

# Annual Report



**Financial  
Intelligence Unit**

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# MESSAGE FROM THE MANAGING DIRECTOR OF AMBD



**YUSOF HJ ABDUL RAHMAN**  
Managing Director

Assalamualaikum Warahmatullahi Wabarakatuh

It is with great pleasure that I present the 2018 Annual Report of the Financial Intelligence Unit (FIU), Autoriti Monetari Brunei Darussalam (AMBD), the third publication since its inaugural launch in 2016.

Globally, 2018 saw a concerning number of prominent banks penalised for deficiencies in their AML regimes, exposing trends of lax oversight in banks' monitoring and reporting of suspicious activity. By failing to comply with standard Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) obligations, these banks have enabled illicit financial flows worldwide with approximately hundreds of millions of dollars laundered for years.

Compliance failures have detrimental consequences to the financial system as a whole and requires increased efforts from regulators to address its effects. Recognising the potential threats posed, FIU strives to fulfil its duties in safeguarding against any threats of money laundering and terrorism financing (ML/TF) through its numerous functions.

As ML/TF crimes are becoming increasingly sophisticated and transnational, effective combat of ML/TF will require close cooperation and exchange of information between countries. Currently, Brunei Darussalam is an active member of international bodies, such as the Asia/Pacific Group on Money Laundering (APG), the Egmont Working Group, and the Financial Intelligence Consultative Group (FICG). Domestically, the FIU continues to invest in the maintenance and expansion of collaboration with agencies of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), ultimately working towards maintaining a robust AML/CFT regime and ensuring financial stability.

My sincerest appreciation goes to the esteemed Government of His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam, as it is due to their strong values of creative and visionary leadership that FIU has been able to navigate challenges and embrace new opportunities for progress.

The global economic environment remains ever-changing and susceptible to new developments of ML/TF methods but I am certain that the FIU will continue to expand their capabilities and expertise while practicing dedicated vigilance in the combat against ML and TF. Recognising these developing threats of ML/TF, the FIU strives to bolster its supervisory roles and capacity as set out in The Financial Sector Blueprint (2016-2025) while ensuring that Brunei Darussalam remains compliant to the international standards set out by the Financial Action Task Force (FATF).

Finally, I hope this report would prove useful for its readers and provide better understanding of the FIU's roles and functions.

Thank you.

# FOREWORD BY HEAD OF FIU



**HJH NURALIA BINTI ABDUL RAHIM**  
Head of FIU

Assalamualaikum Warahmatullahi Wabarakatuh

2018 was an intensive year for the FIU, marked by increased commitments to countering Money Laundering and Terrorism Financing ML/TF, and other financial crimes in Brunei Darussalam. Significantly, the FIU bolstered its efforts in ensuring that all agencies of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee are adequately familiarised with the 2020 Mutual Evaluation process to address any current gaps in Anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. In 2018, the FIU hosted the APG Regional Pre-Mutual Evaluation Training Workshop for APG member countries that will undergo the Mutual Evaluation process (2018-2020), which was attended by agencies from the NAMLC, as well as various government representatives from the Asia-Pacific region.

As the lead AML/CFT supervisor for financial institutions (FIs) and a spectrum of professional and business sectors, collectively referred to as Designated Non-Financial Businesses and Professions (DNFBPs), the FIU has a responsibility to ensure that all entities under its purview remain compliant to AML/CFT obligations. Supervision of these sectors present unique challenges considering their varying size and nature of activities as well as their inherent vulnerabilities to ML and TF crimes.

However, the FIU's AML/CFT Supervision function continues to adapt to new challenges and develop its capacity to effectively carry out its responsibilities. In 2018, a risk-based approach supervision framework was adopted to allow for more focused supervision and better allocation of resources towards higher risk institutions. Supervisory actions were also taken against reporting entities for AML/CFT non-compliance, iterating our commitment towards upholding the integrity of Brunei Darussalam's financial system.

Subsequently, with the foundations for sound AML/CFT reporting established, the FIU has received an explosive growth of data which requires a refocusing of its priorities. Following previous patterns, the number of reports received has almost doubled from 2017 and trends show that it will only continue to rise with the development of new automations and technologies in AML/CFT reporting. The FIU's main Analysis function supplements this development with considerable efforts made to generate quality insights of rising trends, while serving as a basis for relevant authorities to pursue investigations through disseminations of intelligence.

As ML/TF crimes are transnational in nature, it is imperative that close cooperation between international counterparts continue to thrive in order to generate the most effective measures to combat against such crimes. Therefore, the FIU has every intention of engaging its international partners in exploring avenues for deeper collaboration and knowledge sharing, to better facilitate the achievement of its mandates. In 2018, the FIU signed two Memorandums of Understanding (MoU) with the Suspicious Transaction Reporting Office, Commercial Affairs Department, Singapore Police Force (STRO), and the Anti-Money Laundering Intelligence Office, National Coordination Committee for Anti-Money Laundering and Counter-Financing of Terrorism of Laos (AMLIO) to enable the sharing of intelligence related to ML and TF crimes. Moving forward, the FIU strives to remain vigilant in its responsibilities and enhance its capacity to confront any new challenges in the horizon.

In closing, I invite you to read this Annual Report with the hope that its contents would be of benefit to its readers and encourage a deeper understanding of the FIU's duties and functions.

Thank you.



**ABOUT THE  
FINANCIAL INTELLIGENCE UNIT**



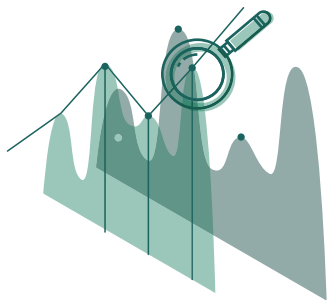
# FINANCIAL INTELLIGENCE UNIT

## BACKGROUND

The FIU was first established in February 2007 under the Financial Institutions Division, Ministry of Finance, and was subsequently absorbed on 1<sup>st</sup> January 2011 by the Autoriti Monetari Brunei Darussalam (AMBD), a statutory body that acts as the central bank of Brunei Darussalam.

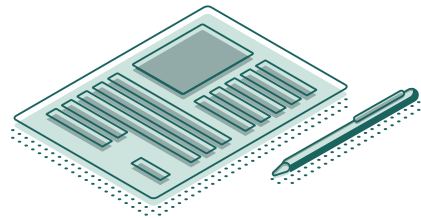
The Criminal Asset Recovery Order, 2012 (CARO), Anti-Terrorism Order, 2011 (ATO), and Anti-Terrorism (Terrorist Financing) Regulations, 2013 (TF Regulations) prescribe the FIU a pivotal role in the fight against money laundering and terrorist financing (ML/TF), associated predicate offences and serious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

## 1. FINANCIAL INTELLIGENCE



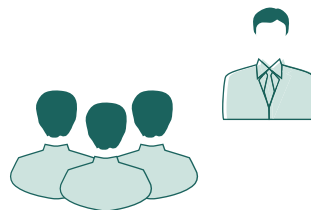
Section 30, CARO prescribes the FIU as the agency responsible for receiving, requesting, analysing and disseminating reports and information concerning ML/TF, suspected proceeds of crime and other serious offences. The financial intelligence and information produced by the FIU are disseminated to various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

## 2. 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 AML/CFT standards outlined by the Financial Action Task Force (FATF) Recommendations.

## 3. AML/CFT SUPERVISION



The FIU AML/CFT Supervision 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.

# VISION

To be recognised as a reliable financial intelligence provider and partner in detecting financial crimes including ML/TF and financing of proliferation of weapons of mass destruction (WMDs).



# 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.

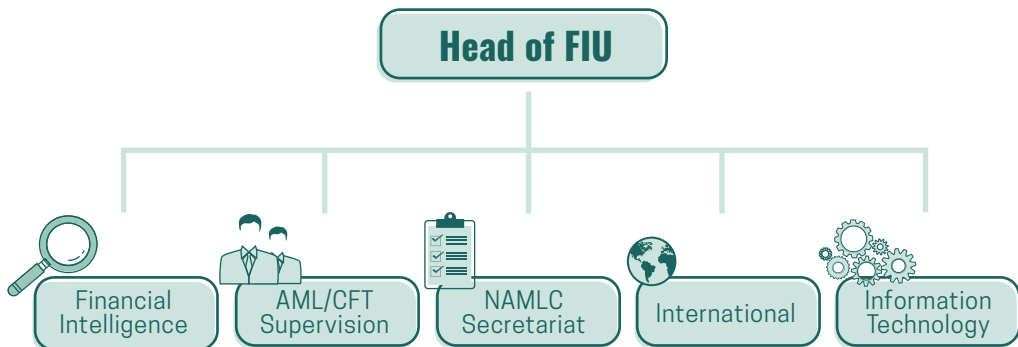
**Immediate Outcome 4:** FIs and DNFBPs adequately apply AML/CFT preventive measures commensurate with their risks, and report suspicious transactions.

**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 WMDs are prevented from raising, moving and using funds, consistent with the relevant United Nations Security Council Resolutions.



# ORGANISATIONAL STRUCTURE





# 2018 ACHIEVEMENTS

**6<sup>TH</sup> - 7<sup>TH</sup>  
FEBRUARY**

2 officers obtained the ICA AML Certification

**12<sup>TH</sup> -14<sup>TH</sup>  
FEBRUARY**

Hosted APG Pre-Mutual Evaluation Workshop

**23<sup>RD</sup> - 28<sup>TH</sup>  
MARCH**

Participated in the ASEAN-Australia Special Summit Codeathon

**31<sup>ST</sup> JULY**

20<sup>th</sup> National Anti-Money Laundering Committee Meeting

**25<sup>TH</sup> JULY**

Signed Memorandum of Understanding with the Anti-Money Laundering Intelligence Office, National Coordination Committee for Anti-Money Laundering & Counter-Financing of Terrorism of the Lao People's Democratic Republic

**20<sup>TH</sup> MAY**

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

**6<sup>TH</sup> - 8<sup>TH</sup>  
AUGUST**

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

**27<sup>TH</sup> AUGUST -  
7<sup>TH</sup> SEPTEMBER**

Hosted Financial Intelligence Analyst Course

**1<sup>ST</sup> OCTOBER**

Upgraded the Integrated Financial Intelligence System

**11<sup>TH</sup> - 14<sup>TH</sup>  
DECEMBER**

Mock Mutual Evaluation Assessment on public sector

**4<sup>TH</sup> DECEMBER**

Organised AML/CFT and IFIS Refresher Course for the remittance sector

**1<sup>ST</sup> DECEMBER**

Issued FIU Annual Report 2017

## 8<sup>TH</sup> MAY

Approval of the Guidance on Implementation of United Nations Security Council Resolutions (UNSCRs) Relating to Terrorism and Terrorist Financing by the National Security Council



## 12<sup>TH</sup> MAY

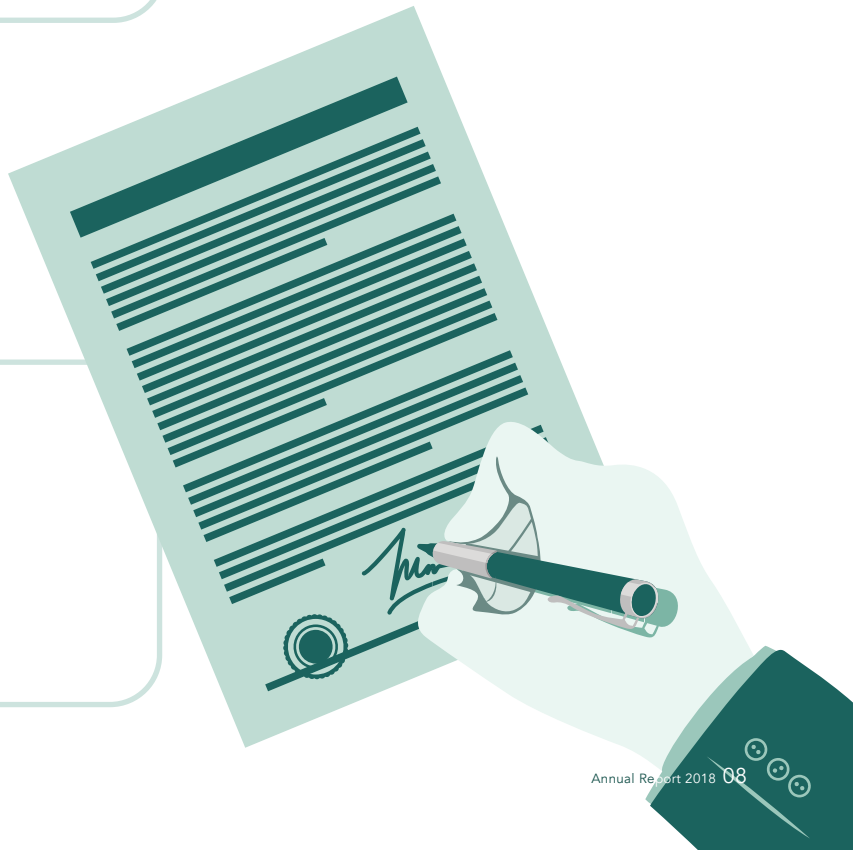
Signed Memorandum of Understanding with Suspicious Transaction Reporting Office, Commercial Affairs Department, Singapore Police Force, Singapore

## 31<sup>ST</sup> OCTOBER

21st National Anti-Money Laundering Committee Meeting

## 5<sup>TH</sup> - 8<sup>TH</sup> NOVEMBER

Launched Non-Profit Organisations Red Flags Indicator Reports with Australian Transaction Reports and Analysis Centre and Pusat Pelaporan dan Analisis Transaksi Keuangan (CTF Annual Summit)





**ANTI-MONEY LAUNDERING AND  
COMBATING THE FINANCING OF  
TERRORISM (AML/CFT) REGIME IN  
BRUNEI DARUSSALAM**



# LEGAL AND REGULATORY FRAMEWORK

## CRIMINAL ASSET RECOVERY ORDER, 2012

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



### PENALTY

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 B\$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 B\$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:

	Receive Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs) from reporting entities and Physical Currency and Bearer Negotiable Instrument (CBNI) reports from the public or businesses
	Analyse the STRs, CTRs, and CBNI reports
	Disseminate financial intelligence products to law enforcement agencies (LEAs) and other authorities
	Issue guidelines 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/TF and improved ways of detecting, preventing and deterring ML/TF activities
	Educate the public and creating awareness on matters relating to ML/TF
	Provide training programs for financial institution (FIs) and designated non-financial businesses and professions (DNFBPs) in relation to customer identification, record keeping and reporting obligations, and the identification of suspicious transactions
	Liaise with, and enter into any agreement with, any foreign government institution or agency, or any international organisation, regarding the exchange of information

## ANTI-TERRORISM ORDER, 2011

The Anti-Terrorism Order, 2011 (ATO) was enacted on 18<sup>th</sup> 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




## PENALTY

A fine not exceeding B\$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.

## ANTI-TERRORISM (TERRORIST FINANCING) REGULATIONS, 2013

The Anti-Terrorism (Terrorist Financing) Regulations, 2013 (TF Regulations), became effective on 8<sup>th</sup> December 2012.



## PENALTY

The TF Regulations 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 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.

## GUIDANCE PAPERS ISSUED



2015

Cash Transaction Reporting General Guidance Paper for Financial Institutions and Designated Non-Financial Businesses and Professions



2015

Specific Guidance on Cash Transaction Reporting



2017

Guidance Paper to Financial Institutions for the Obligation to Submit a Suspicious Transaction Report (STR)



2018

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

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## DESIGNATED PERSONS AND ENTITIES REPORTING (DPER) GUIDANCE



The Guidance on Obligations under Anti-Terrorism (Terrorist Financing) Regulations, 2013 was issued to the FIs and DNFBPs on 20<sup>th</sup> June 2018 to assist the institutions in implementing their obligations under the TF Regulations, which sets out prohibitions and offences in dealing with designated persons or entities under the United Nations Security Council Resolutions (UNSCRs) relating to terrorism and TF.

In December 2012, the TF Regulations was issued under Section 70, Anti-Terrorism Order, 2011 (ATO) to implement, in Brunei Darussalam, the following UNSCRs relating to terrorism and TF, including any subsequent or successor resolutions:

- Resolution 1988 (2011) concerning the Taliban and associated individuals and entities who constitute a threat to the peace, stability and security of Afghanistan;
- Resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida and associated individuals and entities; and
- Resolution 1373 (2001).

The Brunei Darussalam consolidated list of designated persons and entities under the TF Regulations is available on the AMBD website.

The Guidance provides clarification on the actions required by FIs and DNFBPs under the TF Regulations to:

- Screen the names of new and existing customers, including beneficial owners, against the Consolidated List of Designated Persons and Entities on a regular basis to ensure that the institutions are not dealing with or for the benefit of a Designated Person or Entity;
- Freeze any funds or assets belonging to a Designated Person or Entity, within a matter of hours, to prevent the transfer or removal of funds and assets that may be for, or related to, terrorism and TF; and
- Report STRs to the FIU within 24 hours when the institutions know or have reasonable cause to suspect they are dealing with or for the benefit of a Designated Person or Entity.

# ANALYSIS AND INTELLIGENCE

## HIGHLIGHTS OF 2018

# 467

Number of Suspicious Transaction Reports (STRs) Received



Number of Intelligence Reports Disseminated

# 8 + 2 = 10

Based on STRs    Not Based on STRs

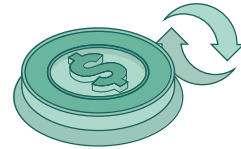
Amount Reported in CTRs:

# B\$ 4.16

Billion

# 5,357

Number of Cash Transaction Reports (CTRs) Received



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

# 1,257

Total Amount Reported in CBNI Reports:

# B\$ 304.80

Million

Reported Entering Brunei Darussalam:

# B\$ 165.24

Million

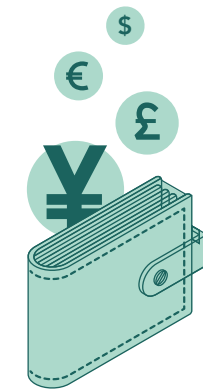
(639 Reports)

Reported Transit through Brunei Darussalam:

# B\$ 70.12

Million

(362 Reports)



Reported Exiting Brunei Darussalam

# B\$ 69.44

Million

(256 Reports)

Requests for Information (RFI) Received and Sent to Stakeholders

Received from Domestic Agencies:

# 185

(726 persons & entities)

Received from International Counterparts:

# 2

(18 persons & entities)



Sent to International Counterpart

# 9

(11 persons & entities)



# REPORT STATISTICS AND TRENDS

## SUSPICIOUS TRANSACTION REPORTS (STR)

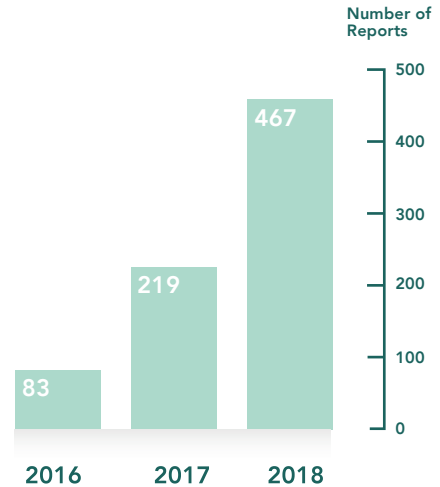
An STR is filed whenever transaction(s) or attempted transaction(s) are found with suspected involvement in a serious offence. A serious offence is any offence that is committed for which the penalty is not less than B\$1,000 or a more severe penalty. This includes offences of ML/TF and other serious offences.

In 2018, 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.

**2016**  
83 REPORTS

**2017**  
219 REPORTS

**2018**  
467 REPORTS



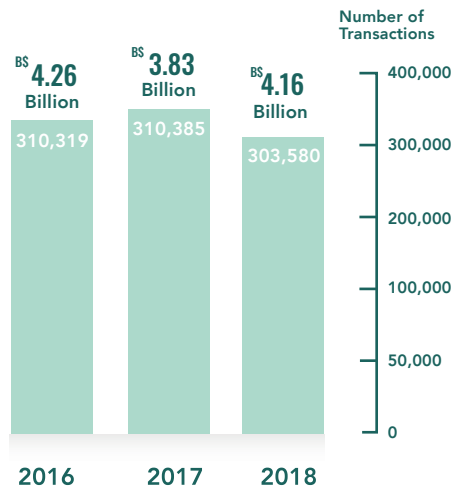
## CASH TRANSACTION REPORTS (CTR)

A CTR is made on any cash transaction(s) amounting to B\$15,000 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 dealers in high value goods directly to the FIU through the Integrated Financial Intelligence System (IFIS).

**2016**  
310,319 TRANSACTIONS

**2017**  
310,385 TRANSACTIONS

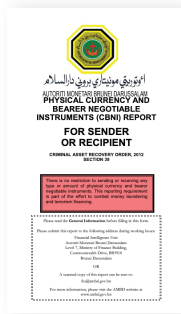
**2018**  
303,580 TRANSACTIONS



# PHYSICAL CURRENCY AND BEARER NEGOTIABLE INSTRUMENTS (CBNI) REPORTS

The 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/TF and related offences.

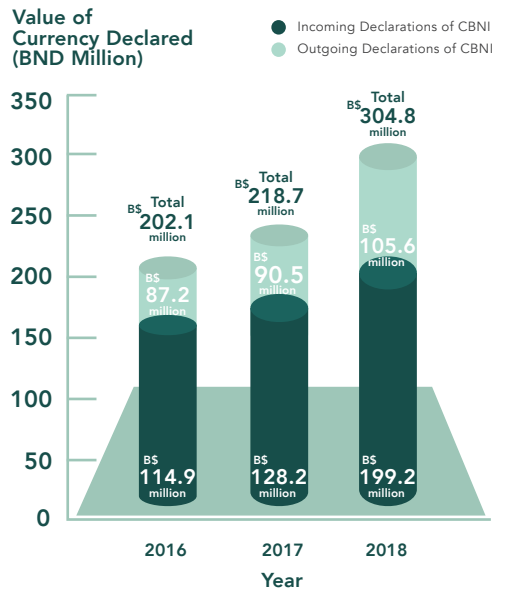
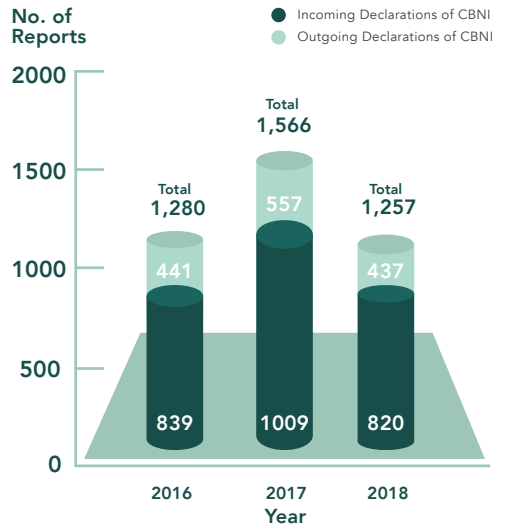
The CBNI Reporting requirement was first implemented in August 2011. A CBNI report is filed by a person carrying B\$15,000 or more, or the equivalent in foreign currency across Brunei Darussalam borders. As of May 2018, Section 39 CARO was implemented to require reporting of CBNI movements by cargo, courier or postal services.



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.



## PENALTY

Failure to submit a CBNI declaration is an offence under CARO. If convicted, a person is liable to a **fine not exceeding B\$50,000 or imprisonment for a term not exceeding 3 years or both.**

# 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 Requests for Information (RFIs).



IFIS utilises the latest version of goAML, an Anti-Money Laundering system, developed by the United Nations Office on Drugs and Crime (UNODC). To date, 109 FIUs have engaged with UNODC on goAML and about 48 of them have deployed goAML. The goAML is equipped with the latest technology and a secure network infrastructure, which provides a secure online communication platform between the FIU, reporting entities, and stakeholders.

2018 marks the 4<sup>th</sup> anniversary since the launch of IFIS and is equivalent to 4 years of no longer accepting reports and requests in hard copies.

## BREAKDOWN OF USER CATEGORIES

# 2018

### REPORTING ENTITIES

# 143

### STAKEHOLDERS

# 15



# AML/CFT SUPERVISION

The AML/CFT Supervision function within AMBD has been set up under the FIU to streamline the supervision of reporting entities in ensuring compliance towards AML/CFT obligations, in line with the Financial Action Task Force (FATF) Recommendations. Reporting entities consist of FIs and DNFBPs, as prescribed under Section 2 of the CARO.



## THE AML/CFT SUPERVISION FUNCTION IS BUILT ON THE PROVISIONS OF THE FATF IMMEDIATE OUTCOME 3:

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

## HIGHLIGHTS OF AML/CFT SUPERVISION:



**Issuance of Guidance on Anti-Terrorism (Terrorist Financing) Regulations, 2013** to assist reporting entities with fulfilling their AML/CFT obligations under the TF Regulations.



**Thematic onsite examination on the remittance sector** to assess the computer systems used for record keeping, transaction monitoring and detecting suspicious transactions.



**AML/CFT Assessment of Advocates & Solicitors Sectors** as part of offsite examination on the DNFBPs.

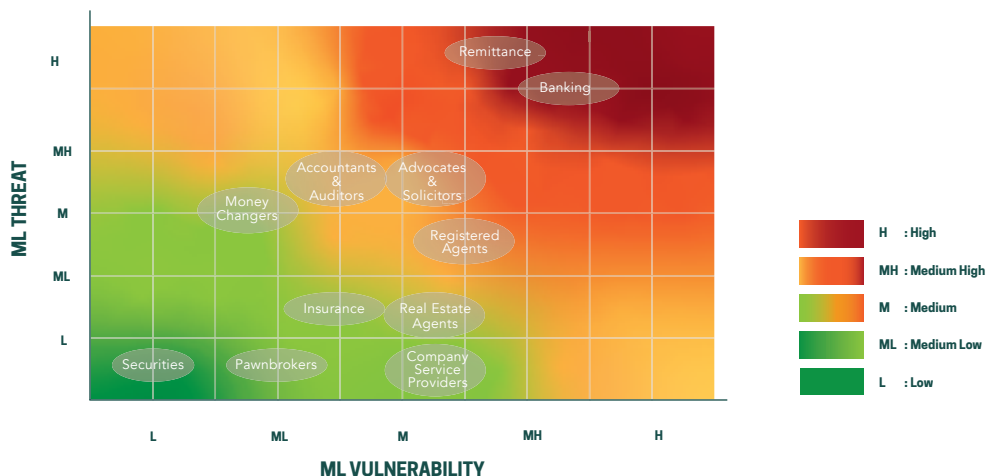


**Onsite examination on a financial institution** to assess and assist the overall level of compliance towards AML/CFT obligations.



**AML/CFT Talk to the Remittance Sector** to assist the sector with fulfilling its AML/CFT obligations.

The Brunei Darussalam National Risk Assessment on Money Laundering and Terrorism Financing Report 2016 (NRA 2016) identified the ML/TF risk ratings of the different FIs and DNFBPs and the institutions within them. This enabled the FIU to conduct enhanced AML/CFT supervision on the banking, remittance, and advocates and solicitors sectors in 2018, as these sectors have been identified as having high and medium high risks for ML.



Heat Map of Money Laundering Risk, Brunei Darussalam National Risk Assessment on Money Laundering and Terrorism Financing Report 2016

## BANKING SECTOR

An onsite examination on a FI was conducted to:

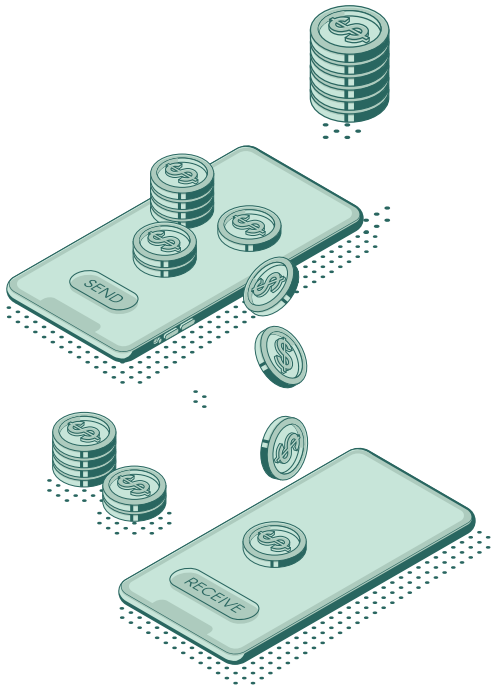
1. Assess the adequacy and effectiveness of the institution’s policies, procedures and internal controls in addressing the risks associated with ML/TF;
2. Identify gaps and deficiencies in the institution’s implementation of AML/CFT measures;
3. Provide recommendations on how the AML/CFT measures could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

The FIU also conducted ongoing monitoring and supervision of FIs through offsite assessments of the progress reports submitted in addressing the deficiencies identified in previous onsite examinations.

## REMITTANCE SECTOR

A joint thematic onsite examination was conducted on the remittance sector by the FIU, Specialised Markets and Technology Risk of AMBD to assess the computer systems used by the remittance companies. The thematic onsite allowed the FIU to assess the sector's overall compliance towards AML/CFT obligations.

The FIU held an AML/CFT Talk to the remittance sector on 4<sup>th</sup> December 2018 to share findings of the thematic onsite examination and identified trends and indicators, and as part of the preparation for the Mutual Evaluation 2020.



### Findings from Thematic Onsite Examination

- To illustrate the sector's overall level of compliance towards AML/CFT obligations.
- To highlight areas of deficiencies, and provide appropriate recommendations for an ideal transaction monitoring system.

### Trends & Indicators

- To share suspicious trends and indicators of ML/TF activities.
- To enhance the quality and quantity of STRs submitted by the sector.

### Mutual Evaluation 2020

- To brief the sector on processes of the upcoming Mutual Evaluation by the APG in 2020.
- To increase the sector's understanding of ML/TF risks, and their roles in AML/CFT.

## ADVOCATES AND SOLICITORS

The FIU began its supervision on the DNFBPs by issuing an AML/CFT Questionnaire to the advocates and solicitors sector, which was identified as highest risk amongst the DNFBP sector.

The AML/CFT Questionnaire was issued to collect relevant data and information to understand the nature and scale of the sector and as part of assessing the sector's overall understanding of its AML/CFT obligations. This exercise will be extended to the remaining DNFBPs in Brunei Darussalam, i.e. accountants, real estate agents, trusts and company service providers, registered agents, and jewellers.

## RISK BASED APPROACH FRAMEWORK

A risk-based approach for AML/CFT supervision is adopted to allow more focused supervision and better allocation of resources towards higher risk institutions.

A risk assessment was first conducted by considering the different ML/TF risk of each institution within each sector. Institutional-level risk is determined using a risk assessment matrix that provides numerical values to each institution taking into account risk score or weightage calculated in the NRA 2016. As a result, reporting entities are ranked from highest to lowest risk.

For this purpose, the FIU engaged with the relevant prudential regulators to collect the data required to understand the scale and complexity of the different institutions and sectors.

## SUPERVISORY REMEDIAL ACTIONS AND SANCTIONS



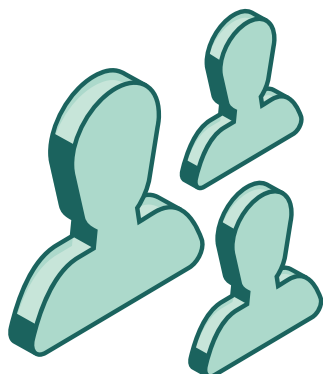
Ongoing monitoring and supervision of the reporting entities enable the FIU to detect and identify deficiencies in the reporting entities' AML/CFT systems and processes. Several measures in the form of supervisory letters and directions were issued to ensure compliance.

In 2018, the FIU has taken the following measures against non-compliance of reporting entities:

	Direction	Supervisory Letters
Issued	1	5

# NATIONAL COORDINATION

## 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 Agencies (LEAs), other competent authorities as well as FIs and DNFBBs.

His Majesty the Sultan and Yang Di-Pertuan Negara Brunei Darussalam consented to a revised NAMLC structure on 10<sup>th</sup> May 2018:

Deputy Minister of Finance and Economy as Chair;

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

Managing Director, AMBD as Deputy Co-Chair;

Deputy Managing Director (Regulatory) or Assistant Managing Director (Regulatory), AMBD;

Director of Criminal Investigations, Criminal Investigations Department, RBPF;

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

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

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

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

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

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

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

The FIU maintains its role as the Secretariat to the NAMLC.

The 20<sup>th</sup> and 21<sup>st</sup> NAMLC meetings were held on 31<sup>st</sup> July and 31<sup>st</sup> October 2018 respectively. The meetings discussed each agencies' progress in fulfilling the objectives of the National Strategy on AML/CFT 2017–2019, as well as ways forward in preparation for Brunei Darussalam's Mutual Evaluation in 2020.



## NATIONAL STRATEGY ON AML/CFT 2017 – 2019

The National Strategy on AML/CFT for 2017 – 2019 is made up of the following seven (7) objectives:

### **Objective 1:**

Developing a sound legal framework in line with international AML/CFT standards to prevent and combat ML/TF

### **Objective 2:**

Developing a sound institutional framework to prevent and combat ML/TF

### **Objective 3:**

Improving effectiveness of ML investigations and prosecutions

### **Objective 4:**

Improving effectiveness of TF investigations and prosecutions

### **Objective 5:**

Strengthening domestic and international cooperation

### **Objective 6:**

Enhance enforcement and detection of cross-border movement of cash

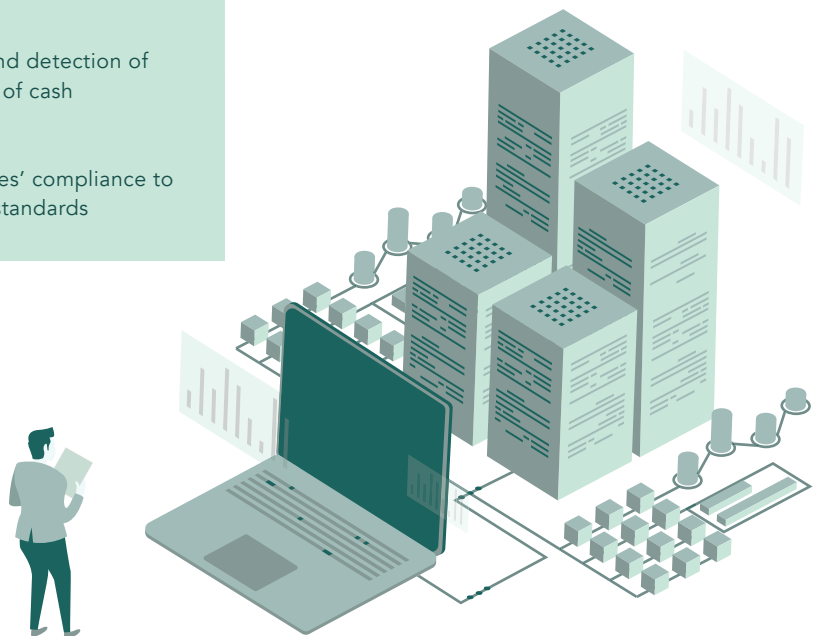
### **Objective 7:**

Improve reporting entities' compliance to AML/CFT international standards

## REVIEW OF FINANCIAL ACTION TASK FORCE COMPLIANCE AHEAD OF THE MUTUAL EVALUATION

In preparation for Brunei Darussalam's Mutual Evaluation, the FIU organised a limited scope mock assessment on 11<sup>th</sup>–14<sup>th</sup> December 2018. The assessment involved all NAMLC agencies through the designated focal persons. This exercise serves to familiarise the agencies with the Mutual Evaluation process – participants were required to complete in-depth FATF-style questionnaires, and had face-to-face interviews with the GovRisk assessors.

Through this mock assessment, Brunei Darussalam was able to forecast the potential outcome of the upcoming Mutual Evaluation, thus providing an opportunity for each agency to address identified gaps and enhance preparatory efforts in order to achieve positive results.



# INTERNATIONAL COOPERATION

## MEMORANDUMS OF UNDERSTANDING

The FIU signed two Memorandums of Understanding (MoUs) in 2018:

1

MoU between the FIU and the Suspicious Transaction Reporting Office, Commercial Affairs Department, Singapore Police Force (STRO)



► MoU signed between the FIU and STRO.

The MoU was signed by Yang Mulia Yusof bin Hj Abd Rahman, the Managing Director of AMBD and Mr. David Chew Siong Tai, the Head of the Financial Intelligence Unit, STRO, during the President of Singapore's Madam Halimah Yacob State Visit to Brunei Darussalam on 12<sup>th</sup> May 2018.

2

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



► MoU signed between the FIU and AMLIO.

The MoU was signed on the sidelines of the Annual Meeting of the APG in Kathmandu, Nepal on 25<sup>th</sup> July 2018.

Under these MoUs, the agencies agree to cooperate in the exchange of financial intelligence that may assist in the investigation and prosecution of persons suspected of ML/TF.

The FIU has existing MoUs with the FIUs of Malaysia, Indonesia, South Korea, Bangladesh, and Cambodia.

## ASIA/PACIFIC GROUP ON MONEY LAUNDERING (APG)

Brunei Darussalam has been a member of the APG since December 2002 with the FIU as the main contact point. The APG is an autonomous and collaborative international organization, founded in 1997 in Bangkok, Thailand, with 41 members and a number of international and regional observers committed to the effective implementation and enforcement of internationally accepted practices against ML/TF, particularly the 40 FATF Recommendations. APG Annual Meetings are conducted mainly to discuss the adoption of Mutual Evaluation reports and follow-up progress reports from members.

From 21<sup>st</sup> – 27<sup>th</sup> July 2018, a Brunei Darussalam delegation consisting of representatives from the FIU and the AGC attended the 21<sup>st</sup> APG Annual Meeting held at Kathmandu, Nepal. The delegates attended technical seminars, working group sessions, and plenary sessions over the 7-day period.

The delegation also attended the Southeast Asian Sub-Regional meeting, which identified the areas below as the main technical assistance needs for the region:

- Fintech and new technologies;
- Implementation of Targeted Financial Sanctions on Terrorism Financing and Proliferation Financing; and
- Law enforcement agencies;
- Supervision of FIs and DNFBPs.



▶ 21st APG Annual Meeting, Kathmandu, Nepal

## EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

The Egmont Group – established in 1995 in Brussels, Belgium – is a global network of 155 FIUs working together to foster and improve international cooperation, provide a platform for the secure exchange of information related to combating ML and TF, and foster the implementation of domestic programs in the field of AML/CFT. Brunei Darussalam, through the FIU, obtained an official membership to the Egmont Group in June 2014.

In 2018, the FIU attended the Egmont Working Group and 25<sup>th</sup> Egmont Plenary Meetings, which were held from 12<sup>th</sup> – 15<sup>th</sup> March in Buenos Aires, Argentina, and 24<sup>th</sup> – 27<sup>th</sup> September in Sydney Australia, respectively. The meetings examined the challenges faced by FIUs in combating ML/TF and associated predicate offences especially in the areas of international cooperation, information sharing and the improved development of financial intelligence.



► 25th Egmont Plenary Meeting, Sydney, Australia.

Additionally, the meetings discussed the unique role of FIUs within the broader AML/CFT system in addressing the laundering of the proceeds of corruption, including the importance of the autonomy of financial intelligence units in the fight against corruption, as well as the role of public-private partnerships (PPPs) in the fight against ML/TF.

## COUNTER TERRORISM FINANCING (CTF) SUMMIT REGIONAL WORKSHOP PREPARING FOR CTF SUMMIT, JAKARTA, INDONESIA 25<sup>TH</sup> - 27<sup>TH</sup> APRIL 2018

The FIU attended a regional Financial Intelligence Consultative Group (FICG) workshop held in Jakarta, Indonesia hosted by Indonesian Transaction Reports and Analysis Center from 25<sup>th</sup> - 27<sup>th</sup> April 2018. The aim of the workshop was to advance the outcomes of the 3<sup>rd</sup> CTF Summit which was held in November 2018, and incorporated the initiatives under the FICG NPO Red Flags Indicators Project, South East Asia Counter Terrorism Financing Working Group (SEACTFWG), the outcomes of the ASEAN Australia Counter-Terrorism Conference, and the International Community of Experts (ICE).



► CTF Summit Regional Workshop, Jakarta, Indonesia

The FIU is a founding member of the FICG whose membership consists of ASEAN countries, Australia and New Zealand. In addition to participating in four working groups on projects relating to updating the identified terrorism and terrorism financing risks in the region as well as funding methods and disruption strategies, the FIU also co-leads one working group on the topic of Red Flag Indicators in the Non-Profit Organisation sector.

## COUNTER-TERRORISM FINANCING SUMMIT

Since its first summit held in 2015 in Sydney, Australia, the Counter-Terrorism Financing (CTF) Summit has now developed into an annual meeting of FIUs within the Southeast Asian and Oceania regions, where discussions focusing on counter-terrorism and TF initiatives and disruption strategies are conducted.

The 4<sup>th</sup> CTF Summit was held in Bangkok, Thailand on 5<sup>th</sup> – 8<sup>th</sup> November 2018, and included the launching of the Non-Profit Organisations and Terrorism Financing Red Flag Indicators Report (NPO and Red Flag Indicators Report).

The NPO and Red Flag Indicators Project was co-led by the FIU, AMBD; Australian Transaction Reports and Analysis Centre, Australia (AUSTRAC); and Pusat Pelaporan dan Analisis Transaksi Keuangan, Indonesia (PPATK) and identified primary and secondary red flag indicators to identify how non-profit organisations could be misused for ML/TF, or associated predicate offences. Results of the Report could assist FIs with enhancing their AML/CFT measures.



### Counter-Terrorism Financing Summit

Sydney, November 2015



▶ 4<sup>th</sup> CTF Summit, Bangkok, Thailand



The NPO and Red Flag Indicators Report is available online at

<https://www.austrac.gov.au/sites/default/files/2019-06/npo-red-flag-indicators.pdf>

# CAPACITY BUILDING

## INTERNATIONAL COMPLIANCE ASSOCIATION: CERTIFICATE IN ANTI-MONEY LAUNDERING CENTRE FOR ISLAMIC BANKING, FINANCE AND MANAGEMENT(CIBFM), 6<sup>TH</sup> - 7<sup>TH</sup> FEBRUARY



▶ ICA Certification, Brunei Darussalam

The Centre for Islamic Banking, Finance and Management (CIBFM) hosted the International Compliance Association (ICA) Certification in Anti-Money Laundering in partnership with the International Compliance Training Academy (ICTA) from 6<sup>th</sup> – 7<sup>th</sup> February 2018. Two members of the FIU attended this course, which provided basic knowledge in implementing measures to combat money laundering and terrorist financing. The FIU also provided a briefing on the (AML/CFT) regime in Brunei Darussalam.

## ASIA/PACIFIC GROUP REGIONAL PRE-MUTUAL EVALUATION TRAINING WORKSHOP RIZQUN INTERNATIONAL HOTEL, GADONG, 12<sup>TH</sup> - 14<sup>TH</sup> FEBRUARY

Brunei Darussalam hosted the APG Pre-Mutual Evaluation Training Workshop at the Rizqun International Hotel, Gadong from 12<sup>th</sup> – 14<sup>th</sup> February 2018.



▶ APG Pre-Mutual Evaluation Training Workshop, Brunei Darussalam

The workshop was facilitated by representatives from the APG, mainly for APG member countries going through the Mutual Evaluation process during the period of 2018 – 2020. Participants who attended the workshop consist of government representatives from Brunei Darussalam, Chinese Taipei, Pakistan, Papua New Guinea, the Republic of the Philippines, Solomon Islands, Tonga and Vietnam. The three-day workshop covered a range of topics, including the assessment methodology of the Mutual Evaluation and the importance of risk and context. Participants completed a range of practical activities culminating in a mock interview to simulate a Mutual Evaluation onsite visit.

## ASEAN-AUSTRALIA CODEATHON 23<sup>RD</sup> - 28<sup>TH</sup> MARCH 2018



▶ ASEAN-Australia Codeathon

FIU participated in the first ever ASEAN-Australia Codeathon organised by the Australian Transaction Reports and Analysis Centre (AUSTRAC) on 23<sup>rd</sup> – 28<sup>th</sup> March 2018. The overall aim for the Codeathon is to come up with innovative solutions that can be operationalised by FIUs and LEAs in tackling challenges of detecting criminal flow of funds. This included collaboration with other participants from Australia, Indonesia and Vietnam in coming up with a solution package including a project webpage, a prototype and a video demo.

## BILATERAL MEETINGS WITH LAW ENFORCEMENT AGENCIES

On 28<sup>th</sup> March 2018 and 5<sup>th</sup> April 2018, the FIU conducted bilateral meetings with the RBPF and ACB respectively, to discuss on-going cases and enhance cooperation between the FIU and LEAs to improve the quality of information exchange and intelligence disseminations.

## FINANCIAL INTELLIGENCE ANALYST COURSE (FIAC)

27<sup>TH</sup> AUGUST – 7<sup>TH</sup> SEPTEMBER 2018



▶ FIAC, Bandar Seri Begawan, Brunei Darussalam

Brunei Darussalam hosted the first regional Financial Intelligence Analyst Course (FIAC), which was conducted by AUSTRAC at the Rizqun International Hotel, Bandar Seri Begawan from 27<sup>th</sup> August – 7<sup>th</sup> September 2018. The two-week course was attended by 20 participants from all FIUs of the ten ASEAN countries. First developed by AUSTRAC in early 2017, FIAC is intended to better equip financial intelligence analysts from across the region to work collectively to prevent, detect and disrupt financial crime.

## FIU COMPLIANCE OFFICERS MEETING

On 7<sup>th</sup> May 2018, the FIU held an annual Compliance Officers Meeting for the banking sector and finance companies to keep the sectors abreast of regional and local trends to improve their transaction monitoring systems and quality of reports submitted. The meeting shared outcomes of the projects the FIU participated in through the FICG, namely the Terrorist Financing through Cross Border Cash Movements Regional Risk Assessment 2017 and the Non-Profit Organisations and Terrorist Financing Regional Risk Assessment 2017.

# 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 Money Laundering
ATO	Anti-Terrorism Order, 2011
CARO	Criminal Asset Recovery Order, 2012
CBM	Cross-Border Cash Movements
CBNI	Physical Currency and Bearer Negotiable Instruments
CIBFM	Centre for Islamic, Banking, Finance and Management
CTR	Cash Transaction Report
DNFBP	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FI	Financial Institution
FICG	Financial Intelligence Consultative Group
FIU	Financial Intelligence Unit
ICA	International Compliance Association
IFIS	Integrated Financial Intelligence System
ISD	Internal Security Department
LEA	Law Enforcement Agency
ME	Mutual Evaluation
ML	Money Laundering
MOU	Memorandum of Understanding
NAMLC	National Anti Money Laundering and Combating the Financing of Terrorism Committee
NCB	Narcotics Control Bureau
NPO	Non-Profit Organisation
NRA	National Risk Assessment
NSC	National Security Committee
RBPF	Royal Brunei Police Force
RCED	Royal Customs and Excise Department
RFI	Request for Information
SEACTFWG	Southeast Asia Counter-Terrorism Financing Working Group
STR	Suspicious Transaction Report
TF	Terrorism Financing
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution



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