



DA AFGHANISTAN BANK
FINANCIAL INTELLIGENCE UNIT



PHOTOS: ZEERAK MALYA

ANNUAL REPORT 2018

FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS
CENTER OF AFGHANISTAN



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AFGHANISTAN (FINTRACA), 2019



ACKNOWLEDGEMENTS

The success and attainment of our achievements in 2018 required support and cooperation from our colleagues in different organizations, and we had the privilege to have this commitment in the completion of our projects and assignments.

The center owes deep gratitude and extends its sincere esteem to all our colleagues at ONSC, AGO, DAB, MoF, NDS, MoI, AMA, ABA; The World Bank, UNODC, US Treasury, DoJ, INL, and NCA for their ever-reliable support and cooperation in the center's efforts to implement AML/CFT standards and planned activities.

A heartfelt thank you to all!





ABOUT US

Financial Transaction and Reports Analysis Center of Afghanistan (FinTRACA) is operationally an independent body, established within DAB as the national Financial Intelligence Unit in accordance with the provisions of the Anti-Money Laundering and Proceeds of Crime law.

The center is purposed to collaborate with LEAs, regulators, prosecutors and international counterparts to protect Afghanistan's financial system from money laundering, terrorist financing and other predicate offenses. Here at the center, we strive to collect, analyze and disseminate STRs and other financial information which lead to investigations, prosecutions, and convictions by criminal justice system.

The center plays an instrumental role in exchange of information with foreign Financial Intelligence Units as per mutual MOUs and Egmont group of FIU's principles. Afghanistan is observer state in EAG and a member state in APG. FinTRACA is a member at EGMONT group of FIU's.

VISION

TO BECOME A CENTER OF EXCELLENCE IN FIGHTING AGAINST MONEY LAUNDERING AND TERRORIST FINANCING IN THE COUNTRY BY MAINTAINING INTERNATIONAL BEST PRACTICES.

MISSION

TO SAFEGUARD THE FINANCIAL SYSTEM OF AFGHANISTAN FROM MONEY LAUNDERING, TERRORIST FINANCING AND OTHER PREDICATE OFFENSES IN COLLABORATION WITH LAW ENFORCEMENT AGENCIES, REGULATORS, PROSECUTORS AND INTERNATIONAL COUNTERPARTS.

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MESSAGE FROM THE GOVERNOR

Fighting money laundering and terrorist financing forms an integral part of our commitment to national and international organizations. Da Afghanistan Bank (Central Bank) is highly devoted and remains strongly committed to fight money laundering, terrorist financing, and corruption.

In this regard, the Financial Intelligence Unit has come a long way and made satisfactory progress in the collection, analysis, and dissemination of financial intelligence reports concerning money laundering, terrorist financing, and other predicate offenses to law enforcement agencies.

I am delighted to know that Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) releases its annual report for the fiscal year 1397 (2018).

Remaining truthful and loyal to its steadfast and immutable commitment, the FIU has undertaken an aggressive risk-taking approach and has fought hard to accomplish planned activities in line with its legal mandate. Such approach of the FIU displays the unit's everlasting commitment to serve the financial system.

The FIU plays an instrumental role in criminal justice system by combating money laundering and terrorist financing which is a challenging endeavor. Collection, analysis, and dissemination of analytical products formulate the core operations of the FIU and require domestic inter-agency and international cooperation. In this regard, FinTRACA plays a key role in delivering financial intelligence to domestic law enforcement agencies and coordinating the exchange of information with foreign FIUs based on memorandums of understanding and via Egmont Secure Web (ESW).

The FIU's achievements in the year 2018 are highlighted by contributions made to the national level policy development committees beyond its day to day activities. FinTRACA's country-wide contribution in implementation of AML-PC law and AML/CFT measures are greatly acknowledged.

I embrace this opportunity to congratulate FinTRACA for successful completion of yet another year filled with great achievements and would like to offer my heartfelt gratitude and thanks to FinTRACA staff for the progress they have made during the year. In order for FinTRACA operations to meet best international practices, Da Afghanistan Bank shall strive to provide the best of necessary resources.



KHALIL SEDIQ

GOVERNOR, DA AFGHANISTAN BANK



Khalil Sediq
Governor
Da Afghanistan Bank

MESSAGE FROM THE DIRECTOR GENERAL



NESAR YOSUFZAI

DIRECTOR GENERAL, FINTRACA

The fiscal year 1397 (2018) highlighted a series of constraints and challenges that FinTRACA endured and successfully overcame. The center continued making great efforts to bring improvements in the collection, analysis, and dissemination of reports which form the core functions of FinTRACA.

In pursuit of building capacity and enhancing the ability of reporting entities to detect ML and TF red flags, form the suspicion, and improve the quality of STRs and LCTRs; the center proceeded to work with reporting entities and provide them with technical assistance and training programs. As a result, this year the center had a 21% increase in receipt of LCTRs and 59% increase in receipt of STRs. Marking improvement in the quality of STRs, it is worth mentioning that this year's STRs received by FinTRACA were of higher quality and well diversified.

Data collected for the purpose of analysis during the year 2018 was also influenced by addition of new sectors to the list of reporting entities. Addition of new sectors has resulted in an increase in our sphere of work and scope of influence concerning our fight against ML and TF.

In terms of analysis of reports and financial information, FinTRACA has made tremendous efforts to provide value-added products to LEAs including the Attorney General's Office. Work has been done on the analytical capabilities of FinTRACA staff. The staff has been provided with specialized training programs aimed at capacity building. Analysts have also had increased engagement with relevant stakeholders which enables them to grasp an overall picture of the cases they analyze not only triggered by STRs but also proactive cases.

In the year 2018, the center undertook a new approach to dissemination of financial information to multiple relevant LEAs. As per this new approach, the center disseminated financial information to multi LEAs. Multi disseminations have resulted in the maximization of the efforts of FIU. As relevant information is disseminated to concerned LEAs, the subjects of reports find it more challenging to escape justice.

Statistics compiled at the end of year show 44.4 % increase in cases analyzed by FinTRACA concerning predicate offenses. Filtered and endorsed through 19 FIU executive committee meetings during the year, a total number of 47 spontaneous cases were disseminated to relevant agencies. In addition to the spontaneous disseminations, FinTRACA received a total number of 251 domestic requests for analysis from LEAs and responded 241 requests which stands at 96% response rate. The number of requests show 39% increase compared to the year 2017 which reflects the improving strength and sustainability of inter-agency cooperation.

FinTRACA's scope of analysis also included financial analysis of reports received from Customs and Revenue Departments of MoF concerning tax and customs duty evasion, doing so, FinTRACA does not only disrupt tax and customs duty evasion; it also disrupts the misuse of trade by targeted subjects. This disruption mechanism comprised of responding to requests from the Customs and Revenue Departments as well as spontaneous actions taken by FinTRACA.

To improve the effectiveness of the utilization of financial information disseminated to LEAs, FinTRACA continued provision of pieces of training and coaching support to LEAs. These trainings and coaching support programs were focused precisely on ways and methods to utilize information disseminated to LEAs.

FinTRACA's international cooperation endeavors are also glittered by response made to international requests. Signing new MOUs in the year 2018 increased FinTRACA's scope of international cooperation resulting in increased information exchange with foreign FIUs. In the year 2018, FinTRACA was mindful of the ultimate outcome of its efforts to observe further extent of AML/CFT measures. Therefore, efforts were made to improve the feedback process from LEAs. These efforts included senior-level discussions on FIU cases which took place many times over the course of the year. The key discussions were made in High Council of Rule of Law and Anti-Corruption meetings which included presence of high-level government officials. The council issued resolutions to relevant bodies aimed at better coordination with FIU resulting in improvement in FinTRACA's feedback peak. Meanwhile, a feedback database was established within FIU to track the cases disseminated to LEAs.

Apart from FinTRACA's core mandate, the center's progress in the year is highlighted by certain additional achievements and contributions. The year marked the first steps taken by the Afghan Government to establish the Office of Asset Recovery to recover assets attained through corruption and other predicate offenses. In this regard, FinTRACA worked with the Asset Recovery Office within the AGO to coordinate meetings and facilitate this national project. FinTRACA reviewed the regulation governing asset recovery and recommended the necessary changes to the regulation for better implementation and enhancement of the effectiveness of asset recovery.

FinTRACA took part and contributed in national-level projects such as coordinating the National ML/TF Risk Assessment (NRA), financial verification of declared assets of high ranking government officials, and signed MOU with National Procurement Authority to further improve transparency and limit access of financial criminals to public projects.

In terms of enforcing compliance, FinTRACA enforced and recovered AFN 5.62 M financial fines on banking institutions and money service providers; measured the freezing order of 29 bank accounts; engaged in closure of non-compliant bank accounts; suspension of 17 business licenses of MSPs; revocation of business licenses of 8 MSPs; as well as dissemination of proactive analysis of unlicensed MSPs in 7 zones of the country.

With respect to human resource capabilities, the year 2018 saw additions to our current HR capacity. The center successfully increased its workforce by enlarging the overall human resource structure of the center. Structural enlargement saw addition of three key functions namely research and awareness, non-banking financial institutions division, and international cooperation division. The human resource structure of the center is increased

in order to meet higher expectations and adapt to specialization-based task management. Increasing human resources will result in better utilization of time and increased workflow, which will contribute tremendously in increased output down the road.

FinTRACA signed two international MOUs with the Financial Intelligence Units of Australia and Kazakhstan which marked the overall number of international MOUs to 18. These MOUs expanded the center's scope of international cooperation and information exchange.

The center also signed two domestic MOUs with National Procurement Authority (NPA) and the Ministry of Interior Affairs (MoI). The MOU signed with NPA is a landmark achievement which signifies a new measure that FIU shall cooperate with the NPA in financial verification of contractors. The MOU signed with MoI expands the scope of domestic cooperation and exchange of information.

Having completed the fiscal year 1397 (2018) on a high note, we are moving forward to the fiscal year 1398 (2019). Our priorities for the coming year include conclusion of the National ML/TF Risk Assessment, attainment of new technology to FIU, improving feedback process, building on staff and reporting entities' capabilities, continuing working with Customs and Revenue Departments of MoF, study on NGO and NPO sector, initiating a research program for producing thematic products, working with Asset Registration Office on asset verification of high ranking government officials, and practically undertaking our role outlined in the MOU with the NPA.

FinTRACA shall also assess the need for the establishment of new provincial offices and improve cash and BNI control in land borders. These measures would increase our sphere of work and scope of influence in observing AML/CFT best practices.

We have always emphasized upon capacity building and enhancing qualification of the center's staff. I feel honored to be able to reflect upon my insistence for FIU staff to attain specialized qualifications which would help them excel in their professional lives. The professional capabilities of FIU staff have significantly improved which resulted in quality work and value-added products. I have tried my level best to be a source of guidance and support to all FIU staff and shall continue to do so in the future. In order to coordinate the capacity building efforts, a joint proposal was developed by AGO, DAB, MoF, and FinTRACA to UNODC. Based on the proposal submitted, an AML/CFT consultant has been deployed at Anti-Corruption Justice Center by UNODC.

I would like to thank all staff of Financial Transactions and Reports Analysis Center of Afghanistan for their hard work and dedication and congratulate them for putting behind yet another successful year. Together we shall remain committed, to fight ML/TF and serve the people and country.



Best Wishes,
Nesar Yosufzai, CAMS, CFCS
Director General – FinTRACA

2018 HIGHLIGHTS

1.4 MILLION
LARGE CASH TRANSACTION
REPORTS RECEIVED

1.1 MILLION
LCTRS RECEIVED FROM
BANKING SECTOR

0.3 MILLION
LCTRS RECEIVED FROM
NON-BANKING FIS

767 STRs
SUSPICIOUS TRANSACTION
REPORTS RECEIVED

737 STRs
RECEIVED FROM BANING
INSTITUTIONS

30 STRs
RECEIVED FROM NON-
BANING INSTITUTIONS

59%
INCREASED
COMPARED TO 2017

34.7 MILLION
CNBIR DECLARATION
(AMOUNT IN USD)

41,165,911
FINANCIAL PENALTIES (AFN)

1,917
DECLARATION FORMS

7 CASH
SEIZURES

AFN | **5,626,200**
FINANCIAL PENALTIES ENFORCED

AFN | **1,900,000**
PENALTIES IMPOSED ON BANKS

AFN | **3,726,200**
PENALTIES IMPOSED ON NB FIS

8 LICENSES
REVOKED

17 LICENSES
SUSPENDED

258 SUBJECTS
INCLUDED IN FINTRACA
WATCH-LIST

29 FROZEN
BANK ACCOUNTS

15 TRAININGS
RECEIVED

4 MEETINGS
ATTENDED

23 TRAININGS
DELIVERED

2 INTERNATIONAL
MOUS SIGNED

2 NATIONAL
MOUS SIGNED

251 DOMESTIC
REQUESTS
RECEIVED

240 DOMESTIC
REQUESTS
RESPONDED

39%
INCREASED
COMPARED TO 2017

AML/CFT LEGAL FRAMEWORK IN AFGHANISTAN

The legal foundation for the center's operations is provided in the AML/CFT framework dominated in the country.

Afghanistan's AML/CFT legal and regulatory framework snapshot including FIU's governance policies, procedures and guidelines are summarized below;

- **ANTI-MONEY LAUNDERING AND PROCEEDS OF CRIME LAW**

Amended on 4th March 2015, this law criminalizes money laundering and is purposed to protect and promote the integrity of Afghanistan's financial system and fight against the use of the financial institutions and designated non-financial businesses and professions (DNFBPS), for money laundering, proceeds of crime, the proliferation of weapons of mass destruction and the financing of terrorism.

- **COUNTER FINANCING OF TERRORISM LAW**

CFT Law was amended on 4th March 2015 and criminalizes terrorist financing. The purpose of this law is to Implement the International Convention for the Suppression of Financing of Terrorism and its successor conventions, prevent provision of funds or property for terrorist acts, terrorist organizations, or terrorist (s); and implement UN Security Council Resolutions on combating financing of terrorism and the financing of proliferation of weapons of mass destruction.

REGULATORY FRAMEWORK:

- Cash and BNI Reporting and Control Regulation;
- CFT Regulations;
- AML/CFT Responsibilities and Preventative Measures Regulation;
- Fit & Proper Regulation;
- Electronic Money Institutions Regulation;
- Corporate Governance Regulation; and
- MSP and FXD regulation.

FIU'S GOVERNANCE REGULATION, POLICIES, AND PROCEDURES:

- Establishment and Governance Regulation;
- Standard Operating Procedures;
- Enforcement Procedures;
- Watch-List Procedure;
- Standing Freezing Order on UNSCR;
- Compliance Coordination Committee Procedure; and
- STR Reporting Guideline.

CRIMINAL JUSTICE AND ENFORCEMENT SNAPSHOT

STR DISCLOSURES

| STR DISCLOSURES | | |
|-----------------|------|------|
| 2016 | 2017 | 2018 |
| 77 | 59 | 66 |

CASE DISSEMINATIONS (SPONTANEOUS)

| ENTITY | 2016 | 2017 | 2018 |
|---------------------------------------|-----------|-----------|-----------|
| Attorney General's Office (AGO) | 3 | 7 | 8 |
| Ministry of Interior Affairs (Police) | 9 | 9 | 16 |
| Ministry of Finance (Tax Authority) | 0 | 2 | 9 |
| National Directorate of Security | 12 | 9 | 20 |
| Other Government Agencies | 2 | 1 | 3 |
| TOTAL | 26 | 28 | 56 |

Note: International, and upon request disclosures are not counted above. For the details, please see the relevant parts of this report.

DISSEMINATION OF ANALYTICAL REPORTS BASED ON RED FLAGS

| NO | RED FLAGS | TOTAL | PERCENTAGE |
|--------------|---------------------|-----------|-------------|
| 1 | Money Laundering | 16 | 34.0% |
| 2 | Terrorist Financing | 9 | 19.1% |
| 3 | Tax Evasion | 7 | 14.9% |
| 4 | Drug Trafficking | 7 | 14.9% |
| 5 | Smuggling | 6 | 12.8% |
| 6 | Other Offenses | 2 | 4.3% |
| TOTAL | | 47 | 100% |

CONVICTIONS REPORTED BY ANTI CORRUPTION JUSTICE CENTER

| CONVICTIONS | 2016 | 2017 | 2018 |
|-------------------------------------|----------------|--|-----------------|
| Money laundering | 1 | 2 | 7 |
| Corruption and bribery | 1 | 5 | 1 |
| Embezzlement | 1 | 8 | 7 |
| Land usurpation | 0 | 1 | 0 |
| Misuse of duty and power | 0 | 11 | 4 |
| Forgery | 0 | 4 | 1 |
| Betrayal | 0 | 0 | 2 |
| TOTAL CONVICTIONS | 3 | 23 | 22 |
| TOTAL NUMBER OF SUBJECTS | 10 | 91 | 85 |
| TOTAL AMOUNT OF FINANCIAL PENALTIES | 52,445,263 AFN | 816,642,743 AFN | 87,157,000 AFN |
| | 152, 500 USD | 6,787,954 USD | 386,880 USD |
| TOTAL AMOUNT OF CONFISCATIONS | 0 | 7,063,000 AFN | 1,075,000 AFN |
| | | 352,200 USD | 353,500 USD |
| | | 299,500 PKR | 309,000,000 IRT |
| | | 3 CARS, 317 GRAM GOLD, and 5 MOBILE SETS | 5,874,200 SAR |

CONVICTIONS REPORTED BY COUNTER NARCOTICS JUSTICE CENTER

| CONVICTIONS | 2016 | 2017 | 2018 |
|-------------------------------------|---------|-----------|---------|
| Convictions by Supreme Court | 242 | 205 | 207 |
| Number of suspects | 405 | 558 | 881 |
| Total quantity of drugs seized (Kg) | 216,012 | 314,210.8 | 130,507 |
| Total quantity of drugs seized (Lt) | 32,136 | 1,780,218 | 1,399.5 |

CONVICTIONS REPORTED BY ANTI TERRORISM DEPARTMENT

| CONVICTIONS | 2016 | 2017 | 2018 |
|-------------------------------|----------------------|----------------------|---------------------|
| Convictions at Primary Court | 13 | 5 | 19 |
| Number of suspects | 13 | 5 | 18 |
| Amount of financial penalties | 18,507,000 AFN | 800,000 | 905,080 |
| CONFISCATIONS | 1,910,000 AFN | 2,100,000 PKR | AFN 314,000 |
| | | | 363, 000 PKR |

RECEIPT OF LARGE CASH TRANSACTION REPORTS

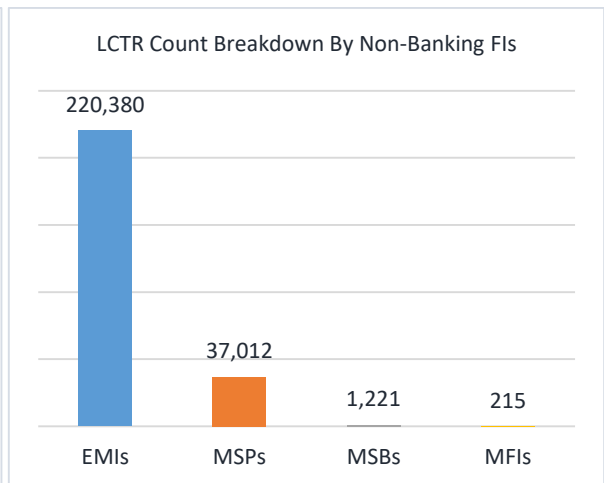
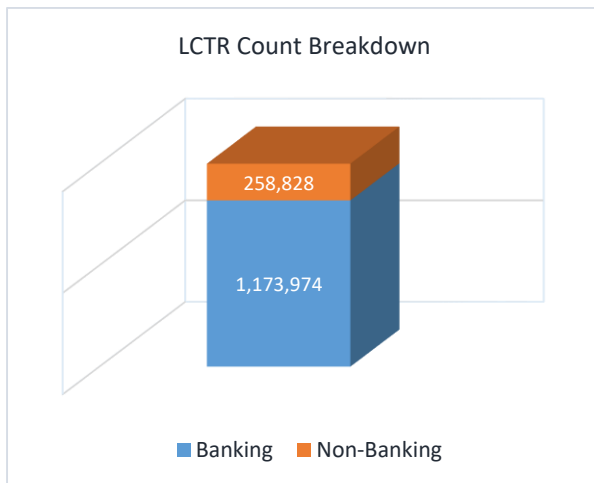
Reporting entities are obliged to report Large Cash Transaction Reports (LCTR) to FinTRACA based on article # 17 of the AML-PC law. A large cash transaction is any cash transaction above the threshold set by the relevant regulation.

As per the AML/CFT Responsibilities and Preventative Measures Regulation, banking institutions shall report the particulars of transactions (deposits, withdrawals or transfers) in excess of AFN 1,000,000 or its equivalent to other currencies to FinTRACA no earlier than the first business day of the month and no later than the fifth business day of a month following to the month during which the transaction occurred.

Any two (2) transactions by and between the same two parties that occur within 2 consecutive days of one and other, the aggregate of which is AFN 1,000,000 or greater should also be reported.

Breakdown of threshold reporting for non-banking financial institutions is as follows:

| REPORTING ENTITY | LCTR THRESHOLDS |
|--------------------------------------|-----------------|
| Money Service Providers (MSPs) | 500,000 AFN |
| Money Service Businesses (MSBs) | 500,000 AFN |
| Micro Finance Institutions (MFIs) | 200,000 AFN |
| Electronic Money Institutions (EMIs) | 10,000 AFN |



The new sectors have been added as reporting entities in the last quarter of the year 2018, thus the proportion is minimal.

“

“We have been making efforts to improve the quality of reports by adding more validation rules to avoid the receipt of dummy values, hence the quality has largely improved”.

*LCTR Analyst,
Compliance Division, FinTRACA*

”

RECEIPT OF SUSPICIOUS TRANSACTION REPORTS

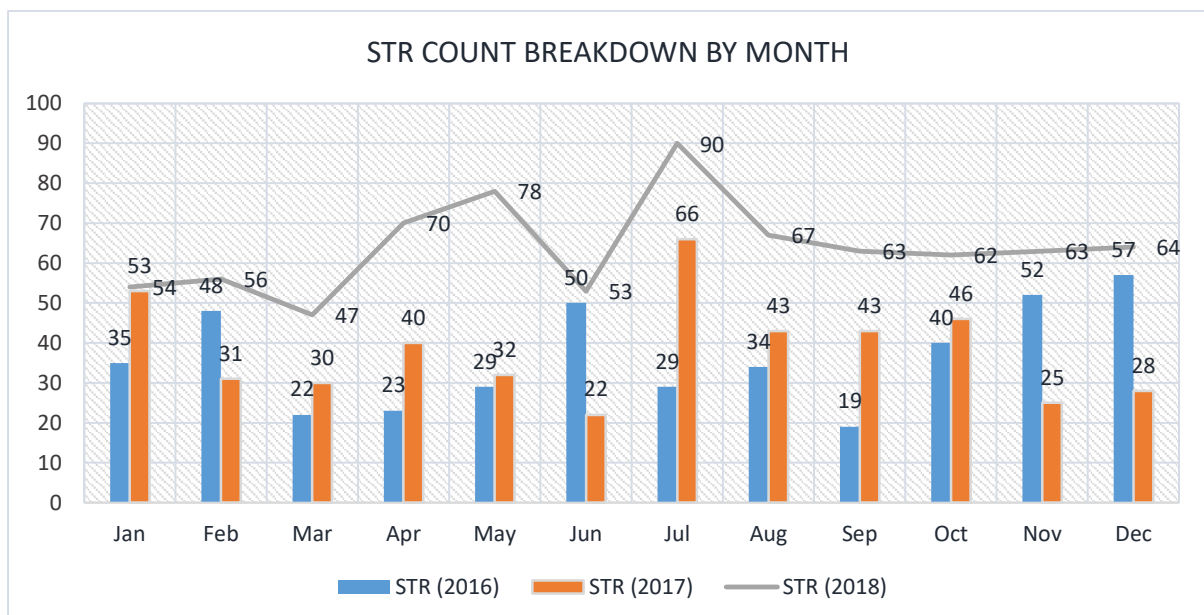
Reporting entities are required to file STR (s) where reasonable grounds for suspicion of involvement of transaction in money laundering, terrorist financing, proceeds of crime and other predicate offenses exist.

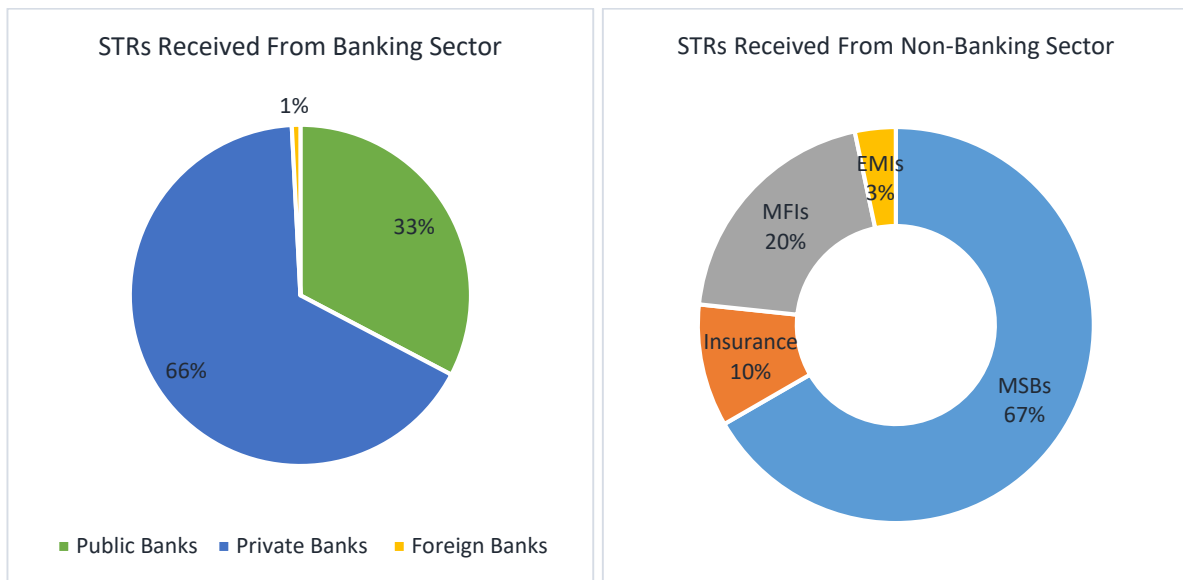
Reporting entities must also file STR to FinTRACA where the entity has reasonable ground to suspect that funds are linked to a terrorist (s) or are to be used for terrorism, terrorist acts or by terrorist organizations. The reporting entity must file an STR, as soon as practicable, but no later than three days once the suspicion is formed.

After having submitted a suspicious transaction report, reporting entities are required to submit without delay any additional information that might confirm or invalidate the suspicion. In order to ensure confidentiality; reporting entities, their directors and employees are prohibited from disclosing to a customer or any other person the fact that a report has been made or any information has been submitted to FIU or competent authority in relation to any money laundering or terrorist financing investigation.

In 2018, the center received a total number of 767 STRs from reporting entities.

| STRs RECEIVED 2017 – 2018 | | | |
|----------------------------------|------------|------------|------------|
| REPORTING ENTITY | 2016 | 2017 | 2018 |
| STRs received from private banks | 191 | 332 | 241 |
| STRs received from public banks | 248 | 150 | 490 |
| STRs received from foreign banks | - | - | 6 |
| STRs received from MFIs | - | - | 6 |
| STRs received from MSBs | - | - | 20 |
| STRs received from EMIs | - | - | 1 |
| STRs received from ICs | - | - | 3 |
| TOTAL | 439 | 482 | 767 |





As displayed in the graphs, STRs received during the year reflect a significant increase by 59.1%. This increase in receipt of STR is due to the addition of new sectors as reporting entities.

The increase in number of STRs received in the year 2018 is heavily dominated by STR reports received from commercial banks operating in Afghanistan which make up to 60 % of the total increase in STRs. In the year 2018, the commercial banks were subjected to several training programs aimed at enhancement of STR quality and reporting.

Compliance coordination committee meetings were also effective in improving STR reporting quality in banking sector. Compliance coordination committee meetings are held to facilitate coordinated efforts to implement AML/CFT standards across the banking sector in Afghanistan.

In November 2017, the third compliance committee meeting was held in which a special training program titled ‘How to File a Good STR’ was delivered to banking sector by the Director General of FinTRACA to committee members. The impact of such pieces of training delivered to compliance departments of commercial banks in Afghanistan is reflected in the number of STRs received during the year.

By providing training and coaching assistance to banks upon their request and by conducting compliance committee meetings, FinTRACA is able to enlighten the banking sector in Afghanistan about the significance of STR reporting as an integral element of AML/CFT building blocks which has consequently resulted in an increased sense of responsibility by compliance staff within reporting entities.

“

Increase in the number of STRs received this year displays a major progress and enhancement of compliance function within reporting entities.

Section Director, Compliance Division

”

CASH AND BNI CONTROL

On the basis of article # 7 of the Anti-Money Laundering and Proceeds of Crime law, the Regulation Governing the Reporting and Control of Physical Transfers of Currency, Bearer Negotiable Instruments, Gold, Other Precious Metals or Precious Stones through the Borders of Islamic Republic of Afghanistan provides the regulatory basis for cash and BNI control at international airports and land borders.

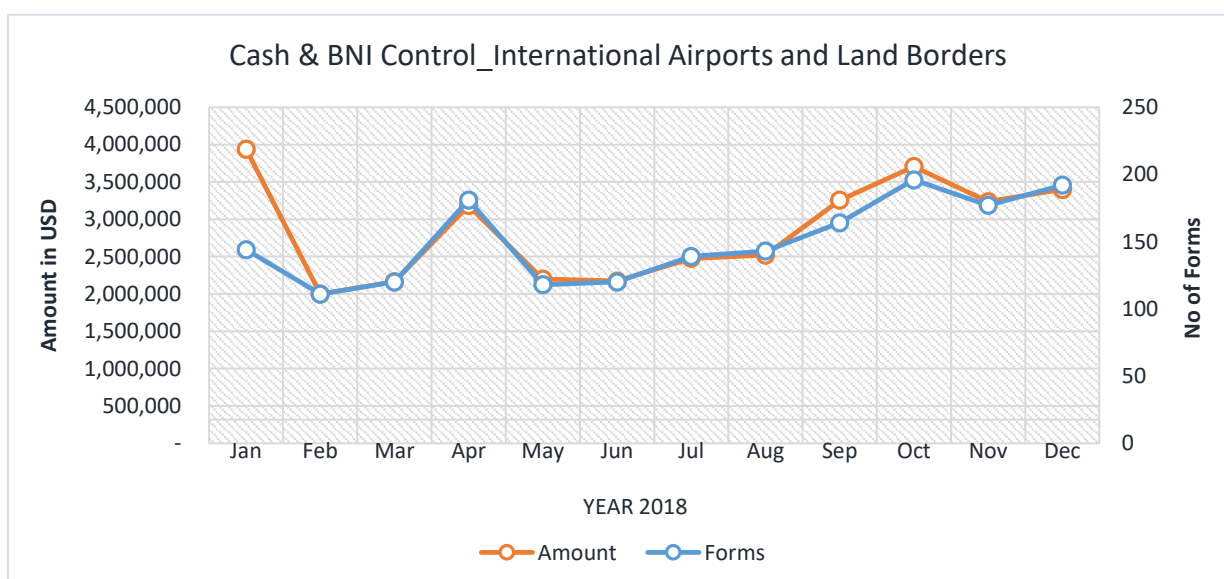
The objective behind the implementation of the aforesaid regulation is controlling physical transfers of currency, bearer negotiable instruments, gold, and other precious metals, as well as preventing the illegal transfer of such items and illicit funds connected with money laundering and terrorist financing through the international airports and land borders of the country.

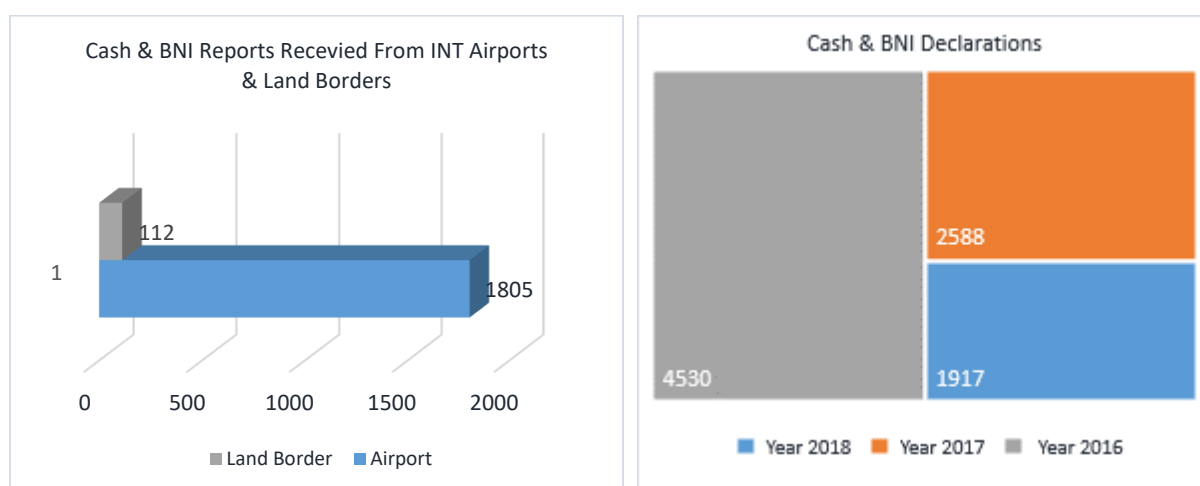
Accordingly, Afghanistan’s Customs Department in cooperation with FinTRACA has taken necessary actions for better implementation of this regulation and FATF Recommendations. The regulation is being implemented across all four international airports in the country. The year 2018 marked the installation of Cash and BNI electronic database called ASYCUDA in all international airports and land borders; designing, printing and implementation of new declaration forms; measuring more public outreach; online access to FinTRACA, and implementation of declaration system in five key and strategic land borders into the sphere of implementation of the regulation. These land borders are Aqina, Hairatan, Torkham, Torghundi, and Islam Qala.

As per article # 12 of the above-mentioned regulation, FinTRACA continued to provide the required technical assistance and on-the-job trainings to the Customs officials and representatives of Police, National Directorate of Security and to other relevant staff of the government authorities in order to improve their capacity for better implementation of the regulation and to begin written cash declaration system.

Further, the Customs officials and representatives from the relevant agencies received practical training on preventing and mitigation of cash smuggling organized by the UNODC in cooperation with FinTRACA at Hamid Karzai International Airport.

The cash and BNI declarations reported by Customs are illustrated below;





Following is the list of cash seizures during the year;

| NO | DETECTION DATE | AMOUNT | PORT | RESULT OF INVESTIGATIONS |
|----|----------------|---|---------------------------|--|
| 1 | 23 Jan, 2018 | 160,000 USD 84,550 EUR 13600 USD | Hami Karzai Intl. Airport | Pending |
| 2 | 1 Mar, 2018 | 1,720,000 INR | Hami Karzai Intl. Airport | Financial penalty of AFN 272,706 has been imposed. |
| 3 | 22 Mar, 2018 | 49,900 USD | Hami Karzai Intl. Airport | Financial penalty of AFN 566,461 has been imposed. |
| 4 | 26 July, 2018 | 178,000 SEK 20,000 CHF 705 USD | Hami Karzai Intl. Airport | Pending |
| 5 | 17 Sep, 2018 | 38,000 USD | Islam Qala land border | Pending |
| 6 | 19 Sep, 2018 | 20,000 USD | Islam Qala land border | Pending |
| 7 | 29 Dec, 2018 | 167,000 QAR 100,000 AED 8,000 SAR 3,800 BHD 3,6000 AED 3,800 BHD | Hami Karzai Intl. Airport | Pending |

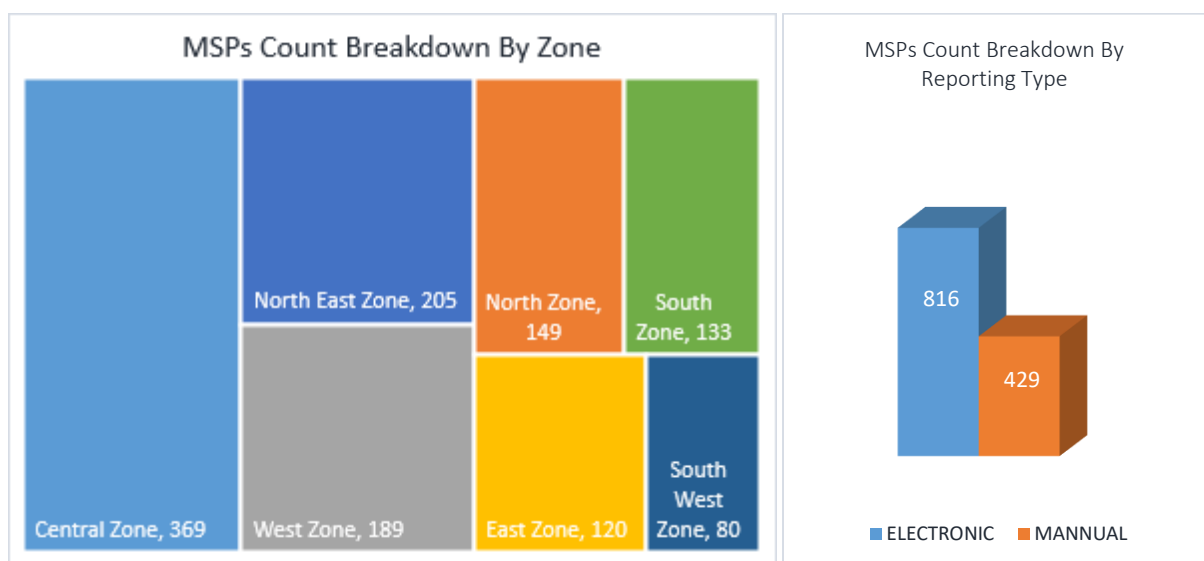
To further strengthen the cash and BNI control at Afghanistan's land borders; a 'Ruling Directive' was prepared jointly by Office of the National Security Council, Customs Department, DAB, and FinTRACA with deliverable objectives. The directive draft is final and awaiting the approval of the National Security Council.

MONEY SERVICE PROVIDERS

As per Da Afghanistan Bank law, money service involves services conducted in relation to money including safekeeping, money transmission, cheque cashing, and currency exchange. Any person providing these services are termed as Money Service Providers and are legally required to attain a business license from the Financial Supervision Department of DAB. MSPs represent an area of vulnerability, therefore FinTRACA regularly reviews the enforcement measures and has taken the following measures during the year;

- Providing regular training and coaching support to money service providers;
- Enhancing the level of electronic reporting by 21.8 %;
- Revocation of 8 business licenses;
- Suspension of 10 business licenses;
- Enforcement of AFN 3.65 M financial penalties;
- The inclusion of 209 MSPs and FXDs into FinTRACA Watch-List;
- Issuance of notifications about un-licensed MSPs and FXDs to LEAs;
- Development of 8 targeted/proactive cases on suspected MSPs and FXDs; and
- Publishing the list of revoked MSPs on FinTRACA website.

| NO | ZONE | ELECTRONIC | MANUAL |
|--------------|----------------|------------|------------|
| 1 | Central Zone | 134 | 235 |
| 2 | North Zone | 149 | 0 |
| 3 | West Zone | 153 | 36 |
| 4 | East Zone | 93 | 27 |
| 5 | Northeast Zone | 205 | 0 |
| 6 | South Zone | 36 | 97 |
| 7 | Southwest Zone | 46 | 34 |
| TOTAL | | 816 | 429 |



ON-SITE EXAMINATION:

The AML-PC law and MSP/FXD regulation empower both FinTRACA and FSD to examine books, records, computer systems or data processing systems of MSPs during the on-site examinations. Accordingly, FinTRACA accompanied FSD, prosecutors, and police to jointly conduct on-site inspections of MSP and FXD markets. It is worth mentioning that a total number of 28 joint examinations were conducted in 22 provinces during the fiscal year 1397.

ELECTRONIC REPORTING OF MSPS

As per the plan for the year, FinTRACA organized over 20 pieces of training to MSPs from all over the country in order to switch their manual reporting to electronic reporting platform. Currently, 816 out of 1245 MSPs are reporting electronically which makes 65.5 % in MSP sector. Considering the increase in the number of MSPs, electronic reporting has a proportionate increase of 21.8 % this year.

NEWLY ADDED FINANCIAL SECTORS

Following its annual plan, FinTRACA increased its domestic reporting domain by covering four new sectors as reporting entities outlined in AML – PC law. The inclusion of these sectors has resulted in the implementation of AML-PC law in these sectors and the center has been able to further enhance and facilitate its efforts to protect the financial institutions from exploitation for ML and TF.

Based on articles # 5, 12, 17 and 18 of Anti Money Laundering and Proceeds of Crime law, microfinance institutions, electronic money institutions, insurance sector and money service businesses are included as reporting entities to FIU and are duly obliged to report suspicious and large cash transaction reports respectively to FIU.

MICROFINANCE INSTITUTIONS

FinTRACA has undertaken an initiative on STR and LCTR reporting by microfinance institutions and has successfully established an electronic framework that ensures collection of STR and LCTR from MFIs.

Following its annual plan, the unit designed and delivered training program to microfinance sector. This training program was particularly aimed at implementation of UNSC sanctions, the introduction of FinTRACA, AML-PC law, Customer Due Diligence (CDD), reporting STR and LCTR.

The sector is provided with circulars on confidentiality of information, LCTR threshold, implementation of AML-PC law and UNSC sanctions.

ELECTRONIC MONEY INSTITUTIONS

Electronic Money Institutions (EMIs) are non-banking financial institutions that accept physical money payments against electronic money payments and facilitate electronic money payment transfers.

The center covered EMIs as reporting entities and receives STR and LCTR reports from the mentioned sector. The reporting threshold set for EMIs is AFN 10,000. It is worth mentioning that, DA Afghanistan Bank has issued a total number of three EMIs operating licenses.

As per its annual plan and the requests made by EMIs, the center provided training program with the overall aim of building the capacity of EMI employees and familiarizing them with legal frameworks supporting their reporting obligations to FinTRACA.

The training program incorporated topics such as the introduction of FinTRACA, AML-PC law, CFT law, STR reporting, LCTR reporting, Customer Due Diligence, implementation of UNSC sanctions list, and responsibilities of EMIs as reporting entities outlined in the mentioned laws.

INSURANCE SECTOR

FinTRACA collaborated with the Directorate of Insurance Affairs of the Ministry of Finance which is the regulator of the sector, to undertake an initiative to establish a framework within which the center would collect STR reports from the Insurance Sector.

Insurance companies are required to attain an operating license from the Ministry of Finance to be able to operate in Afghanistan.

Thus far, the Ministry of Finance has issued four licenses to domestic insurance companies and two licenses to international insurance companies whose branches are operating in Afghanistan.

The reason behind receiving a low number of STRs from the insurance sector is that business transactions of insurance sector carried in Afghanistan are very limited and insignificant. The center has dispatched a circular to insurance companies on confidentiality of information, implementation of AML-PC law, and UNSC resolutions.

MONEY SERVICE BUSINESSES

Da Afghanistan Bank is promoting Money Services Businesses in the country to improve AML/CFT compliance in MSP and FXD sectors by switching them from individual type operation to company type maintaining proper compliance function. In 2018, Da Afghanistan Bank issued business licenses to two major MSBs in Afghanistan.

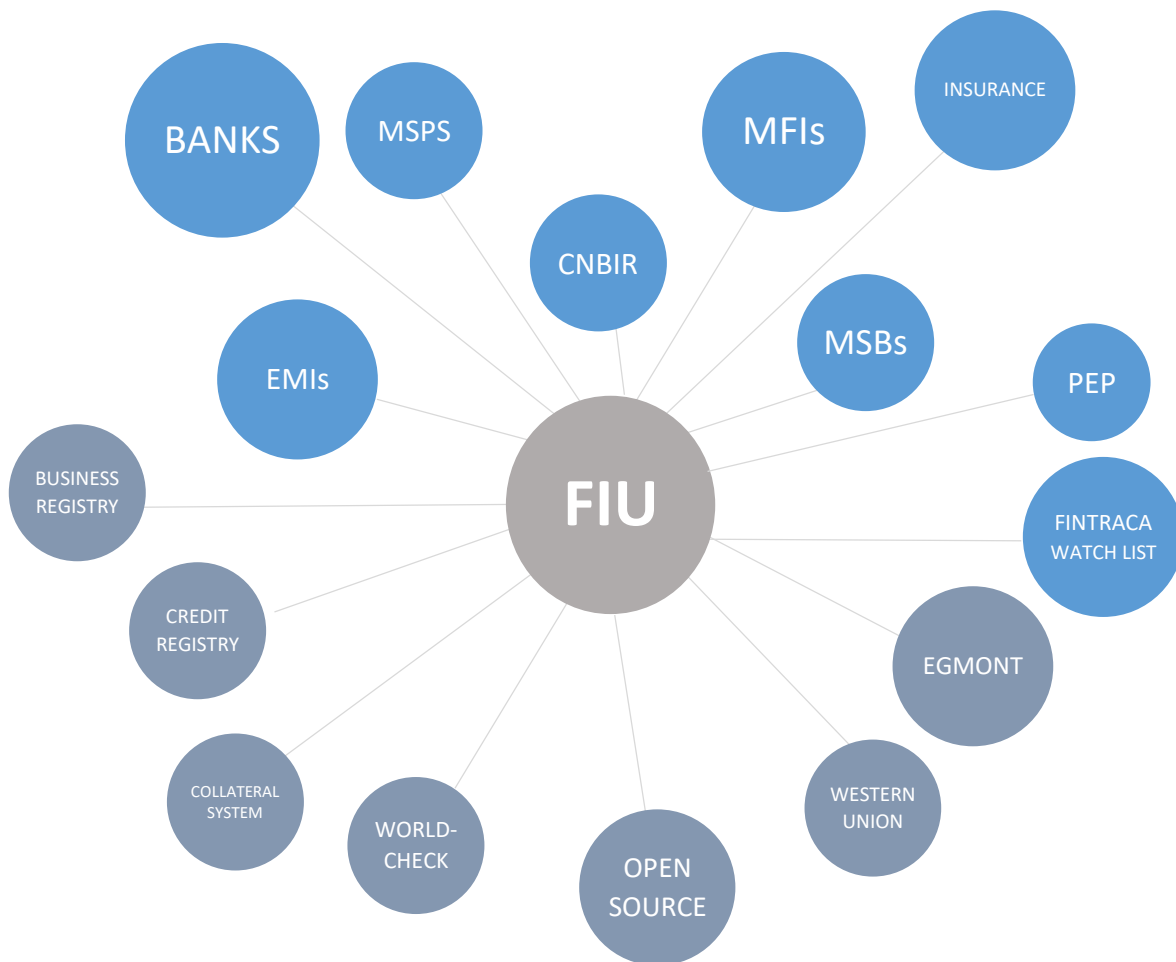
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Via inclusion of the new sectors, the center has been able to further enhance and facilitate its efforts to protect the integrity of relevant sectors from exploitation for ML and TF.

Section Director, Regional Operations

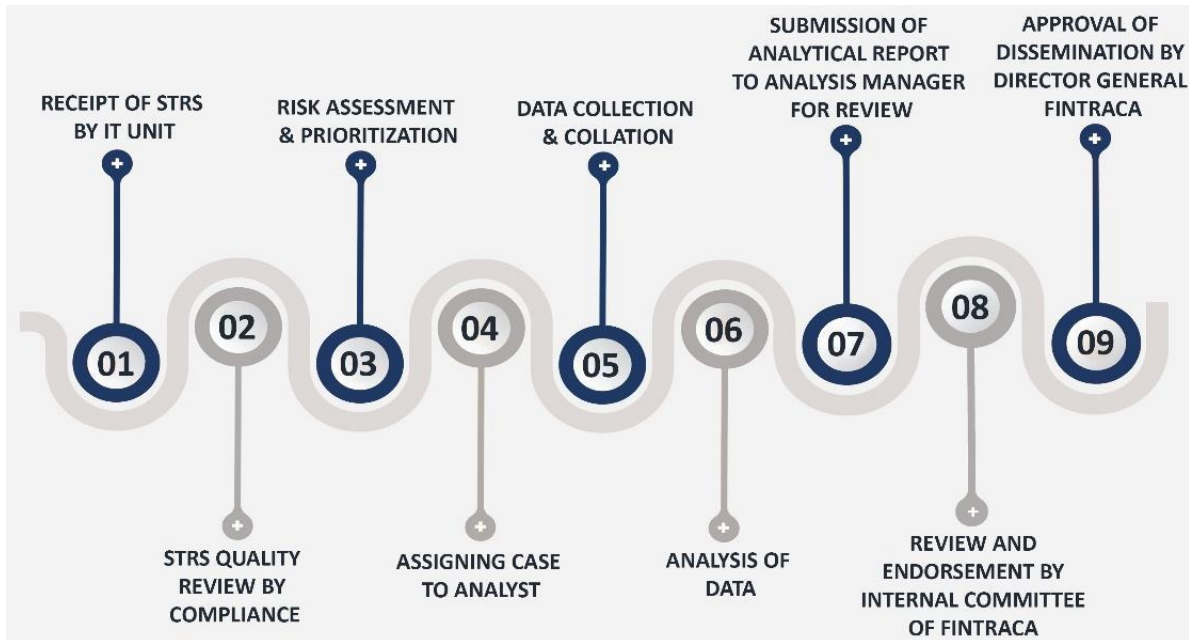
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DATA COLLECTION SOURCES



SPONTANEOUS DISCLOSURES

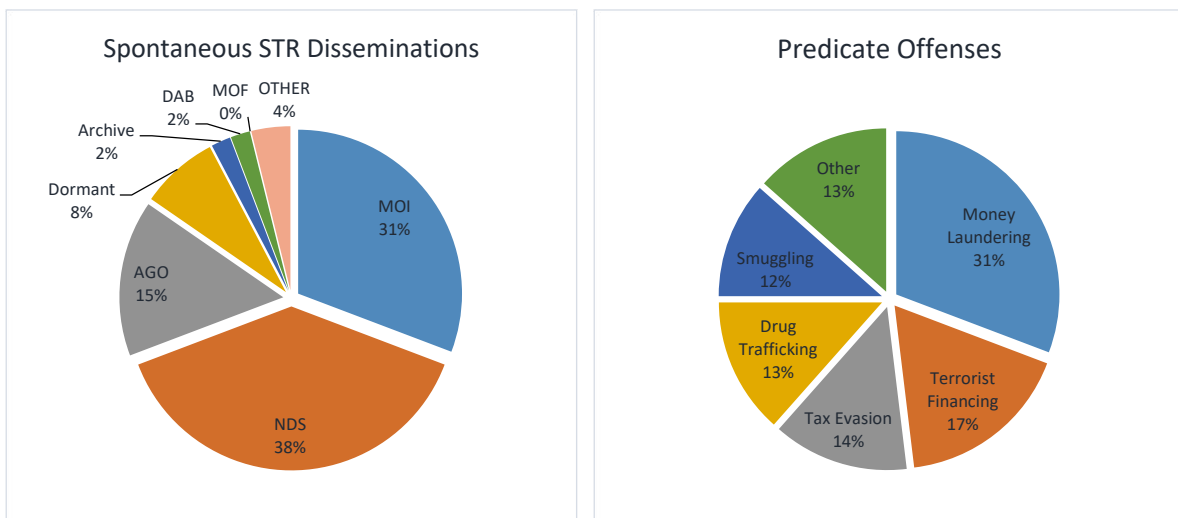
FinTRACA serves as the national center responsible for the receipt and analysis of the suspicious transaction reports and other financial information relevant to money laundering, associated predicate offense and terrorist financing. Dissemination of value-added products by FinTRACA is carried based on standard operating procedures that is comprised of the following business process model.



The STR dissemination ratio for the year 2018 has increased by 24% compared to the dissemination of STR during the year 2017. This is illustrated in the table below.

| STRS | 2016 | 2017 | 2018 | CHANGE (%) |
|-------------------------|-----------|-----------|-----------|------------|
| CASE COUNT | 36 | 36 | 52 | 44% |
| STRs Received | 438 | 481 | 767 | 59.5 % |
| STRs Analyzed | 77 | 59 | 66 | 11.8 % |
| Spontaneous Disclosures | 26 | 28 | 47 | 67.8 % |

The above mentioned STRs were disseminated in accordance with article 36 of AML – PC Law to domestic law enforcement agencies for investigation and/or further actions to be taken. The breakdown of dissemination to LEAs is presented in the graph below:



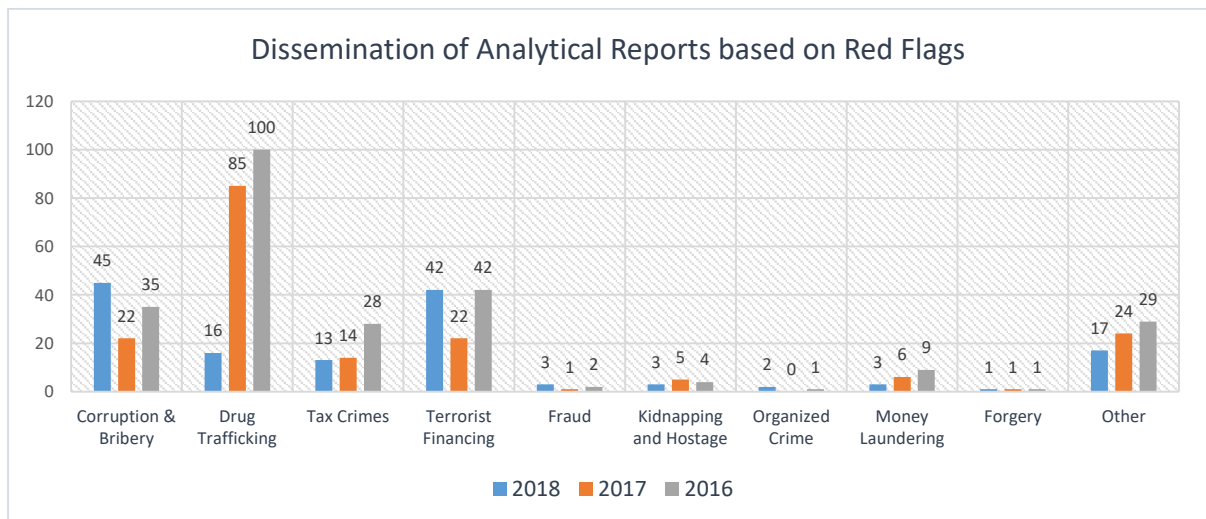
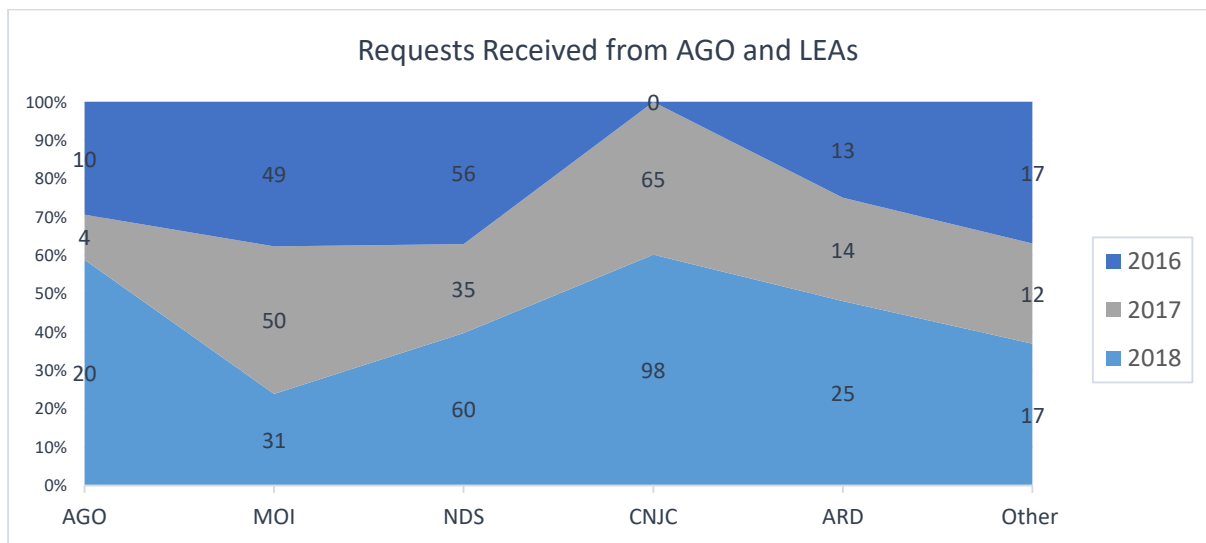
| NO | CASE TYPE | PREDICATE OFFENSE | NO. STRS | NO. SUBJECTS | ENTITY |
|----|-----------|---------------------|----------|--------------|----------------------------------|
| 1 | Proactive | Smuggling | - | 8 | Ministry of Interior Affairs |
| 2 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 3 | Proactive | Money Laundering | - | 1 | National Directorate of Security |
| 4 | Proactive | Smuggling | 0 | 3 | Other |
| 5 | Reactive | Money Laundering | 1 | 5 | National Directorate of Security |
| 6 | Reactive | Money Laundering | 1 | 3 | National Directorate of Security |
| 7 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 8 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 9 | Proactive | Money Laundering | 0 | 2 | Other |
| 10 | Reactive | Money Laundering | 4 | 2 | Attorney General's Office |
| 11 | Reactive | Tax Evasion | 2 | 1 | National Directorate of Security |
| 12 | Reactive | Tax Evasion | - | 1 | National Directorate of Security |
| 13 | Reactive | Tax Evasion | 0 | 1 | National Directorate of Security |
| 14 | Reactive | Tax Evasion | 0 | 1 | National Directorate of Security |
| 15 | Reactive | Tax Evasion | 0 | 1 | National Directorate of Security |
| 16 | Reactive | Tax Evasion | 0 | 1 | National Directorate of Security |
| 17 | Reactive | Tax Evasion | 0 | 1 | National Directorate of Security |
| 18 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 19 | Reactive | Money Laundering | 3 | 1 | Ministry of Interior Affairs |
| 20 | Reactive | Money Laundering | 1 | 2 | Attorney General's Office |
| 21 | Proactive | Smuggling | 0 | 1 | Ministry of Interior Affairs |
| 22 | Reactive | Money Laundering | 1 | 1 | Attorney General's Office |
| 23 | Reactive | Money Laundering | 5 | 4 | Attorney General's Office |
| 24 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 25 | Reactive | Smuggling | 1 | 3 | National Directorate of Security |
| 26 | Reactive | Terrorist Financing | 3 | 17 | Ministry of Interior Affairs |
| 27 | Proactive | Drug Trafficking | 0 | 4 | Attorney General's Office |
| 28 | Reactive | Other | 1 | 3 | Da Afghanistan Bank |
| 29 | Reactive | Terrorist Financing | 1 | 1 | National Directorate of Security |
| 30 | Reactive | Money Laundering | 3 | 4 | Ministry of Interior Affairs |
| 31 | Reactive | Smuggling | 1 | 3 | Attorney General's Office |
| 32 | Proactive | Other | 0 | 1 | Ministry of Interior Affairs |
| 33 | Proactive | Other | -- | 1 | Ministry of Interior Affairs |
| 34 | Reactive | Drug Trafficking | 2 | 5 | Ministry of Interior Affairs |
| 35 | Reactive | Drug Trafficking | 2 | 19 | Ministry of Interior Affairs |
| 36 | Reactive | Drug Trafficking | 6 | 7 | Ministry of Interior Affairs |
| 37 | Reactive | Money Laundering | 1 | 1 | National Directorate of Security |
| 38 | Reactive | Drug Trafficking | 1 | 3 | Ministry of Interior Affairs |
| 39 | Reactive | Drug Trafficking | 2 | 6 | Ministry of Interior Affairs |
| 40 | Reactive | Drug Trafficking | 2 | 3 | Ministry of Interior Affairs |
| 41 | Reactive | Terrorist Financing | 1 | 5 | National Directorate of Security |
| 42 | Reactive | Money Laundering | 6 | 10 | Attorney General's Office |
| 43 | Reactive | Money Laundering | 1 | 1 | Ministry of Interior Affairs |
| 44 | Reactive | Money Laundering | 1 | 5 | Ministry of Interior Affairs |
| 45 | Reactive | Money Laundering | 1 | 1 | Ministry of Interior Affairs |
| 46 | Proactive | Terrorist Financing | - | 1 | National Directorate of Security |
| 47 | Reactive | Money Laundering | 1 | 12 | Attorney General's Office |

NATIONAL COOPERATION

EXCHANGE OF INFORMATION WITH LEAs AND OTHER GOVERNMENT AUTHORITIES

In compliance with the article # 28 of Anti-Money Laundering and Proceeds of Crime law, FinTRACA responded the following analytical reports upon requests:

| NO | ENTITY/AGENCY | NO. OF REQUESTS RECEIVED | | |
|----------------------------|--|--------------------------|------------|------------|
| | | 2016 | 2017 | 2018 |
| 1 | Attorney General’s office (AGO) | 10 | 69 | 118 |
| 2 | Asset Registration and Verification Office | - | - | 11 |
| 3 | Ministry of Interior (MOI) | 49 | 50 | 31 |
| 4 | Afghanistan Revenue Department | 13 | 14 | 25 |
| 5 | National Directorate of Security (NDS) | 56 | 36 | 60 |
| 6 | High Office of Oversight (HOO) | 10 | 3 | 0 |
| 7 | Other | 7 | 8 | 6 |
| GRAND TOTAL | | 145 | 180 | 251 |
| INCREASE FROM 2017 TO 2018 | | | 39.4% | |



MEMORANDUM OF UNDERSTANDING WITH MINISTRY OF INTERIOR (MOI)

FinTRACA signed MOU with Ministry of Interior Affairs on 26th of March 2018. This MOU provides practical grounds for the exchange of financial intelligence related to ML, associated predicate offenses and terrorist financing. Via this channel, FinTRACA is able to expand the scope of its domestic cooperation and coordination through encompassment of the following bodies within MOI among its domestic cooperating entities:

- General Directorate of Counter Terrorism;
- General Directorate of Intelligence;
- Criminal Investigation Department;
- Interpol National Central Bureau (NCB);
- Afghan Border Police and Immigration;
- Passport Department;
- Vehicle Registration Department;
- Afghanistan Central Civil Registration Authority (ACCRA); and
- Central and Provincial Police HQs.

This MOU also enables FinTRACA to gather case-sensitive information from departments mentioned above. As a comprehensive document, this MOU significantly impacts the process of detection, investigation, and prosecution of financial crimes. As part of its commitment, FinTRACA continues to assist the network listed above by providing technical and coaching support to achieve desired outcomes.

MEMORANDUM OF UNDERSTANDING WITH NATIONAL PROCUREMENT AUTHORITY

FinTRACA and the National Procurement Authority (NPA), on the basis of article # 28 of Anti-Money Laundering and Proceeds of Crime law, signed a memorandum of understanding in an official commencement ceremony on 25th of December 2018.

Governor of DAB, Mr. Khalil Sediq emphasized on the importance of this MOU in relation to the implementation of Anti Money Laundering and Proceeds of Crime law (AML-PC) in the relevant processes. Commemorating the signing of this MOU as an important step taken to counter corruption, effectively implement the AML-PC law and strengthen transparency in contracting procedures of NPA.

This MOU is aimed at facilitation of exchange and sharing of information regarding verification of financial transactions of bidders and their business partners in accordance with the prevalent laws in the country. Moreover, this MOU incorporates other key elements such as conditions for exchange of information, confidentiality of information, strengthening transparency in national procurement procedures, fighting corruption, and countering serious challenges to the country's security and economic stability.

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The Financial Intelligence Unit within DAB shall abide by its commitment to facilitate financial screening of bidders who take part in NPA biddings, and in this way protect NPA Procedures from exploitation.

Deputy Director General, FinTRACA

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ASSET DECLARATION OF HIGH-RANKING GOVERNMENT OFFICIALS

Asset declaration of senior public officials is practiced under the asset declaration law of Afghanistan which outlines deliverable outcomes of Afghanistan's anti-corruption strategy.

Asset declaration process is based on inter-agency cooperation within the relevant Afghan government agencies and consists of three stages namely declaration, verification and sanctions.



FinTRACA is involved in the verification stage and plays an instrumental role in carrying the financial analysis of high-ranking government officials to determine and verify their financial assets. FinTRACA assists the asset declaration process by carrying financial analysis on the assets declared and providing the results to Asset Registration and Verification Office.

To further enhance the effectiveness of FinTRACA's contribution in the implementation of asset declaration law, the center has established an electronic link with the Asset Declaration and Verification Office to ensure the confidentiality during the information exchange process.

In the year 2018 FinTRACA has had 9 requests for financial information of 241 senior public officials including PEPs and has responded to 5 requests comprising of a total number of 64 high ranking government officials.



Asset Declarations process for public officials is undertaken by countries to prevent corruption and promote public trust through accountability. It also facilitates management of conflict of interest and detection of illicit enrichment.

INTERNATIONAL COOPERATION

As per obligations assigned to FinTRACA in the AML-PC law, the center exchanged a total number of 53 analytical reports with foreign counterpart FIUs. These reports consisted of 11 requests made and 42 requests responded by the center. A total number of 209 subjects were included both in inbound and outbound international requests.

MEMORANDUM OF UNDERSTANDING (MOU)

FinTRACA signed two memorandums of understanding during the year. These MOUs were signed with the Australian Transaction Reports and Analysis Centre (AUSTRAC) and Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan (Kazakhstan FIU) respectively.

The MOUs were purposed to establish grounds for further co-operation and to expedite the exchange of information. The signing of MOUs also establishes the effective mechanism of cooperation and information sharing in relation to ML/TF cases.

The signing of MOU with other Financial Intelligence Units is in line with the Principles of Information Exchange of the Egmont Group and domestic legislation. In addition, the signing of MOU is an important step towards complying with the international standards on anti-money laundering and combating the financing of terrorism, in particular, the Financial Action Task Force (FATF) recommendations.

The addition of two MOUs has enlarged the center's scope of international cooperation and coordination in the area of exchange of financial intelligence related to money laundering associated predicate offenses and financing of terrorism. As per date, FinTRACA has signed a total number of 18 MOUs.

| NO | FIU NAME | COUNTRY | DATE |
|----|--|---------------------|-------------|
| 1 | Committee on Financial Monitoring | Kazakhstan | May, 2018 |
| 2 | The Australian Transaction Reports and Analysis Centre (AUSTRAC) | Australia | April, 2018 |
| 3 | The State Financial Monitoring Service of Ukraine | Ukraine | Nov, 2017 |
| 4 | Korean Financial Intelligence Unit (KoFIU) | Korea | July, 2017 |
| 5 | China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) | China | Feb, 2017 |
| 6 | Anti-Money Laundering Division, Investigation Bureau (FIU) | Taiwan | Oct, 2016 |
| 7 | Financial Monitoring Department (FMD) | Tajikistan | Sep, 2015 |
| 8 | Turkmenistan Financial Intelligence Unit (TFIU) | Turkmenistan | Aug, 2015 |
| 9 | UK Financial Intelligence Unit at the National Crime Agency (UKFIU) | UK | Jun, 2014 |
| 10 | Saudi Arabia Financial Intelligence Units (SAFIU) | Saudi Arabia | Jul, 2013 |
| 11 | The Financial Crimes Enforcement Network (FinCEN) | USA | Jul, 2012 |
| 12 | Bangladesh Financial Intelligence Unit (BFIU) | Bangladesh | Jul, 2009 |
| 13 | Financial Crimes Investigation Board (MASAK) | Turkey | Feb, 2008 |
| 14 | Mongolian Financial Intelligence Unit (MFIU) | Mongolia | Jul, 2008 |
| 15 | Sri Lanka Financial Intelligence Unit (SFIU) | Sri Lanka | Feb, 2008 |
| 16 | Department of Financial Monitoring (DFM) | Republic of Belarus | Jun, 2007 |
| 17 | Federal Financial Monitoring Service (FFMS) | Russian Federation | 2007 |
| 18 | The State Financial Intelligence Service (SFIS) | Kyrgyz Republic | 2007 |

ENFORCING COMPLIANCE

FinTRACA enforces compliance on relevant reporting entities on the basis of legal power designated to FinTRACA in Anti-Money Laundering and Proceeds of Crime law. The center exercises its enforcement authority by issuing warning letters, revocation and suspension of business licenses, imposition of fines between 50,000 and 500,000 (AFN) for every fraction, removal of administrator, officer, or employee of reporting entities from office, taking corrective actions to rectify deficiencies under the law and relevant regulations issued and cease engaging in certain actions or practices.

Actions taken to enforce compliance are highlighted below;

1: REVOCATION AND SUSPENSION OF BUSINESS LICENSES

Revocation and suspension of business licenses of reporting entities are influenced by the measures taken to fight, and the degree of exposures to risk of money laundering and financing of terrorism, and regulatory violations. As reflected in the table below, the number of revoked business licenses in 2018 decreased by 32% compared to 2017, while the number of suspended business licenses increased by 112%.

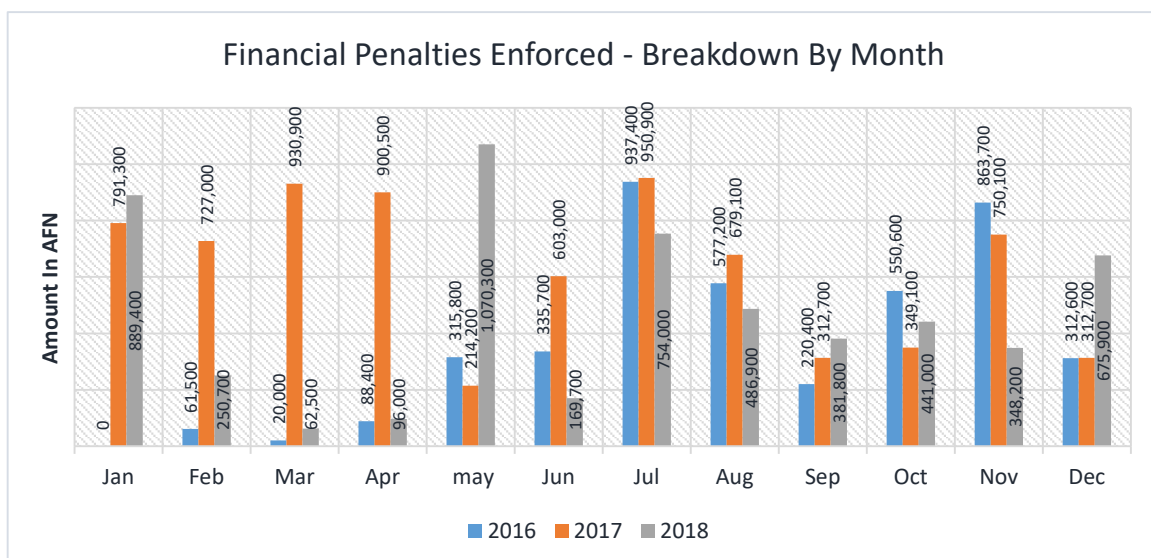
| REVOCATION/SUSPENSION OF BUSINESS LICENSES | 2016 | 2017 | 2018 | CHANGE (%) |
|--|------|------|------|----------------------|
| Revoked Business Licenses | 80 | 25 | 8 | 32% Drop |
| Suspended Business Licenses | 0 | 8 | 17 | 112% Increase |

2: ISSUANCE OF NOTIFICATIONS TO SUPERVISORY BODY

In the year 2018, FinTRACA submitted a total number of 13 reports to the Financial Supervision Department of Da Afghanistan Bank in line with FIU Governance Regulation where the on-site examination was deemed necessary on observation of AML/CFT measure in certain commercial banks or money service providers operating in Afghanistan.

3: IMPOSING FINANCIAL PENALTIES

In addition to the measures taken by the regulator (DAB), FinTRACA enforced and recovered the following financial penalties from reporting entities. The table displays comparative analysis of the amount recovered in penalties from the banking and non-banking sectors in the year 2018 against the previous year (2017).



The drops in figures are mainly due to increased diversification of FinTRACA’s compliance enforcement measures. Enlarging its scope of compliance enforcement, the center utilized new clusters like the FinTRACA watch-list and website blacklist have resulted in diversification of compliance enforcement measures among alternative enforcement techniques. Though the alternative compliance enforcement techniques were previously being utilized, however, the extent to which these techniques were used in the year 2018 is higher compared to the previous year. FinTRACA has also dispatched notifications to the Financial Supervisions Department of DAB where cross-examination via on-site supervision was deemed necessary. Moreover, coordination with reporting entities has resulted in reduced reporting violations. Reporting violations have been a major cause for imposition of fines. Training and coaching support provided by FinTRACA to reporting entities have also resulted in technical improvement of reports received by FinTRACA.

4: FROZEN BANK ACCOUNTS

Enforcement actions of FinTRACA in the banking sector were not limited to imposition of fines. FinTRACA also responded to requests made for the freezing of accounts by LEAs including CNJC and NDS and has frozen a total number of 29 bank accounts.

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Apart from the FIU, other Government Agencies such as DAB, AGO, NDS, and MOI might have also taken enforcement measures which are not included herein.

FINTRACA WATCH-LIST

FinTRACA Watch-List is a supportive surveillance tool that helps reporting entities in the application of customer due diligence measures. It helps identify high-risk subjects where irregularities are witnessed and potential risks for money laundering and other predicate offenses exist.

FinTRACA has established the Watch-list database to disrupt misuse of the financial system for ML/TF. The legal basis for the establishment of this database is the legal powers designated to FinTRACA in accordance with the article # 32 and 24 of AML-PC law and annex (iii) of the AML/CFT Responsivities and Preventative Measure Regulation. FinTRACA regularly releases the list of high-risk subjects to banking institutions in order to remain alert of the evolving threats of money laundering and other predicate offenses.

FinTRACA Watch-List breakdown by subject is illustrated in the table below;

| CATEGORY | 2016 | 2017 | 2018 | GRAND TOTAL | PERCENTILE |
|---------------------------------|----------|------------|------------|-------------|-------------|
| Individuals (Male) | 0 | 163 | 225 | 388 | 87 % |
| Individuals (Female) | 0 | 03 | 00 | 03 | 0 % |
| Legal Entity | 0 | 27 | 33 | 60 | 13 % |
| TOTAL NUMBER OF SUBJECTS | 0 | 193 | 258 | 451 | 100% |

As displayed in the table above, the database is inclusive of a total number of 451 subjects both legal and natural persons. These subjects are added to the database as per the suspicion of their involvement in money laundering and other predicate offenses including drug trafficking. The breakdown of these suspicion is illustrated in the following table.

| FINTRACA WATCH-LIST BREAKDOWN OF SUSPICIONS | | |
|---|-----------------|--------------|
| RED FLAGS | NO. OF SUBJECTS | PERCENTAGE |
| Money laundering | 157 | 32.3 % |
| Regulatory violation | 209 | 43.0 % |
| Drug-related crimes | 43 | 8.80 % |
| Tax and customs duty fraud | 31 | 6.30 % |
| Corruption and bribery | 7 | 1.40 % |
| Robbery and theft | 1 | 0.20 % |
| Murder | 1 | 0.20 % |
| Counterfeiting currency | 2 | 0.40 % |
| Arms trafficking | 1 | 0.20 % |
| Smuggling | 7 | 1.40 % |
| Other | 27 | 5.50 % |
| TOTAL | 486 | 100 % |

As shown, the major portion of the suspicions based on which subjects are added to the database is comprised of money laundering and regulatory violations. While 74% of the suspicions are based on these two major offenses, the remaining portion of suspicions is comprised of 8 other offenses. The enforcement results are reflected below;

| COMPLIANCE ENFORCEMENT | | |
|---------------------------------------|-----------------|-------------|
| ACTIONS TAKEN BY BANKING INSTITUTIONS | NO. OF SUBJECTS | %AGE |
| High Risk Classification | 304 | 47.2% |
| Termination of Relationship | 46 | 7.10% |
| Filing STRs | 2 | 0.31% |
| Closed Bank Account | 140 | 21.70% |
| No Debit of bank accounts | 23 | 3.57% |
| Dormant and Inactive | 53 | 8.22% |
| No Credit of bank accounts | 61 | 9.47% |
| Accounts frozen | 15 | 2.32% |
| TOTAL | 644 | 100% |

TAX AND CUSTOMS DUTY EVASION

Tax evasion is outlined as one of the major predicate offenses committed by criminals while exploiting the financial sector of any country. Following its determination and abiding by its commitment to protect Afghanistan's financial system, FinTRACA has strongly engaged to disrupt any means by which criminals could exploit financial institutions in the country. One major area where such disruptions have been very effective is tax and customs duty evasion. FinTRACA expanded the newly developed disruption mechanism in collaboration with the Ministry of Finance (Customs and Revenue Departments) to disrupt tax and customs duty evasions.

Upon receiving requests from tax collection offices, FinTRACA investigates the subjects and collects financial information by cross-checking the monetary value of imports and business declarations of targeted subjects. Financial information provided by FinTRACA is utilized to facilitate the tax payer's offices in knowing the exact amount of revenue and turnovers subjected to taxation, imports, and overseas transfer amounts.

FinTRACA has also taken spontaneous actions on tax and customs duty evasions to facilitate efforts aimed at countering tax evasion.

Actions undertaken against tax and customs duty evasion enables the Ministry of Finance to reconcile turnovers, revenues, the value of imports and overseas transfers of suspects who commit tax and customs duty offenses. This consequently has a positive impact on the overall revenue generation of the country. Such disruptions will result in disclosure and collection of real tax and duty amounts, thereby increasing the government's tax revenues.

It is also important to mention the result of the reconciliation in regards to targeted subjects tabled above were dispatched to MoF for further investigations and actions. The sanitized process is tabled below;

| TAX AND CUSTOMS DUTY DISCLOSURE TO MINISTRY OF FINANCE (AMOUNT IN USD – 2018) | | | | |
|---|--------------------|-------------------------------|------------|----------|
| NO | OVERSEAS TRANSFERS | REGISTERED IMPORT/DECLARATION | DIFFERENCE | YEAR |
| 1 | xxx | xxx | xxx | - |
| 2 | xxx | xxx | xxx | - |
| 3 | xxx | xxx | xxx | - |
| 4 | xxx | xxx | xxx | - |
| 5 | xxx | xxx | xxx | - |
| 6 | xxx | xxx | xxx | - |
| 7 | xxx | xxx | xxx | - |
| 8 | xxx | xxx | xxx | - |
| 9 | xxx | xxx | xxx | - |
| 10 | xxx | xxx | xxx | - |
| TOTAL | xxx | xxx | xxx | - |

NATIONAL ML/TF RISK ASSESSMENT

Da Afghanistan Bank's executive board decided to undertake ML/TF national risk assessment purposed to identify higher risk areas and allocate resources to establish controls for identified risks. The NRA is undertaken based on the FATF recommendation that calls for identification assessment and understanding of the money laundering and terrorist financing risks, and designation of authority or mechanism to coordinate actions to utilize resources and mitigate these risks. This is the very first time Afghanistan is conducting a National Risk Assessment. The risk assessment is aimed to form a basis for the effective implementation of AML/CFT standards by aligning the regime to the specific threats and vulnerabilities confronting the various sectors. FinTRACA is national coordinator of the NRA while technical assistance in the assessment is provided by the World Bank.

NRA conducted in Afghanistan is a great learning opportunity for working group members, it carries significant importance in the context of Afghanistan's AML and CFT regime. It will allow for a better understanding of needs and priorities and can result in improving the effectiveness of policy implementation. Through NRA, the country will be able to grasp the understanding of the risks it faces based on threats and vulnerabilities identified. Upon understanding of threats and vulnerabilities, our combating abilities would be assessed to determine the overall ability of the country to establish proactive controls and mitigating mechanisms and designate authority for managing country-wide risk of ML and TF.



FinTRACA began to coordinate the countrywide risk assessment in January 2018. NRA working groups are composed of (Threat, Vulnerability, Banking Sector, DNFBP, Financial Inclusion, and other FIs) which have been carried out by 45 members from 17 public and private sector agencies.

These five teams assess risk exposures to ML and TF across sectors. Based on their assessment and evaluation of threats and vulnerabilities of each sector, the teams outline the severity of the exposure to ML and TF risks in each sector.

The teams have thus far received technical training aimed at assessment methodologies and use of risk assessment tools. The second workshop of NRA was conducted in September 2018. During this workshop, the progress of the WGs were reviewed by the World Bank's technical team. The workshop was focused on discussing the challenges and hurdles the assessment teams faced in the process of data collection. The World Bank's technical team displayed contentment over the progress of the assessment teams in the year 2018 and provided guidance to the teams to move on to the next phase of NRA.

Currently, data collection stage of the third phase of NRA is completed and the teams are engaged in data analysis and chapter drafting. Upon completion of the chapter drafting stage, the national coordinator of NRA shall review the chapters and submit it to the World Bank for peer review.



NRA has an important bearing on policy development and allows for a better understanding of priorities. NRA applies as much to policy makers in governments and to regulators as it does to financial sectors.

WORLD-CHECK

FinTRACA gained access to the world-check database in April 2018. World-check database is an organized collection of data stored and accessed electronically. It is a database of politically exposed persons and heightened risk individuals and organizations which is used by different entities as an instrument for risk management.

World check database enables FinTRACA to have access to subjects of regulatory risks from over 240 countries and territories worldwide. While FinTRACA is able to profile its subjects through the use of an open source intelligence methodology (OSINT), however, the use of the database is subjected to strict security protocols as per data protection act (UK). Such security protocols provide FinTRACA with necessary arrangements for security assurances related to FinTRACA's confidentiality and disclosure policies.

Having more than 4500 data researchers and analysts that gather and analyze information and intelligence data in 11 operating centers, world-check offers a platform for over 200 governments across the globe to retain and share intelligence information.

World-check database enables FinTRACA to have fast and convenient access to intelligence data from across the globe. The use of world-check database also facilitates FinTRACA in carrying its obligations apropos of international cooperation regarding information exchange.

The main advantage FinTRACA has been able to enjoy using world-check databases is that the database amidst monitoring regulatory and enforcement list correlates sanctions and embargo lists from around the world.

MEETINGS ATTENDED BY FINTRACA IN THE YEAR 2018

| NO. | SPONSOR | MEETING TITLE | LOCATION |
|--------------|-------------------|--|--------------------|
| 1 | DAB | Eurasian Group Meeting | China |
| 2 | UNODC | 7 th Steering Committee Meeting Of The Regional Program For Afghanistan And Neighboring Countries | Croatia |
| 3 | DAB | 12 th AGP Annual Meeting | Nepal |
| 4 | GIZ | Transparency International: International Anti-Corruption Conference | Denmark |
| TOTAL | 3 SPONSORS | 4 MEETINGS ATTENDED | 4 COUNTRIES |

TRAININGS RECEIVED BY FINTRACA IN THE YEAR 2018

| NO. | PROGRAM TITLE | SPONSOR | LOCATION |
|--------------|--|--------------------|--------------------|
| 1 | Money & Value Transfer Services | Host country / DAB | China |
| 2 | CFT for Afghan Competent Authorities | UNODC / DAB | Kazakhstan |
| 3 | AML | UK / DAB | Indonesia |
| 4 | Financial Flow Disruption | Host Country / DAB | Kazakhstan |
| 5 | Exposure Visit | Host Country / DAB | Sri Lanka |
| 6 | CFT For Afghan Competent Authorities | UNODC / DAB | Kazakhstan |
| 7 | AML workshop | Host Country / DAB | Indonesia |
| 8 | (CFT) for Afghan Competent Authorities | UNODC / DAB | Kazakhstan |
| 9 | AML | UNODC | Indonesia |
| 10 | FATF Standard Training Course | FATF / DAB | South Korea |
| 11 | UNSCR Sanctions | UNODC | Kabul |
| 12 | Illicit Financial Flows Derived from Trafficking in person & Migrants | Host country / DAB | Kazakhstan |
| 13 | Security Policies and Procedure in the area of Physical, Personal Document, and Information Security, Disaster Recovery and Continuity of Operations | Egmont Group / DAB | Taiwan |
| 14 | Planning Workshop | Host country /DAB | Indonesia |
| 15 | UNSCR Sanctions | UNODC | Kabul |
| TOTAL | 10 PROGRAMS (15 TRAININGS) | 11 SPONSORS | 7 COUNTRIES |

TRAININGS DELIVERED BY FINTRACA IN THE YEAR 2018

| NO | PROGRAM TITLE | NO OF TRAINING | PARTICIPANT AGENCY | NUMBER OF PARTICIPANTS | LOCATION |
|--------------|---|---------------------|--|------------------------|--|
| 1 | KYC, STR, LCTR, MSPs, FXDs, Bank Accounts & Banking Terminologies | 4 | NDS 501(3) JIT (1) | 62 | British Embassy |
| 2 | CFT Foundation and analysis | 5 | MOI, AGO, NDS, and FIU (1) 501. prosecutors NDS (4) | 63 | British Embassy (4), Almaty – Kazakhstan (1) |
| 3 | CFT Investigation | 3 | MOI, AGO, MOD, NDS, and FIU (1) NDS (2) | 36 | British Embassy (2), Almaty – Kazakhstan (1) |
| 4 | AML trainings: • General AML • How to apply AML • Article 37 of AML (freezing of accounts) | 3 | LEA i;e justice and courts (1), AGO, ACJC, CNJC, ATPD, MCTF, IIU, NDS, FIU (1) NDS 501 (1) | 72 | Jakarta – Indonesia (1), US Embassy British (1) Embassy (1) |
| 5 | FinTRACA Activities and achievements | 1 | NDS 501 | 17 | British Embassy |
| 6 | STR Reporting | 5 | Insurance companies' employees MFIs (2), Employees of EMIs (1), Employees of AIB (1) | 80 | FIU training Center (3), DAB Training Center (2), |
| 7 | Workshops on CNBIR | 2 | Revenue and customs department | 92 | Customs and Revenue Department MOF (2) |
| TOTAL | 7 PROGRAMS | 23 TRAININGS | 17 ENTITIES | 422 | 8 |

PRIORITIES FOR THE FY YEAR 1398 (2019)

- 01 CONCLUSION OF NRA
- 02 IMPLEMENTATION OF NEW TECHNOLOGY
- 03 CONDUCTING HLCC MEETINGS
- 04 ENHANCEMENT OF DISRUPTION MEASURES
- 05 PROPOSAL FOR AMENDMENT OF AML/CFT LEGISLATION
- 06 INITIATING THEMATIC RESEARCH PROGRAM
- 07 IMPROVING AML/CFT COMPLIANCE PROGRAM
- 08 CAPACITY BUILDING OF LEAs
- 09 ENHANCEMENT OF FINTRACA WATCH-LIST & PEP DATABASES
- 10 ISSUING AML/CFT GUIDELINES TO NON-BANKING FIs

ACRONYMS

| | |
|--------------|---|
| ACCRA | Afghanistan Central Civil Registration Authority |
| AFN | Afghani |
| AGO | Attorney General's Office |
| AML/CFT | Anti-Money Laundering and Combating the Financing of Terrorism |
| AML/CFT RPMR | AML/CFT Responsibilities and Preventative Measures Regulation |
| AML-PC Law | Anti-Money Laundering and Proceeds of Crime Law |
| AOP | Administrative Office of the President |
| APG | Asia Pacific Group |
| ARD | Afghanistan Revenue Department |
| BNI | Bearer Negotiable Instrument |
| CDD | Customer Due Diligence |
| CFT Law | Law on Combating the Financing of Terrorism |
| CNPA | Counter-Narcotics Police of Afghanistan |
| DAB | Da Afghanistan Bank (Central Bank) |
| DNFBP | Designated Non-Financial Businesses and Professions |
| DOJ | Department of Justice (US) |
| FATF | Financial Action Task Force |
| FI | Financial Institution |
| FinTRACA | Financial Transactions and Reports Analysis Centre of Afghanistan |
| FIU | Financial Intelligence Unit |
| FSD | Financial Supervision Department of Da Afghanistan Bank |
| FT | Financing of Terrorism |
| IRT | Iranian Toman |
| LCTR | Large Cash Transaction Report |
| MCTF | Major Crime Task Force |
| ML | Money Laundering |
| MSB | Money Service Business |
| MOF | Ministry of Finance |
| MOI | Ministry of Interior |
| MOU | Memorandum of Understanding |
| MSP | Money Service Provider |
| NDS | National Directorate of Security |
| NRA | National ML/TF Risk Assessment |
| PKR | Pakistani Rupees |
| SAR | Saudi Arabian Riyal |
| STR | Suspicious Transaction Report |
| USD | United States Dollars |
| WG | Working Group |
| ABA | Afghanistan Banks Association |
| AMA | Afghanistan Microfinance Association |
| UNODC | United Nations Office on Drugs and Crime |
| NCA | National Crime Agency |
| INL | Bureau of International Narcotics and Law Enforcement Affairs |



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