Delivered by instructors from the Defence Force School of Intelligence, Australian Army, the two-week course is designed to provide intelligence analysts with an introduction to a variety of analytical tools and techniques.

International Monetary Fund (IMF): Implementing AML/CFT Standards



**COURSE ON IMPLEMENTING
THE INTERNATIONAL AML-CFT STANDARDS
JUNE 3 – 7, 2019
SINGAPORE**



International AML/CFT Standards
3 – 7 June 2019

The IMF Singapore Regional Training Institute organized a course on Implementing the International AML/CFT Standards, which a member of the FIU attended on 3 – 7 June 2019 in Singapore. This course, presented by the IMF Legal Department, is designed to build the capacities of officials tasked with implementing the FATF international standards on AML/CFT. Incorporated into the course are both practical exercises and in-depth discussions of how to implement selected aspects of the FATF 40 Recommendations and Immediate Outcomes.

International Compliance Association: Certificate in Anti-Money Laundering



ICA: Certificate in Anti-Money Laundering
25 - 26 June 2019

A member of the FIU provided a briefing on the AML/CFT regime in Brunei Darussalam during the International Compliance Association (ICA) Certificate in Anti-Money Laundering, hosted by the Centre for Islamic Banking, Finance and Management (CIBFM) in partnership with the International Compliance Training Academy from 25 - 26 June 2019. Two officers from the FIU attended the course, which provided basic knowledge in implementing measures to combat ML and TF, and received the ICA Certificate.

Business Writing Skills Workshop



Business Writing Skills Workshop
3 - 4 July 2019

A member of the FIU attended the Business Writing Skills workshop hosted by CIBFM on 3 - 4 July 2019. The workshop takes participants through each step of business writing process, from understanding the why; to gathering information; to writing and proofreading; through to creating the final deliverable version.

United Nations Office on Drugs and Crime (UNODC) Cryptocurrencies Conference: 2nd Southeast Asia Cryptocurrencies Working Group Meeting

A member of the FIU joined the AMBD delegation in attending the UNODC Cryptocurrencies Conference in Singapore on 14 – 16 August 2019. The meeting is in line with the work carried out by the UNODC in the Southeast Asia region in combating financial crime and cybercrimes, specifically on the effective regulation of cryptocurrencies. Panellists from various government agencies of other participating countries, as well as private corporations and companies provided insight into the legal and regulatory measures adopted in regulating the financial activities surrounding cryptocurrency.

Financial Intelligence Analysis Course



An officer from the FIU participated in the Regional Financial Intelligence Analyst Course (FIAC) organised by the AUSTRAC that was held on 26 August – 6 September 2019 in Singapore. The course aims to build financial intelligence skills and capabilities in the Association of Southeast Asian Nations (ASEAN) region, as well as to provide expert insights into ML/TF threats.

Regional FIAC
26 August – 6 September 2019

Compliance and Transparency Week Conference



Compliance and Transparency Week Conference
23 – 27 September 2019

Two FIU officers attended the Compliance and Transparency Week Conference organised by the British High Commission in Singapore that was held on 23 – 27 September 2019 in Singapore. The conference saw representatives from the government, finance and technology sectors presenting on AML, anti-bribery and corruption, tax evasion, RegTech, sanctions and terrorism financing, as well as other emerging threats and opportunities related to financial crime.

International Intelligence Fundamentals Course



The Executive Director of FIU delivering welcoming remarks
9 - 11 December 2019



Intelligence Fundamentals Course
9 - 11 December 2019

The FIU hosted the International Intelligence Fundamentals Course, which was conducted by AUSTRAC on 9 - 11 December 2019 at the Radisson Hotel, Bandar Seri Begawan, Brunei Darussalam. The course is based on international best practice and provides participants with a sound understanding of intelligence and intelligence led processes and methodologies. Through a combination of theory and practical exercises, participants developed their knowledge and skills on intelligence planning, collection, analytic and communication techniques. The course was attended by officers from the FIU and law enforcement agencies.

Information Operations Course

An officer from the FIU participated in the Information Operations Course that was jointly hosted by the Royal Brunei Armed Forces (RBAF) and the Australia Defence Forces on 16 - 20 December 2019. The course aimed to provide an understanding of Information Operations and its role in multinational operations, strategic planning for Military Operations Other Than War and small scale contingencies. The course also saw presentations on Australia's own experience in conducting Information Operations exercises.



Information Operations Course
16 - 20 December 2019

Acronyms

Acronym	Definition
ACB	Anti Corruption Bureau
AGC	Attorney General's Chambers
AMBD	Autoriti Monetari Brunei Darussalam
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of Southeast Asian Nations
ATF	Anti-Terrorism (Terrorist Financing) Regulations, 2013
ATO	Anti-Terrorism Order, 2011
AUSTRAC	Australian Transaction Reports and Analysis Centre
BATA	Brunei Automobiles Trades Association
BICPA	Brunei Darussalam Institute of Certified Public Accountants
CARO	Criminal Asset Recovery Order, 2012
CBNI	Physical Currency and Bearer Negotiable Instruments
CDM	Cash Deposit Machine
CIBFM	Centre for Islamic Banking, Finance and Management
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
ICA	International Compliance Association
IFIS	Integrated Financial Intelligence System
IMF	International Monetary Fund
INRD	Immigration and National Registration Department
ISD	Internal Security Department
MDIRAC	Mobile Defence Intelligence Research and Analysis Course
ML	Money Laundering
MOU	Memorandum of Understanding
NAMLC	National Anti-Money Laundering and Combating the Financing of Terrorism Committee
NCB	Narcotics Control Bureau
OR	Official Receiver
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan
RBAF	Royal Brunei Armed Force
RBPF	Royal Brunei Police Force
RCED	Royal Customs and Excise Department
RFI	Request for Information
STR	Suspicious Transaction Report
TF	Terrorism Financing
UNODC	United Nations Office on Drugs and Crime
UNSCRs	United Nations Security Council Resolutions

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