



DA AFGHANISTAN BANK
FINANCIAL INTELLIGENCE UNIT



© Zirek Malya

ANNUAL REPORT 2017

Financial Transactions and Reports Analysis Center of Afghanistan

FATF DELISTED AFGHANISTAN OFF COMPLIANCE DOCUMENT – 23RD JUNE 2017

“The FATF welcomes Afghanistan’s significant progress in improving its AML/CFT regime and notes that Afghanistan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2012. Afghanistan is therefore no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process. Afghanistan will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points.”

© FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTER OF
AFGHANISTAN (FINTRACA), 2017

DEHMAZANG SQUARE, DA AFGHANISTAN BANK
KABUL, AFGHANISTAN

ZONAL OFFICES: Nangarhar, Kandahar, Balkh, Kunduz, Herat and Paktia Province

TELEPHONE: +93 202512973

EMAIL: info@fintraca.gov.af

WEB: www.fintraca.gov.af



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.

TABLE OF CONTENTS

GOVERNOR’S MESSAGE	1
DIRECTOR GENERAL’S MESSAGE	2
2017 HIGHLIGHTS.....	4
CRIMINAL JUSTICE AND ENFORCEMENT SNAPSHOT	6
AML/CFT LEGAL FRAMEWORK IN AFGHANISTAN.....	7
FATF PUBLIC STATEMENTS ABOUT AFGHANISTAN	8
RECEIPT OF LCTRS FROM REPORTING ENTITIES	9
MONEY SERVICE PROVIDERS	10
RECEIPT OF SUSPICIOUS TRANSACTION REPORTS.....	12
CASH AND BNI CONTROL	13
CASH AND BNI DECLARATION TO CUSTOMS.....	13
PROHIBITION OF TRANSFER AND LAW ENFORCEMENT:.....	14
SPONTANEOUS DISCLOSURES.....	16
ENFORCING COMPLIANCE	18
FINTRACA WATCH-LIST	19
DISRUPTION MEASURES	20
COOPERATION AT NATIONAL LEVEL.....	22
DOMESTIC INQUIRIES.....	22
MONEY LAUNDERING CONVICTIONS BY ANTI-CORRUPTION JUSTICE CENTER	23
TERRORIST FINANCING CONVICTIONS	24
COUNTER NARCOTICS JUSTIC CENTER (CNJC/CJTF)	25
INTERNATIONAL COOPERATION	26
CAPACITY BUILDING WORKSHOPS & INTERNATIONAL PARTICIPATIONS.....	27
COMPLIANCE COORDINATION COMMITTEE	28
NATIONAL RISK ASSESSMENT	29
JOINT TASK FORCES.....	30
2018 PRIORITIES.....	31
EMPLOYEES OF THE YEAR	32
ACRONYMS	33

GOVERNOR'S MESSAGE



I am pleased to know that Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) releases its Annual Report for the fiscal year 1396 (2017). This has been highlighted that FinTRACA has made remarkable progress in disseminating financial intelligence reports related to money laundering, terrorist financing and other associated predicate offenses to Law Enforcement Agencies including Attorney General's Office.

It has been noted that level of inter-agency cooperation and coordination have significantly increased and found useful and effective. Dissemination of STRs and other financial information led to investigations, prosecutions, and convictions during the year 2017.

Combating ML and TF are challenging tasks which have to be successfully dealt with utilizing necessary resources by all stakeholders. Further, domestic inter-agency cooperation, as well as international cooperation, are critical for the successful identification, investigation, and prosecution of financial crimes. In this regard, FinTRACA plays key role in switching financial intelligence to domestic Law Enforcement Agencies, Attorney General's Office and coordinating the exchange of financial information with foreign FIUs based on the memorandums of understandings (MOU) and the Egmont Group of FIUs' principles.

During the year 2017, Regional Review Group of Financial Action Task Force (FATF) visited Afghanistan and met His Excellency President of the Islamic Republic of Afghanistan, relevant cabinet ministers, Attorney General and other high-ranking officials and practitioners of the Islamic Republic of Afghanistan. The on-site team aimed to review the compliance of FATF recommendations listed by International Cooperation Review Group as part of the action plan. His Excellency the president, stated to RRG delegation that our commitment to have a robust AML/CFT framework is not only based on our desire to meet international standards, it is because of the risks posed by money laundering and the financing of terrorism which threaten our safety and development.

Afghanistan was successfully delisted off compliance document of FATF in June 2017 which highlighted the commitment of the Government of Islamic Republic of Afghanistan to the international community.

I take this opportunity to thank Mr. Nesar Yosufzai, Director General of FinTRACA and his team for the progress made during the year. It is my earnest desire to see that FinTRACA operations meet the best international practices and playing the instrumental role in AML/CFT regime of the country.

Regards,

Khalil Sediq
Governor
DA AFGHANISTAN BANK



DIRECTOR GENERAL'S MESSAGE

The fiscal year 1396 (2017) was a challenging year to Financial Transactions and Reports Analysis Center of Afghanistan. In April 2017, FinTRACA hosted the on-site team "Regional Review Group (RRG) of the Financial Action Task Force". The team met almost 60 high ranking officials and practitioners of the Government of Islamic Republic of Afghanistan including H.E President of Afghanistan. The on-site visit meetings and responsiveness highly reflected the commitment of Afghan Government improving its AML/CFT regime.



In June 2017, Financial Action Task Force delisted Afghanistan off the compliance document which is considered a historical step forward for the country and demonstrated a signal to international community strengthening the fight against money laundering and terrorist financing. Implementation of the AML/CFT legal framework should remain an integral element of our anti-corruption and terrorism prevention work.

During the year, FinTRACA Internal Committee held 22 meetings and approved the dissemination of 28 operational and strategic analysis to the Attorney General's Office and other Law Enforcement Agencies which demonstrates 7% increase compared to 2016. Money laundering, terrorist financing, wire fraud, and tax evasion were the key predicate offenses dispatched for further investigations. A key step was made on dissemination of analytical products on Ghost Police for the first time in 2017.

In addition to the aforesaid spontaneous disseminations, FinTRACA responded 166 requests of information (out of 180) to the Law Enforcement Agencies which shows 24% increase compared to 2016 and shows 92% response rate. The red flags reflected in analytical products are listed to drug trafficking, terrorist financing, tax evasion, fraud, kidnapping, corruption, and bribery.

Contributing to the international efforts fighting ML/TF, FinTRACA signed the MOUs with China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC), Korean Financial Intelligence Unit (KoFIU) and the State Financial Monitoring Service of Ukraine in 2017. The total number of FinTRACA's MOUs reached to 16. Following the legal framework, FinTRACA exchanged information about 132 subjects included in 33 international requests with counterpart FIUs.

In terms of utilizing the amended AML/CFT legislation; the statistics received shows that there were two money laundering convictions, five terrorist financing convictions in 2017. Additionally, 20 investigations and 6 prosecutions started based on FinTRACA STR disclosures.

FinTRACA contributed measures on tax evasion providing useful information to Large, Medium and Small Tax Payer Offices, Ministry of Finance. Although, calculating the amount of tax evasion is difficult, based on the information provided to Revenue Department, Ministry of Finance, the large amount of tax and fines were additionally collected from natural and legal persons.

As an extraordinary measure was taken to disrupt money laundering and terrorist financing in the country, FinTRACA established "Watch-List" also called the database of "High-Risk Subjects" in 2017. As on date, 193 natural and legal persons are designated. The list is strongly welcomed by banking sector of the country.

In terms of enforcing compliance, FinTRACA enforced and recovered AFN 7.3M financial fines on banking institutions and money service providers, and measured the freezing order of 91 bank accounts, closure of non-compliant bank accounts, suspended the business licenses of 8 MSPs, revoked the business licenses of 25 MSPs, as well as disseminated the proactive analysis about unlicensed MSPs in 7 provinces of Afghanistan.

In compliance with the FATF recommendations, Supreme Council of DAB approved the Strategic Plan of FinTRACA which includes coordinating the “National ML/TF Risk Assessment” in the country. Five Working Groups (Threat, Vulnerability, Banking Sector, DNFBP, Financial Inclusion and other FIs) have been established. More than 40 people from 17 public and private sector agencies received the first 3-days NRA training in December 2017. NRA is owned by the government of Afghanistan; World Bank will be providing technical support throughout the process. FinTRACA established the project plan for NRA which will kick-off in Jan 2018.

In regard to efficient posting of UNSCR 1267 and 1988 sanctions, Afghanistan made remarkable progress which includes issuing of “Standing Freezing Order”, establishing UNSCR database in local language and the efficient distribution mechanism. During the year, 23 automated notifications were immediately released to relevant Law Enforcement Agencies, public and private sector bodies.

In addition to Cash and BNI control at international borders, FinTRACA conducted on-the-job training to Customs, Police, and Border Officials at Turkham, Spin-Boldak, Torghondi, and Islam Qala border crossing points. During the year, FinTRACA received online access to Customs declaration database and received the total number of 2384 declaration forms. Meanwhile, 14 cash seizure cases were reported by Afghanistan’s Customs Department. During the year, investigation of 4 cases were completed and cash fine of AFN 9.5M were imposed on suspects. UNODC is contributing to improve the regime and the efforts will continue in 2018 as well.

Adopting transparency and providing access to information, FinTRACA keeps its newly designed website updated. Based on the UNAMA report issued in Feb 2017, FinTRACA website is one of the two websites of the government authorities feeding enough data to the public domain. In addition, the newly established policies, procedures, and TORs; made it mandatory for every single employee of FinTRACA to ensure integrity and transparency.

In terms of capacity building, FinTRACA employees received 10 pieces of training, workshops and visits to 6 countries. Meanwhile, 15 pieces of training were provided to LEAs and reporting entities. Capacity building is one of the key priorities focusing on certified courses way forward.

Key priorities for the fiscal year 1397 (2018) are to coordinate the “National Risk Assessment” process, implementation of “goAML” technology, expanding the scope of data collection, prioritizing disseminations in line with the government strategies, continuing the efforts together with UNODC to provide further technical support to Customs Department and Attorney General’s Office to improve the effectiveness of the Cash and BNI disruptions in all international airports and border crossing points.

I am pleased to encourage you reading this report which reflects the summary of measures taken in AML/CFT regime of Afghanistan during the fiscal year 1396 (2017).

Best Wishes,

Nesar Ahmad Yosufzai, CAMS
Director General – FinTRACA



2017 HIGHLIGHTS

1,175,952

LARGE CASH TRANSACTION REPORTS

1,081,959 LCTRS RECEIVED FROM BANKS

39,990 LCTRS RECEIVED FROM MSPS

54,003 LCTRS RECEIVED FROM EMIS

459

SUSPICIOUS TRANSACTION REPORTS

142 STRS RECEIVED FROM PUBLIC SECTOR BANKS

317 STRS RECEIVED FROM PRIVATE SECTOR BANKS

43,484,822.00

CASH DECLARATION AT INTERNATIONAL AIRPORTS (AMOUNT IN USD)

2,384 DECLARATION FORMS

14 CASH SEIZURES

9,446,789.00 FINANCIAL PENALTIES (AFN)

1,066

SUBJECTS ANALYZED

268 SUBJECTS ANALYZED (SPONTANEOUS CASES)

666 SUBJECTS ANALYZED (UPON REQUEST CASES)

132 SUBJECTS ANALYZED (INTERNATIONAL REQUESTS)

180

DOMESTIC REQUEST RECEIVED

166

DOMESTIC REQUEST RESPONDED

24%

REQUESTS INCREASED
(Compared to 2016)

PERCENTILE

OF DOMESTIC REQUESTS

DRUG TRAFFICKING (47%)
CORRUPTION & BRIBERY (12%)
TERRORIST FINANCING (12%)

7,391,800.00

FINANCIAL PENALTIES ENFORCED (AFN)

3,550,000.00
BANKS

238% INCREASED
COMPARED TO 2016

3,841,800.00
MSPS

17% INCREASED
COMPARED TO 2016

91

FROZEN BANK ACCOUNTS

AFN 6,791,783.00

USD 792,970.00

EUR 200.00

193

SUBJECTS DESIGNATED IN FINTRACA WATCH-LIST

166
INDIVIDUALS

27
LEGAL ENTITIES

19
CLOSED BANK
ACCOUNTS

7
FROZEN BANK
ACCOUNTS

28

EVENTS

10
TRAININGS RECEIVED

15
TRAININGS PACKAGES
DELIVERED

3
CONFERENCES
ATTENDED

869
INDIVIDUALS RECEIVED
TRAININGS

25

REVOKED
BUSINESS
LICENSES (MSPS')

8

SUSPENSION
ORDERS

3

SIGNED MOUS

4

COMPLINCE
COMMITTES

2

JOINT TASK
FORCES

28

ELECTRONIC NOTIFICATIONS
DISPATCHED

22 UNSCR 1267

1 UNSCR 1988

5 FinTRACA Watch-List

CRIMINAL JUSTICE AND ENFORCEMENT SNAPSHOT

STR DISCLOSURES

STR Disclosure (2016)	77
STR Disclosure (2017)	59

CASE DISSEMINATIONS (2017)

Attorney General's Office	7
Ministry of Interior Affairs (Police)	9
Ministry of Finance (Tax Authority)	2
National Directorate of Security	9
Other State Organizations	1
Total	28

INVESTIGATIONS OPENED ON FIU DISSEMINATIONS

Attorney General's Office	7
Ministry of Interior Affairs (Police)	7
National Directorate of Security	6
Total	20

FIU DISSEMINATIONS UNDER PROSECUTIONS

Anti-Corruption Justice Center	5
Counter Narcotics Justice Center	1
Total	6

CONVICTIONS REPORTED BY ANTI-CORRUPTION JUSTICE CENTER

Money laundering	2
Corruption and Bribery	5
Embezzlement	8
Land usurpation	1
Misuse of duty and power	11
Forgery	4
Total number of convictions	23
Total number of suspects	91
Total amount of financial penalties	AFN: 816,642,743.00 USD: 6,787,954.00

CONVICTIONS REPORTED BY COUNTER NARCOTICS JUSTICE CENTER

Total number of convictions by supreme court	205
Total number of suspects	558
Total quantity of heroin, morphine, opium, hashish, solid chemical precursor, and liquid chemical precursors seized	314,210.82 KG 17,802.18 LTR

CONVICTIONS REPORTED BY ANTI-TERRORISM DEPARTMENT

Total number of convictions (Primary, Appellate and Supreme Courts)	5
Total number of suspects	5
Total amount of financial penalties	AFN 800,000.00

AML/CFT LEGAL FRAMEWORK IN AFGHANISTAN

ANTI-MONEY LAUNDERING AND PROCEEDS OF CRIME LAW

AML-PC Law was amended on 4th March 2015 and criminalizes money laundering (R1). The purpose of the law is to protect and promote the financial integrity of Afghanistan 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. The law defines the "Predicate Offence" as any criminal acts resulted in funds or properties whether directly or indirectly irrespective of whether the offence is committed inside or outside the country. These offences include all categories of offences prescribed by FATF standards including piracy in the high sea.

As per the law, "Proceeds of crime" means any funds or property derived from or obtained directly or indirectly through the commission of a predicate offence. This also includes income or benefits derived from such proceeds, proceeds obtained from the investment of such funds or the funds or property that have been transferred into other types of assets, whether partially or in whole.

COUNTER FINANCING OF TERRORISM LAW

CFT Law was amended on 4th March 2015 and criminalizes terrorist financing (SR11/R5). The purpose of this law is to Implement the International Convention for the Suppression of Financing of Terrorism (1999) 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.

As per the Law, any person commits the offense of financing of terrorism who by any means, directly or indirectly, unlawfully and willfully, provides or collects funds or property or attempts to provide or collect funds or property, or provides or attempts to provide financial or other services with the intention that they should be used or in the knowledge that they are to be used, in full or in part: in order to carry out a terrorist act; or by a terrorist; or terrorist organization.

CASH & BNI REPORTING AND CONTROL REGULATION

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 the Islamic Republic of Afghanistan was amended on 14th February 2016 and meets the international best practices.

COUNTER FINANCING OF TERRORISM REGULATION

The Counter Financing Terrorism Regulation was approved by Cabinet of Afghanistan on 4th February 2016. The purpose of this regulation is to:

- Designate persons, entities or organizations who are convicted of financing terrorism and bringing relevant alteration on sanction lists.
- Establish coordination among government entities and relevant stakeholders on prevention of financing terrorism.
- Adherence of United Nation Security Council Resolutions on combating the financing of terrorism.
- Effective implementation of provisions of the law on Counter Financing of Terrorism.

AML/CFT RESPONSIBILITIES AND PREVENTATIVE MEASURES REGULATION

The Regulation was approved by Supreme Council of DAB on 3rd April 2016. The regulation requires all financial institutions to develop effective frameworks, preventive measures, systems, controls, and practices to manage their potential money laundering/terrorist financing (ML/TF) risks. Financial institutions licensed to operate in Afghanistan should have adequate controls and procedures in place so that they know the customers with whom they are establishing business relationships and dealings. Adequate due diligence on new and existing customers is a key part of these controls.

Other Regulations

Fit & Proper Regulation

Electronic Money Institutions

Money Service Providers & Foreign Exchange Dealers

To see all the Laws & Regulations, visit FinTRACA Website. www.fintraca.gov.af

FATF PUBLIC STATEMENTS ABOUT AFGHANISTAN

■ 23RD JUNE 2017

“The FATF welcomes Afghanistan’s significant progress in improving its AML/CFT regime and notes that Afghanistan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2012. Afghanistan is therefore no longer subject to the FATF’s monitoring process under its on-going global AML/CFT compliance process. Afghanistan will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points.”

● 24TH FEBRUARY 2017

“Since June 2012, when Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Afghanistan has substantially addressed its action plan at a technical level, including by: (1) introducing mechanisms for policy and operational level coordination on AML/CFT; (2) adequately criminalizing money laundering and terrorist financing; (3) establishing adequate provisions for freezing and asset confiscation; (4) establishing a targeted financial sanctions framework; (5) establishing an adequate supervisory and oversight system; (6) improving the legal status and resources of the FIU; (7) and developing a cross-border currency declaration system. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.”

● 21ST OCTOBER 2016

“In June 2012, Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Afghanistan has taken significant steps to improve its AML/CFT regime, including issuance of a freeze order that automatically requires the implementation of changes to the UNSCR 1267 list. However, Afghanistan should provide additional information regarding the implementation of its legal framework for identifying, tracing and freezing terrorist assets. The FATF encourages Afghanistan to continue implementing its action plan to address the remaining AML/CFT deficiency”

● 24TH JUNE 2016

“In June 2012, Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since February 2016, Afghanistan has taken additional steps to improve its AML/CFT regime, including to implement the freezing of terrorist assets requirements. However, the FATF has determined that certain strategic deficiencies remain in implementing its legal framework for identifying, tracing and freezing terrorist assets. The FATF encourages Afghanistan to continue implementing its action plan to address its AML/CFT deficiencies.”

● 19TH FEBRUARY 2016

“In June 2012, Afghanistan made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since October 2015, Afghanistan has taken steps towards improving its AML/CFT regime, including by issuing amended cross-border declaration regulations for the physical transportation of cash and bearer negotiable instruments. However, the FATF has determined that certain strategic deficiencies remain. Afghanistan should continue to implement its action plan, including by: (1) further implementing its legal framework for identifying, tracing and freezing terrorist assets; (2) implementing an adequate AML/CFT supervisory and oversight Programme for all financial sectors; and (3) implementing effective controls for cross-border cash transactions. The FATF encourages Afghanistan to address its remaining deficiencies and continue the process of implementing its action plan”

RECEIPT OF LCTRS FROM REPORTING ENTITIES

LCTR RECEIVED FROM BANKS

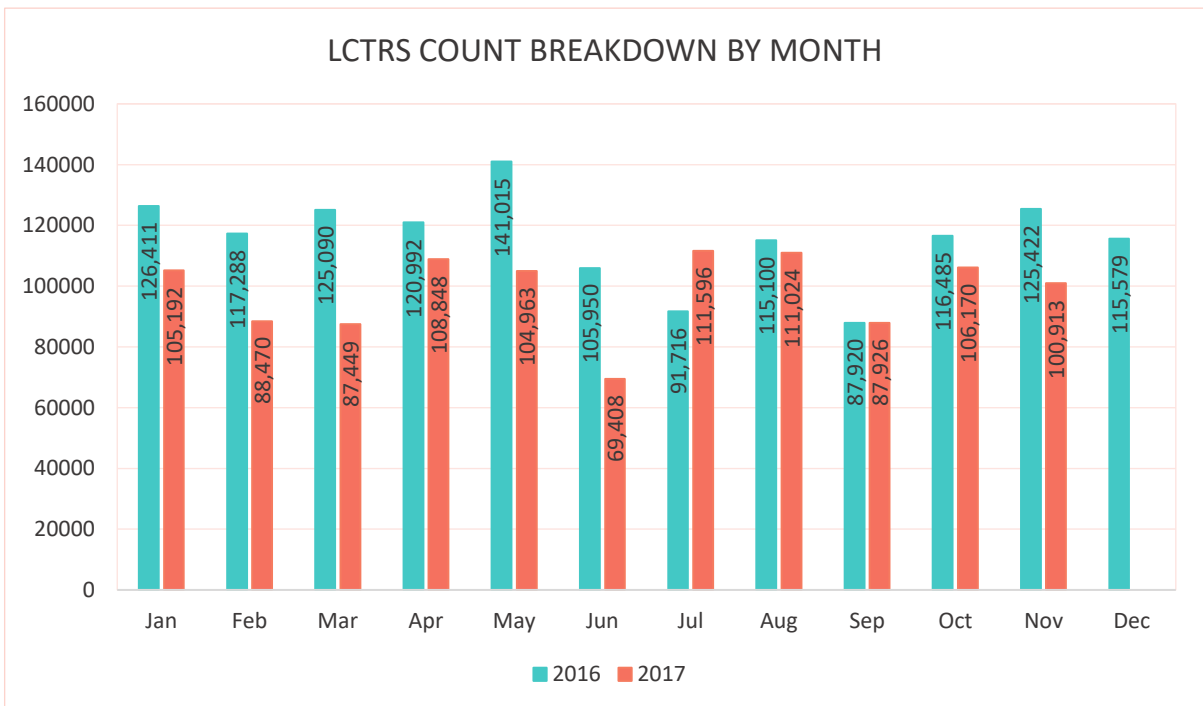
Based on article # 17 of the Anti-Money Laundering & Proceeds of Crime law, reporting entity (ies) shall report to the Financial Intelligence Unit any transaction over a threshold and in such form and manner and within such period as may be prescribed in regulations to be issued by Da Afghanistan Bank.

As per the AML/CFT 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, which transactions aggregate AFN 1,000,000 or greater should also be reported as well.

BANKING INSTITUTIONS REPORTED THE FOLLOWING NUMBER OF LCTRS:

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2016	126,411	117,288	125,090	120,992	141,015	105,950	91,716	115,100	87,920	116,485	125,422	115,579
2017	105,192	88,470	87,449	108,848	104,963	69,408	111,596	111,024	87,926	106,170	100,913	*



NOTE: Considering the fiscal year 1396, reports for the month of December 2017 are not included.

MONEY SERVICE PROVIDERS

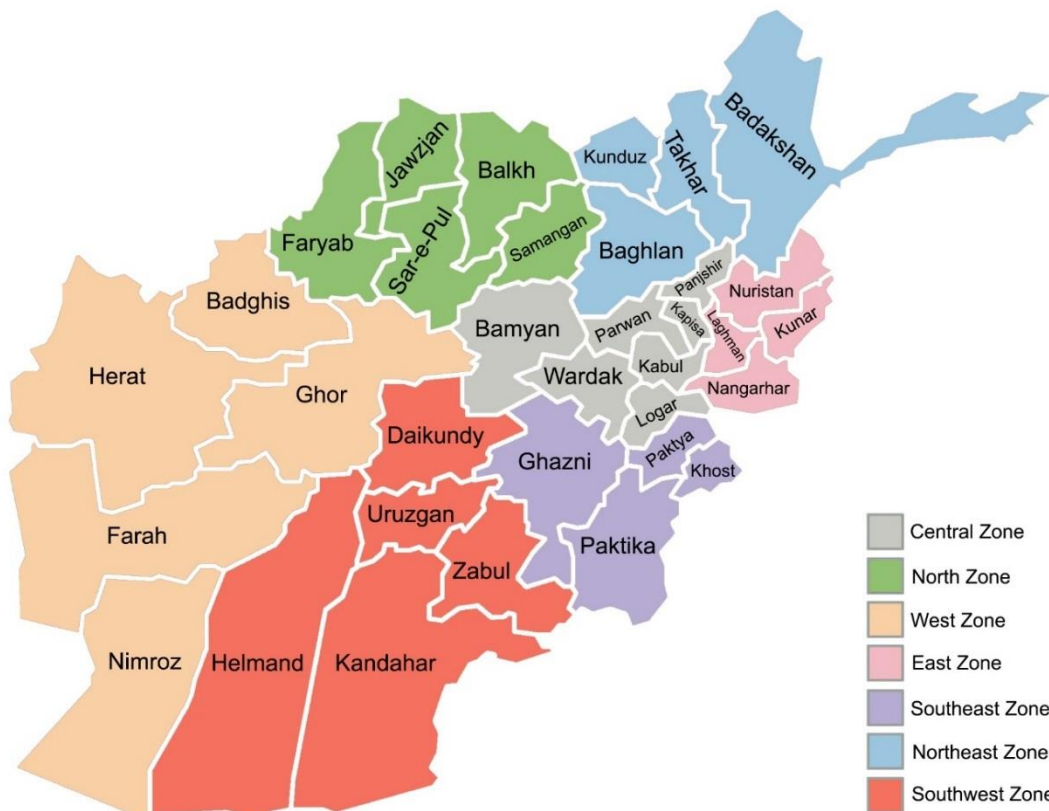
As per Da Afghanistan Bank Law; money service means any service conducted in relation to money including safekeeping, money transmission, cheque cashing, or currency exchange. Money service provider means any person who engages in the business for providing money service. Meanwhile, MSPs are required to be licensed by Financial Supervision Department of DAB.

Money laundering and terrorist financing vulnerability through MSP sector is one of the key concerns for FinTRACA, in order to mitigate this risk, FinTRACA measured and took the following actions during the year 2017:

- Providing regular trainings and coaching support to money service providers.
- Revocation of 25 business licenses of MSPs across the country.
- Suspension of 8 business licenses of MSPs.
- Enforcement of AFN 3.8M financial penalties.
- Prohibiting utilization of individual bank accounts for money service purposes.
- Issuance of 4 warning notices.
- Publishing the list of revoked MSPs on FinTRACA website.
- Improving the level of electronic reporting to 72%.

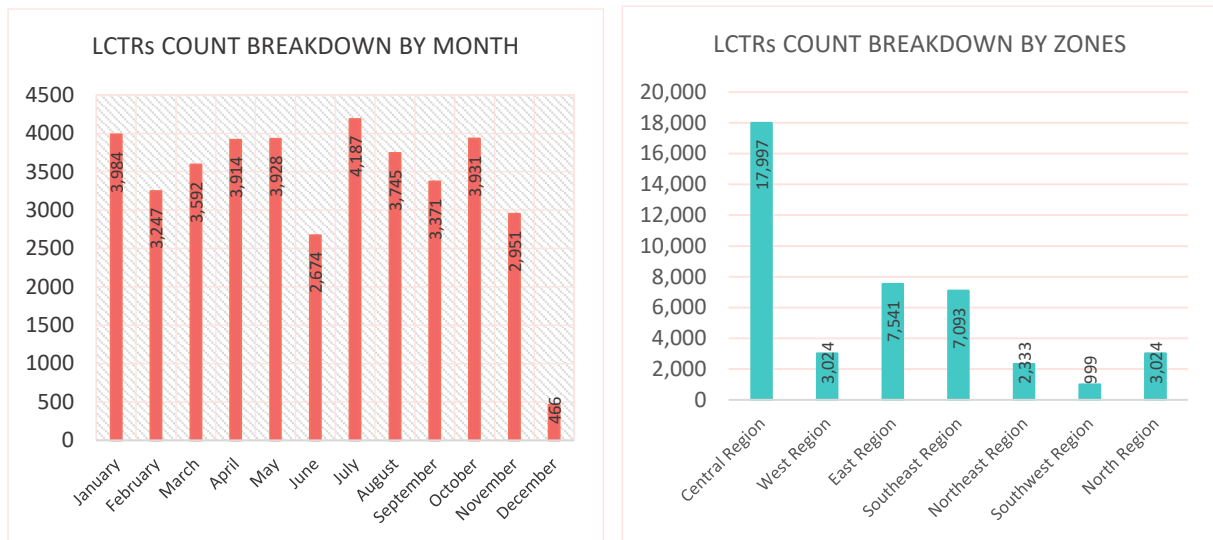
Note:

The measures that have been taken by Financial Supervision Department of DAB during the year 2017, are not included to the above. Currently, FinTRACA has 7 regional offices across the country engaged in supporting the head office on AML/CFT issues. It is worth mentioning that a total number of 955 registered MSPs are operating in seven zones figured below.



LCTRS RECEIVED FROM MONEY SERVICE PROVIDERS

Based on article # 17 AML-PC Law, reporting entities are required to report LCTRs meeting the threshold or exceeding the amount mentioned in relevant regulation or its equivalent in any foreign currency to FinTRACA, no earlier than the first business day of the month and no later than the 10th business day of a month following to the month during which the transaction occurred. Accordingly, the current applicable reporting threshold of AFN 500,000 has been prescribed to money service providers.



Note: Considering the fiscal year 1396, the reports for the month of December 2017 is not included.

ELECTRONIC REPORTING OF MSPS

As per the plan for the year 2017, FinTRACA organized over 20 pieces of training to MSPs from all over the country in order to switch their manual reporting mechanism to electronic reporting platform. Currently, **695** out of **955** MSPs are reporting electronically which makes **72%** in MSP sector.

ON-SITE EXAMINATIONS

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 Financial Supervision Department of DAB to jointly conduct on-site examinations of MSP and FXD markets. It is worth mentioning that a total number of 10 joint examinations were conducted in 10 provinces during the fiscal year 1396.

COLLECTION OF MSP BANK ACCOUNTS

In compliance with the MSP/FXD Regulation, all MSPs are mandated to have corporate bank accounts and channel all their transactions through it. To ensure this process and avoid MSPs using personal bank accounts for business purposes, FinTRACA measured and collected the total number of 1911 bank accounts from all licensed MSPs across the country.

RECEIPT OF SUSPICIOUS TRANSACTION REPORTS

As per the AML-PC Law, reporting entities should report STR;

- Where a reporting entity suspects or has reasonable grounds to suspect that any transaction or attempted transaction involves or may be related the proceeds of crime or be used for money laundering or terrorism financing or predicate offences;
- Suspects or has reasonable grounds to suspect that funds are linked or related to a terrorist(s) or are to be used for terrorism, terrorist acts or by terrorist organizations the reporting entity, as soon as practicable, but no later than three days after forming the suspicion, shall report the transaction or attempted transaction to the Financial Intelligence Unit.

The reports required of reporting entities under the AML-PC Law shall be sent to the Financial Intelligence Unit in a form and methods as determined in relevant forms of communications.

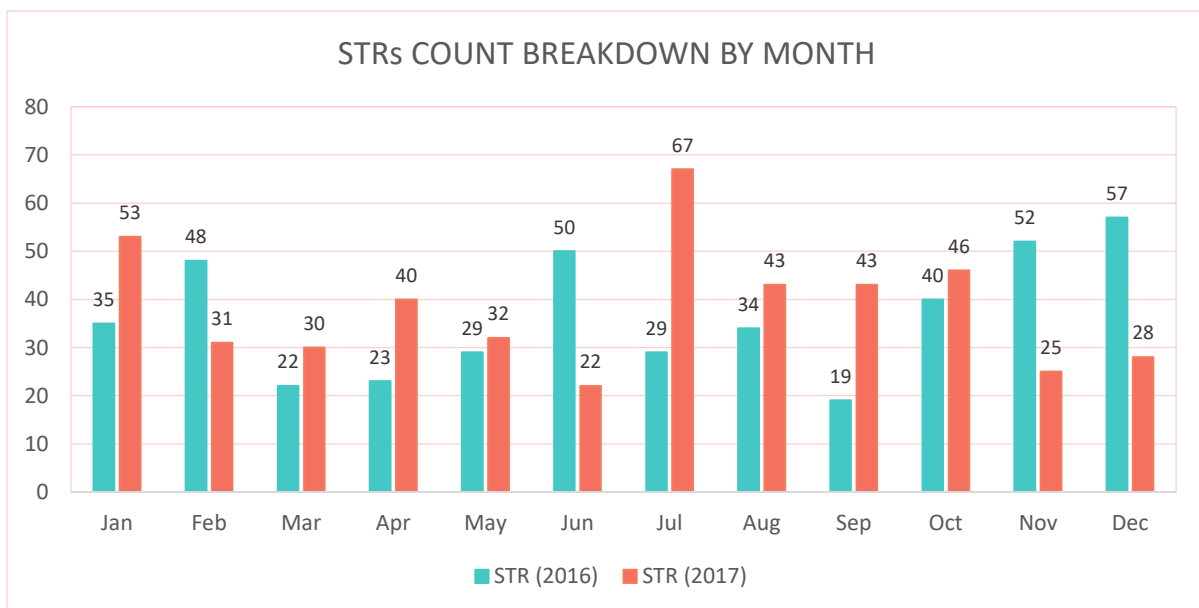
Reporting entities are required to report a suspicious transaction carried out even if it became clear after completion of a transaction that there were grounds for suspicion.

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 terrorism financing investigation.

During the year 2017, the quality of suspicious transaction reports from the commercial banks have been improved considerably compared to the previous years as a result of direct meetings and communications conducted with the compliance department of each commercial bank.

In 2017, a total number of 459 STRs have been reported by commercial banks.



Note: Considering the fiscal year 1396, the reports for the month of December 2017 are partially included to the above.

CASH AND BNI CONTROL

Physical cross-border transportation of currency and bearer negotiable instruments is considered one of the main methods used by the criminals to move proceeds of crimes and assets associated with money laundering and terrorism financing. In the long run, this not only affects financial market stability and national security but also weakens political and economic relations with other countries.

Therefore, 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 was adopted by the government of Afghanistan dated 14th April 2015 based on the provisions of article # 7 of the Anti-Money Laundering and Proceeds of Crime Law with the objective of controlling physical transfers of currency, bearer negotiable instruments, gold, other precious metals or precious as well as preventing the illegal transfer of such items and illicit funds connected with money laundering and terrorism financing through the international airports and land borders of the country.

Since the approval of this regulation, Afghanistan's Customs Department in cooperation with FinTRACA, has taken necessary actions for better implementation of this regulation and FATF Recommendation 32. The process of controlling and reporting the physical transfer of cash and BNIs has been launched across all four international airports (Kabul, Balkh, Herat, and Kandahar) of the country as well as at Islam Qala, Turghundi, and Turkham land borders.

Pursuant to article # 12 (1) of the aforementioned regulation, FinTRACA provided 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 trainings on preventing and mitigation of cash smuggling organized by the UNODC in cooperation with FinTRACA at Hamid Karzai International Airport.

In addition, the General Directorate of Customs has printed new declaration forms and launched public awareness programs through posting billboards containing regulatory information on cash declaration forms as well as installed ASYCUDA Cash Declaration Module at international airports and border crossing points. FinTRACA is provided access to the online database to receive all cash declarations electronically.

CASH AND BNI DECLARATION TO CUSTOMS

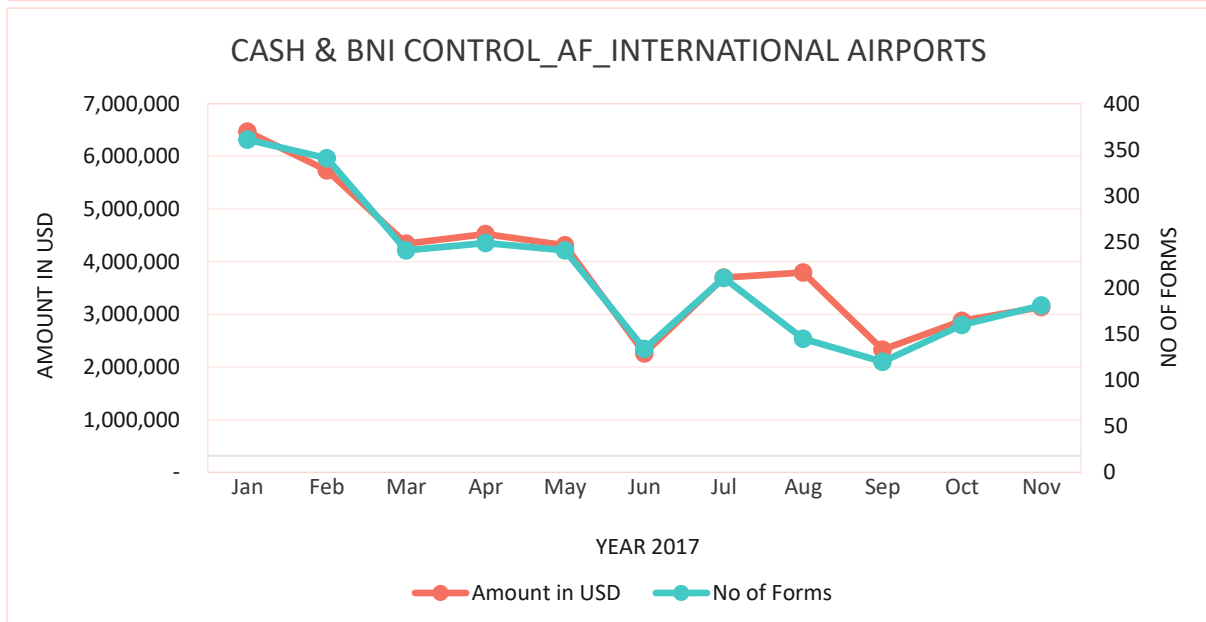
Based on the Regulation Governing the Reporting and Control of Physical Transfers of Currency, Bearer Negotiable Instruments, Gold, Other Precious Metals or Precious Stones through the Borders of the Islamic Republic of Afghanistan, General Directorate of Custom is the competent implementer of this regulation and has the responsibility to receive declaration forms. The Customs Office is required to report the declarations to Financial Transactions and Reports Analysis Center of Afghanistan within three working days.

The regulation states that any person who leaves or enters the Islamic Republic of Afghanistan in possession of currency, bearer negotiable instruments, gold, other precious metals or precious stones which are of a value exceeding USD 10,000 or its equivalents in other currencies or arranges for the transportation of such items into or out of the Islamic Republic of Afghanistan through a person cargo,

postal service or through any other means must complete the relevant declaration form and submit that to the Custom’s Officer. However, there is no limit to bring any amount of currency, bearer negotiable instruments, gold, other precious metals or precious stones into Afghanistan. The Customs Department shall report the amount [transported] and identity of its carrier to National Directorate of Security and Financial Intelligence Unit.

Pursuant to the regulation, Customs Department reported the following inbound and outbound declarations of cash and BNI to FinTRACA during the year 2017:

NO	MONTH	NO OF REPORTS	AMOUNT (USD)
1	January	361	6,469,621.09
2	February	341	5,732,498.6
3	March	241	4,344,387.43
4	April	249	4,525,360
5	May	241	4,310,631
6	June	134	2,260,960.9
7	July	211	3,698,198.95
8	August	145	3,796,017
9	September	120	2,330,008
10	October	160	2,878,696
11	November	181	3,138,443.26
12	December	-	-
TOTAL		2,384	43,484,822.00



PROHIBITION OF TRANSFER AND LAW ENFORCEMENT:

As per the regulation, it is prohibited for any person to leave the Islamic Republic of Afghanistan in possession of currency, bearer negotiable instruments, gold, other precious metals or precious stones which are of a value exceeding USD 20,000 or its equivalents in other currencies or arrange for the transportation of such items out of the Islamic Republic of Afghanistan through a person cargo, postal service or through any other means.

However, transferring the currency which is of a value exceeding the threshold should be conducted through the licensed financial institution.

If a person refuses to provide any information or provides misleading information regarding the transfer of items, and the value of the items exceeds the threshold USD 10,000, the “Authorized Officer” must seize the items and refer the individual to the judicial authorities for ascertaining whether evidence of ML/TF may be found, and for prosecution on suspicion of committing money laundering offence as defined in article # 4 of the Anti-Money Laundering and Proceeds of Crime Law.

In 2017, FinTRACA received 14 cash and gold detection cases from the Customs Department. From 14 cash seizures, 4 cases have been finalized. A total cash fine penalty of AFN 9,446,789.00 was imposed in violating the regulation which are as follow:

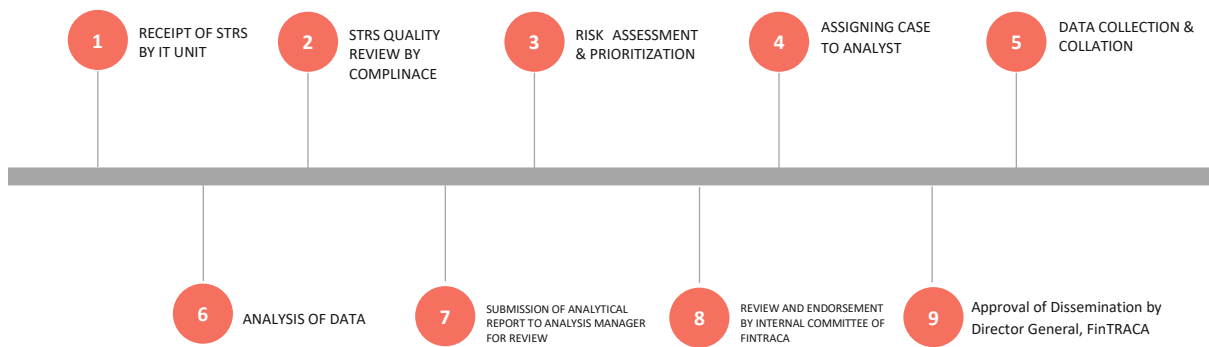
NO	CASE STUDY
1	<p>On 22nd of January 2017, person X arrived at Hamid Karzai International Airport through a direct flight from Indira Gandhi International Airport of Delhi, India and was stopped after he was found in possession CHF 23,000, USD 238,700, INR 141,500, EUR 95910 which had been concealed carefully in juicer and loudspeaker mixer systems. The cash was not declared to the Customs Office.</p> <p>In accordance with the procedure, FinTRACA has proactively conducted an analysis on the case of the suspect and disseminated to the Attorney General’s Office to support the investigation. After a thorough investigation of the case by the Attorney General’s Office, no evidence of money laundering was found. However, as per the article # 8 of the Cash Courier Regulation of Afghanistan, Person X was fined 15% of the total seized cash AFN 3,569,282 by the Customs Department for violating the Regulation. Accordingly, the seized cash was returned to him after paying the fine.</p>
2	<p>On 30th March 2017, person x was ticketed on a direct flight from Hamid Karzai International Airport to Dubai United Arab Emirates. During x-ray checking of the luggage at the checkpoint of Hamid Karzai International Airport, the security officer notices a strange object in the subject’s shoes.</p> <p>Upon physical searching, an amount of USD 10,000, concealed carefully, was found at the subject’s shoes. Besides, DKK 138,550, AED 37,520, EUR 610 and USD 1,300 were recovered from his handbag. The person X was fined 15% of the seized cash equivalent to AFN 438,724 in accordance with article # 8 of Cash Courier Regulation of Afghanistan by the Customs Department for violating the Regulation and the seized money was returned to the subject after paying the fine.</p>
3	<p>On 5th April 2017, person X arrived at Hamid Karzai International Airport through a direct flight from Indira Gandhi International Airport, Delhi, India. During x-ray checking of luggage at the airport, the designated customs officer suspects subject’s handbag.</p> <p>Following a physical search, 7 copies of money, wrapped carefully with a newspaper, were recovered from subject’s clothes at the bag which hadn’t been declared to the Customs Department at Hamid Karzai International Airport. Later, another passenger who has traveled on the same flight with person X, comes to Customs Office at the airport and states that the money belongs to both of them.</p> <p>As a whole, USD 45,000 in 9 copies each USD 5000, were recovered from both suspects. Both suspects, in accordance with article # 8 of Cash Courier Regulation, were fined 15% of the seized cash equivalent to AFN 457,853 by the Customs Department for violating the Regulation and accordingly, the remaining cash was returned to the subjects.</p>
4	<p>On 08 June 2017, person X was ticketed on a commercial flight from Hamid Karzai International Airport to Kandahar International Airport and thereafter to Dubai, United Arab Emirates.</p> <p>Two travel bags of the subject were suspected at Hold Baggage Screening (H.B.S) checkpoint In Hamid Karzai International Airport and were taken for the further check to Customs Office based at the airport. Following a physical search of the bags, 4 gold bars packages weigh 11.724 kilograms that had been packed carefully with white-color scotch tape, recovered from both bags. After a thorough investigation of the case by the competent authorities, the subject was fined AFN 4,980,930.00 in accordance with article 186, paragraph 2 of Customs Law and the gold bars were returned to the subject.</p>

SPONTANEOUS DISCLOSURES

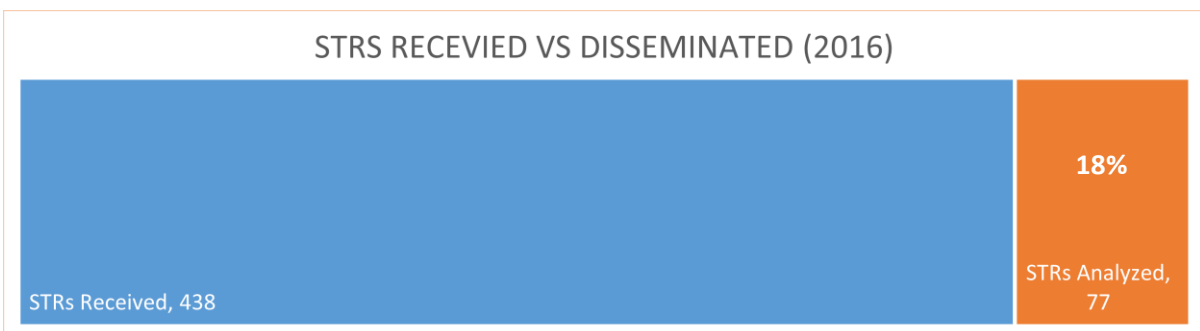
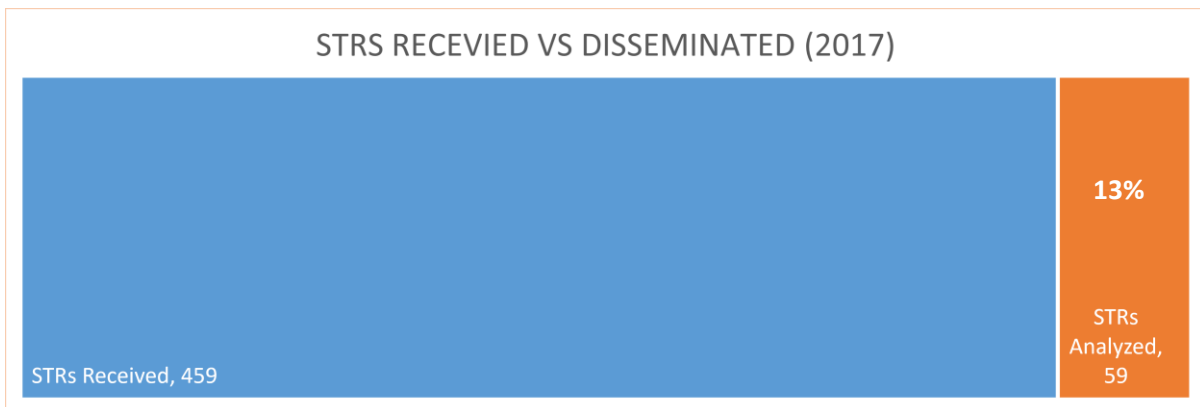
According to article # 25 of the Anti-Money Laundering and Proceeds of Crime Law, the Financial Intelligence Unit should serve as the national center responsible for the receipt and analysis of the suspicious transaction reports and other information relevant to money laundering, associated predicate offences, and terrorist financing.

Analysis department, as the core function of FinTRACA aims to improve joint partnership with Afghanistan Law Enforcement Agencies, Attorney General’s Office and other relevant government authorities to enhance national cooperation and coordination to effectively combat money laundering, terrorist financing and associated predicate offenses.

FinTRACA continues to disseminate value-added analytical products based on the Standard Operating Procedure following the below process:

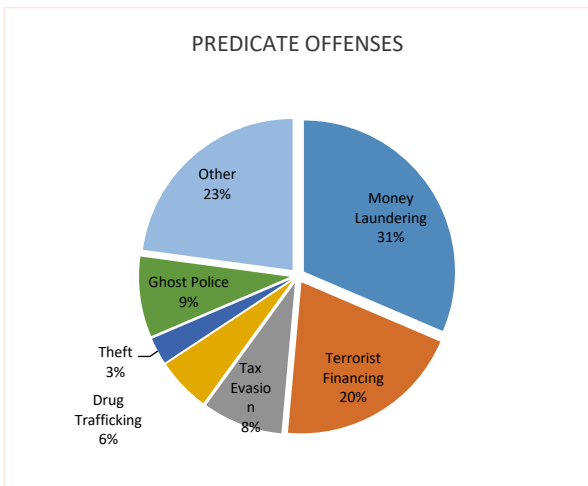
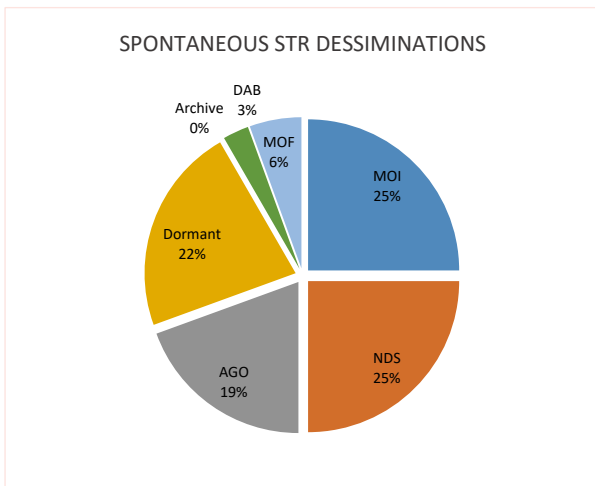


During the year 2016, FinTRACA analyzed 77 STRs out of 438 STRs which were received from reporting entities. During the year 2017, FinTRACA prioritized and analyzed 59 STRs out of 459 following internal risk matrix which rates STRs 1-10.



According to article # 36 of AML-PC law, below mentioned analytical cases on Suspicious Transactions Reports were disseminated to the domestic law enforcement agencies for investigation:

NO	CASE TYPE	PREDICATE OFFENSE	NO. STRS	NO. SUBJECTS	ENTITY
1	Proactive	Un-Licensed Operations	-	139	DAB, NDS, and MOI
2	Strategic	Money Laundering	7	14	National Directorate of Security
3	Reactive	Terrorist Financing	2	1	National Directorate of Security
4	Reactive	Terrorist Financing	1	1	Attorney General's Office
5	Reactive	Money Laundering	1	1	Attorney General's Office
6	Reactive	Terrorist Financing	1	1	National Directorate of Security
7	Reactive	Drug Trafficking	1	1	Ministry of Interior Affairs (IIU)
8	Reactive	Terrorist Financing	1	1	National Directorate of Security
9	Reactive	Tax Evasion	5	2	Ministry of Finance
10	Strategic	Wire Fraud	6	21	National Directorate of Security
11	Reactive	Theft	1	1	Attorney General's Office
12	Reactive	Terrorist Financing	2	12	National Directorate of Security
13	Reactive	Ghost Police	1	1	Intelligence Directorate of Ministry of Interior Affairs
14	Strategic	Money Laundering	11	27	National Directorate of Security
15	Strategic	Money Laundering	2	7	Ministry of Interior Affairs (MCTF)
16	Strategic	Tax Evasion	1	3	Ministry of Interior Affairs (MCTF)
17	Reactive	Ghost Police	1	1	Attorney General's Office
18	Reactive	Terrorist Financing	1	1	National Directorate of Security
19	Reactive	Kidnapping	-	1	National Directorate of Security
20	Reactive	Terrorist Financing	1	1	Ministry of Interior Affairs (IIU)
21	Reactive	Ghost Police	2	5	Attorney General's Office
22	Reactive	Tax Evasion	2	2	Ministry of Finance (ARD)
23	Upon Request	Drug Trafficking	-	2	Attorney General's Office (CNJC)
24	Proactive	Money Laundering	-	1	Ministry of Interior Affairs (IIU)
25	Proactive	Money Laundering	-	1	Ministry of Interior Affairs (IIU)
26	Upon Request	Money Laundering	2	1	Ministry of Interior Affairs (MCTF)
27	Reactive	Money Laundering	1	2	Ministry of Interior Affairs (IIU)
28	Reactive	Money Laundering	1	1	Ministry of Interior Affairs (IIU)



ENFORCING COMPLIANCE

Legal basis to enforce compliance is article # 24 of Anti-Money Laundering and Proceeds of Crime Law. As per the mentioned legal basis, FinTRACA can (1) issue written warnings, revocation or suspension of a business license, (2) impose on the reporting entity a fine of not less than 50,000 Afghani and not more than 500,000, for every infraction, (3) remove an administrator, officer or employee of the reporting entity from office, (4) take corrective action to remedy any deficiencies under AML-PC Law or relevant procedures issued, and (5) cease engaging in certain actions or practices.

In order to enforce compliance, FinTRACA measured the followings during the year 2017;

1: REVOCATION AND SUSPENSION OF BUSINESS LICENSES

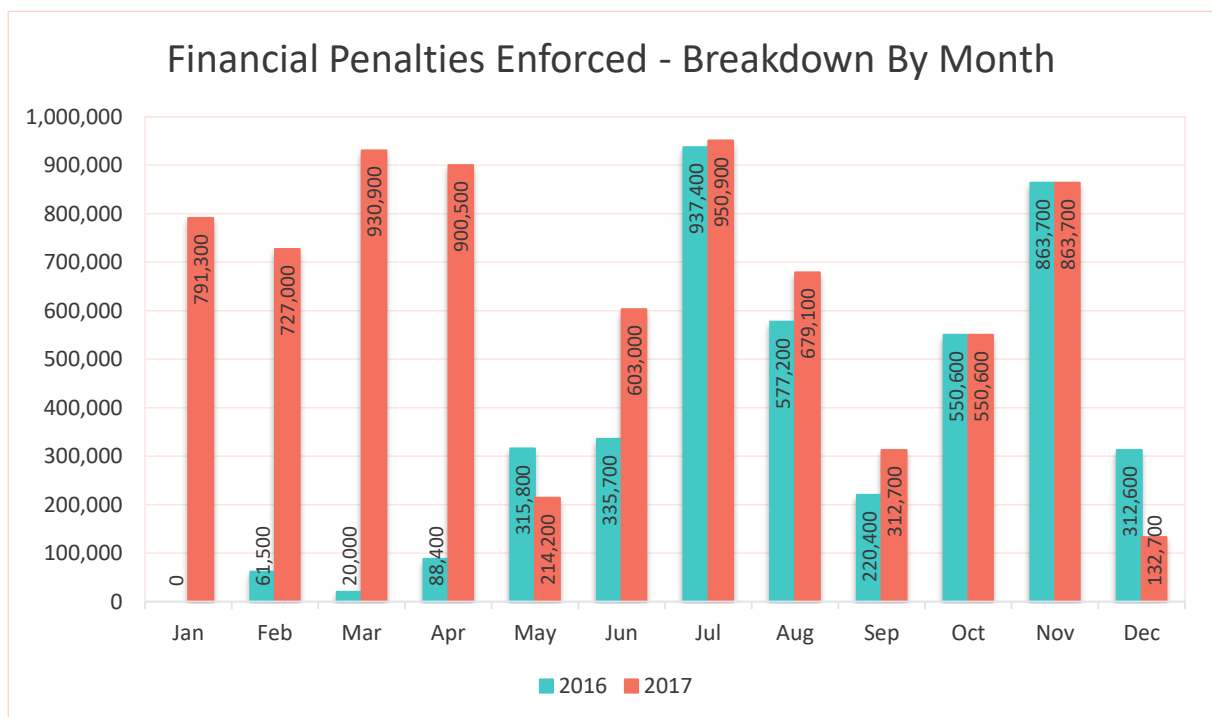
Considering the AML/CFT risk in money service providers sector, FinTRACA has revoked and suspended the following number of business licenses;

Revoked business licenses (Money Service Providers)	25
Suspended business licenses (Money Service Providers)	8

2: ENFORCING FINANCIAL PENALTIES

In addition to the measures taken by the regulator (DAB), FinTRACA enforced and recovered the following financial penalties on reporting entities;

Fines imposed on Money Service Providers	3,791,800.00
Fines imposed on Banking Institutions	3,550,000.00
Total (AFN)	7,341,800.00



FINTRACA WATCH-LIST

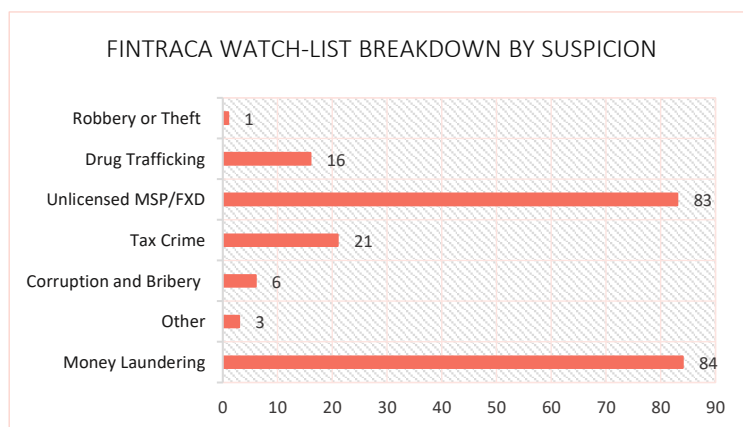
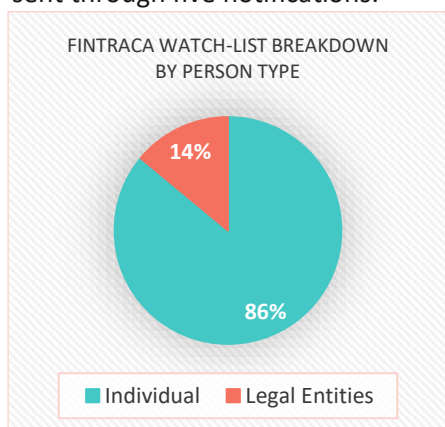
FinTRACA Watch-List was established to identify “High-Risk Subjects”, where irregularities are present, or where the potential for money laundering and/or other predicate offenses exists. “FinTRACA Watch-List” will support the reporting entities in terms of customer due diligence and can be considered as the supportive surveillance tool to identify high-risk individuals and legal entities.

As criminals are constantly adapting new methods of money laundering and terrorist financing, therefore based on legal powers described under the articles # 32 and 24 of Anti Money Laundering and Proceeds of Crime Law and the details described in Annex III of the AML/CFT Responsibilities and Preventative Measures Regulation, FinTRACA established the database called “FinTRACA Watch-list” and regularly releases the list of high risk subjects to financial institutions in order to remain alert of the evolving threats of Money Laundering.

Based on the relevant procedure, financial institution may take the following measures in relation to the listed individuals and legal entities:

- a) Enhanced customer due diligence (EDD);
- b) Termination of business relationship;
- c) Report to FinTRACA on positive match and actions already taken by financial institution;
- d) Detailed assessment of the subject (s); and
- e) Reporting new red-flags and indicators in forms of STRs to FinTRACA.

Reporting entities should note that this list is not exhaustive and may be changed/updated. “FinTRACA Watch-List” may not include UNSCR designations, OFAC or any other foreign sanction lists. This watch list doesn’t bypass the responsibilities of financial institutions against foreign sanction’s regime or any other instruction issued by competent local authority (ies). Financial institutions are still obliged to follow the laws, regulations, internal policies and mutual commitments with the national and international counterparts. Following is the statistical summary of designated subjects which has been sent through five notifications:



FINTRACA WATCH-LIST IMPLEMENTATION STATISTICS:

NO.	ACTION TAKEN	DESCRIPTION
1	Frozen bank accounts	7 bank accounts have been frozen
2	Closed bank accounts	19 accounts have been closed
3	High risk	36 subjects categorized as High-risk
4	Medium risk	5 subjects categorized as Medium-risk
6	STR	6 STRs have been filed.
7	No credit	20 accounts categorized as "No Credit"

DISRUPTION MEASURES

Afghanistan banking sector is comprised of 15 commercial banks with more than 400 branches across the country. In addition to the formal banking channel, Afghanistan financial system includes 955 Money Service Providers and 1804 Foreign Exchange Dealers licensed by Supervisory Body “Financial Supervision Department of Da Afghanistan Bank”. The Supervisory Authority conducts the on-site and off-site examinations and ensures the implementation of fit and proper due diligence regulation prior to the issuance of the business license.



During the fiscal year 1395 (2016), it was observed that money service providers reported 71012 large cash transaction reports in accordance with the regulated threshold, while bank accounts of 12 money service providers and foreign exchange dealers which were suspected to drug trafficking and money laundering were frozen. An additional cross-check was conducted by Financial Intelligence Unit to compare the turnover within bank statements of the sampled MSPs with LCTRs reported. Although the justification was provided that most of the transactions were below the threshold, but it has been targeted as the key red flag which requires further analysis.

Internal Committee of FinTRACA “Executive Committee” formalized 9 meetings in 2016, discussed the findings of Analysis Department and approved 26 analytical products “Cases” on money laundering, terrorist financing, drug trafficking, corruption and other predicate offenses and disseminated to Attorney General’s Office and other LEAs. During the financial year 1396 (2017), the committee held 22 meetings and approved additional 28 products and disseminated to AGO and other LEAs.

Internal Committee is established in accordance with the FinTRACA Governance Regulation and operates transparently and independently. The committee regularly reviews the indicators, trends, and typologies of illicit financial flow.

Considering the details of the committee findings, and adopting the legal power given in article # 24 of the Anti-Money Laundering and Proceeds of Crime Law to enforce compliance on ceasing to engage in certain actions or practices, FinTRACA has taken the following measures to disrupt misuse of the financial system:

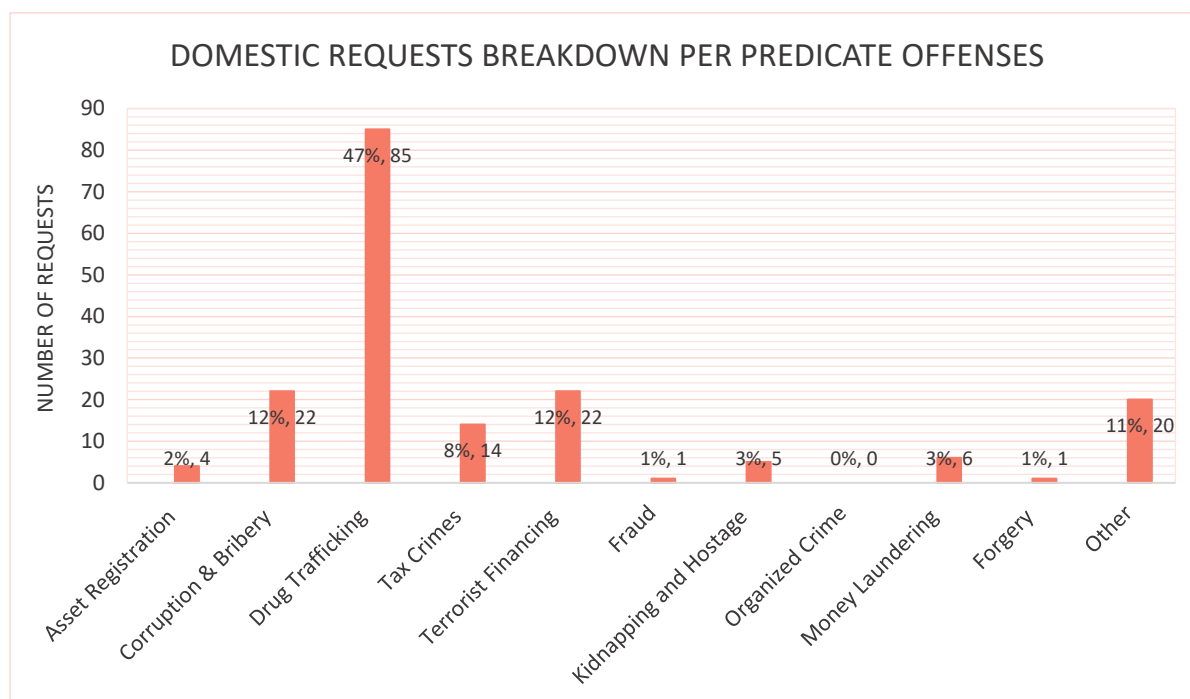
- FinTRACA prohibited and enforced the utilization of individual (personal) bank accounts by businesses to disrupt tax evasion and make it easy to follow the money. As a result, 1776 individual personal accounts which might possibly be used for the business purposes have been either closed or switched to corporate accounts during the year 2017.

- FinTRACA established the database of “High-Risk Subjects” in July 2017. By end of the financial year, a total number of 193 legal and natural persons who were suspected in money laundering, drug trafficking, tax crimes and other predicate offenses are designated and shared with banking institutions. As a result, banking institutions terminated their business relationship with 19 natural and legal persons. The purpose behind the “Watch-List” is not to freeze the bank account or terminate the relationship but requires the financial institutions to implement article # 12 of the AML- PC Law for enhanced due diligence. In the event the financial institution is unable to verify the identification of the subject, it should terminate the relationship in accordance with the article # 13 of the AML-PC Law and file the STR.
- Non-compliant money service providers are identified, their business licenses are revoked and made the list publicly available. This has had significant disruption impact and improved the level of compliance regime.
- Unlicensed money service providers are identified in 7 provinces of the country and thereafter, have been designated as high-risk subjects, shared the list with banking institutions and supervisory body, and has asked National Directorate of Security to close down their businesses. FinTRACA clearly indicated to relevant authorities that unlicensed operation is not only a regulatory violation but also facilitates tax evasion.
- Information were exchanged with Customs and Tax Authorities. Exchange of information with tax authority disrupts the systematic tax avoidance which leads to tax evasion. During the year 2017, information about 43 businesses were exchanged with the tax authority.
- FinTRACA published the details of the business licenses of active, revoked and quitted money service providers on its website. This has significantly facilitated the verification process for banking institutions. Non-compliant businesses are identified and treated immediately.
- In accordance with the Money Service Providers Regulation, money service providers should have corporate bank account and channel their services through bank account. FinTRACA enforced this measure and collected the list of bank accounts carried out by money service providers. The total number of 1911 banks accounts have been collected and will be subjected to comparative analysis and investigation if any violation is identified.
- The collection, analysis, and dissemination of STR is a legal mandate for FIU. In addition to the dissemination of STRs to Attorney General’s Office and LEAs; FIU designates the subjects and associates as “High-Risk Person”. During the year 2017, FIU Analysis Department designated 86 natural and legal persons. The enlisted subjects can only be delisted if feedback is received from LEAs. This has improved the collection of feedback from LEAs and awareness of the banking institutions about the high-risk subjects.

COOPERATION AT NATIONAL LEVEL

In compliance with the article number 28th of Anti-Money Laundering and Proceeds of Crime Law, FinTRACA exchanged the following analytical reports upon requests:

NO	AGENCIES	TOTAL NUMBER OF REQUESTS
1	Attorney General's Office including Counter-Narcotics Justice Center and Anti-Corruption Justice Center	69
2	Ministry of Interior Affairs (Police)	50
3	Ministry of Finance (Afghanistan Revenue Department)	14
4	National Directorate of Security (NDS)	36
5	High Office of Oversight (HOO)	3
6	Other	8
TOTAL REQUEST RECEIVED		180
TOTAL REQUEST RESPONDED (Response rate 92%)		166
NUMBER OF LEGAL AND NATURAL SUBJECTS INCLUDED		666



DOMESTIC INQUIRIES

Based on article # 28th of Anti-Money Laundering and Proceeds of Crime Law, FinTRACA has sent and received a total number of 28 inquiries concerning income tax, export and import details, verification of the business licenses, verification of contracts, verification of identities and other to the Ministry of Finance, Ministry of Interior Affairs, Ministry of Public Work and National Directorate of Security on the basis of outgoing domestic inquiries.

MONEY LAUNDERING CONVICTIONS BY ANTI-CORRUPTION JUSTICE CENTER

In July 2016, His Excellency President Ghani signed a decree establishing the independent Anti-Corruption Justice Center (ACJC) to tackle high-level corruption cases. The center includes specialized police, prosecution units, and courts that are designed to be independent of political and other pressures in detecting, investigating and prosecuting corruption.

The center has jurisdiction over the broad range of corruption offences specified in the current Penal Code, as well as money laundering offences, destruction or selling of cultural and historical relics, crimes against internal and external security, illegal extraction of mines, and land usurpation. To ensure that it is not overwhelmed with too many cases, the center's mandate requires it to focus on cases meeting one or more of the following jurisdictional thresholds: (1) corruption cases involving more than 10 million Afghanis; (2) bribery, money laundering, destruction or selling of cultural and historical relics, crimes against internal or external security, illegal extraction of mines, and land usurpation involving more than AFN 5 million; or (3) cases involving high-level government officials (deputy ministers, generals, governors, director-level officials, etc.), regardless of the amount involved.

Along with other convictions, ACJC has convicted two money laundering cases during the year 2017; the case studies of both cases are as follows:

NO	CASE STUDY
1	<i>A foreign exchange dealer was arrested on dated 03-12-2016 by Baghlan province police headquarter on the charge of embezzlement of AFN 24,415,811 funds of Bank-e-Milli Afghan and money laundering AFN 6,740,000. The Primary court of Anti-Corruption Justice center (ACJC) has convicted the accused on charge of money launder and sentenced to 2 years custodial imprisonment, a cash penalty of AFN 50,000 and to pay cash penalty equivalent to the laundered funds based on the article number 4, 5 and 52 of Anti-Money Laundering and Proceeds of Crime (AMLPC) law. Accordingly, the Appellate Court of ACJC on dated 15-01-2017 has approved the decision of the Primary Court but has rejected the penalty to pay cash fine equivalent to the laundered funds because there was prosecution demand for it.</i>
2	<i>The Public Court of subject X was held at Anti-Corruption Justice Center (ACJC) on 15/2/2017. The convict was sentenced for three years in prison and to pay a fine of AFN 100,000.00 by the Primary court of ACJC, on the charges of money laundering based on provisions of Anti-Money Laundering and Proceeds of Crime Law of Afghanistan. The charges on convict were included money-laundering of more than USD 260 thousands, PKR 299 thousand, AFN 3.3 million and 317.3 gram of gold. The court stated that it received the money and jewelry seized from the convict. The convict was arrested by the police on October 18, 2016 in the Hamid Karzai International Airport while traveling from Uruzgan province to Kabul.</i>

According to the report submitted by ACJC dated November 06, 2017, so far, ACJC has convicted 23 high-level corruption cases including money laundering, bribery, embezzlement, usurpation, misuse of duty, fraud and etc. The convicted cases include 91 individuals, AFN 816,642,743 and USD 6,787,954.9 cash fine penalties.

It's worth mentioning that FinTRACA has contributed in sharing the financial information with specialized police (Major Crime Task Force) of ACJC during the investigation of the aforementioned cases.

Source: Anti-corruption Justice Center

TERRORIST FINANCING CONVICTIONS

In accordance with the report submitted by Attorney General's Office dated 21st November 2017, seven terrorist financing cases were submitted to the relevant court by Anti-Terrorist Prosecution Department (ATPD) of the Attorney General's Office.

Five out seven individuals were convicted by the relevant court based on the provisions of the Counter Financing of Terrorism Law during the year 2017.

NO	NAME	ADDRESS	JUDGEMENTS		
			PRIMARY COURT	APPELLATE COURT	SUPREME COURT
1	Subject A	Kandahar	Pending	Pending	Pending
2	Subject B	Kandahar	10 months imprisonment	The decision of Primary Court was approved by Appellate court	The decision of Appellate court was approved by Supreme court
3	Subject C	Kandahar	18 months imprisonment	6 years imprisonment and cash fine of AFN 400,000.00	The decision of Appellate Court was approved by Supreme Court
4	Subject D	Nangarhar	5 years and 1-month imprisonment	8 years imprisonment and cash fine of AFN 500,000.00	Rejected and forwarded back to Appellate Court
5	Subject E	Kunar	1 year and 6 months for the membership and 5 years and 6 months for terrorist financing and cash fine of AFN 400,000.00	The decision of Primary Court was approved by Appellate Court	The decision of Appellate Court was approved by Supreme Court
6	Subject F	Logar	5 years and 6 months imprisonment and cash fine of AFN 400,000.00	The decision of Primary Court was approved by Appellate Court	Pending
7	Subject G	Kabul	Pending	Pending	Pending
TOTAL AMOUNT OF FINE			800,000 AF	1,700,000 AF	800,000 AF yet

Source: Anti-terrorist Prosecution Department of Attorney General's Office

COUNTER NARCOTICS JUSTICE CENTER (CNJC/CJTF)

The Counter Narcotics Justice Center (CNJC/CJTF) was set up as an end to end Afghan process to bring to justice those who involved in narco-crimes within Afghanistan. It was set up by the Government of the Islamic Republic of Afghanistan in May 2005 and has a mandate from the Counter Narcotics Law to investigate and prosecute all serious intoxicating drinks and drug-relating offences from across the country. The CJTF was the first example of such a process in Afghanistan, and achieves its aims by co-locating seconders from the Supreme Court, the office of the Attorney General, the Ministry of Interior and the Ministry of Justice in one secure location.

According to the article number 28th of Anti-Money Laundering and Proceeds of Crime Law, FinTRACA has exchanged financial information on 65 cases that include 85 subjects with the dedicated prosecution departments of Counter Narcotics Justice Center during the year 2017.

Based on article number 37 of AML-PC law, in the cases of seriousness and urgency, FinTRACA has issued orders to the reporting entities to freeze the funds or transactions of drug traffickers for a period not exceeding ten days. During the year 2017, FinTRACA has frozen AFN 2,168,083 and USD 604,029 funds that derived from selling and purchasing drugs and narcotics within 32 bank accounts related to the drug traffickers. Accordingly, FinTRACA has also assisted CNJC in transferring the seizure funds of drug traffickers.

The following statistics presented by the Counter Narcotics Justice Center (CNJC) based on interagency cooperation during the period January-November, 2017 that have been seized from across the country and their cases have been dispatched to Investigation and Laboratory Police of CNJC/CJTF are:

CNJC REPORTS (JANUARY-NOVEMBER, 2017)									
Month	Cases to CNJC	Total suspects	Heroin Seized	Morphine Seized	Opium Seized	Hashish Seized	Solid Chemical Precursor Seized	Liquid Chemical Precursor Seized	Convicted cases by Supreme Court
January	42	44	201.97	3510.8	6262.3	197352	1094.689	180	21
February	36	48	304.636	37.16	6007.1	2420	3071.6	0	19
March	55	56	127.19	8490	8724.426	1437.28	2210	540	20
April	40	47	204.169	30.86	228.7	5482.745	1.36	0	36
May	35	41	315.345	0	203.7	3595.128	1010.7	302.5	17
June	51	68	244.135	2500	1334	317.525	6340.9	0	14
July	35	37	38.256	2634	2419	1043	15791	0	10
August	60	69	283.092	7164.3	3160.6	1882.5	6537.233	180	21
September	30	43	28.73	16	171.5	1761	0	0	8
October	42	54	61.182	54.41	1009.9	2344.12	1316	16295	15
November	36	51	61.377	39	1782.2	1552	0	304.68	24
Total	462	558	1870.08	24476.53	31303.42	219187.29	37373.482	17802.18	205
	Cases	Suspects	KG	KG	KG	KG	KG	Liter	Cases

According to the aforementioned chart information submitted by CNJC/CJTF, a total number of 462 cases were filed on suspicion of 558 individuals suspected in drug-related crimes from all over the country and primary investigation of the cases have been completed in the light of the Anti-Drug Law, and were forwarded to the dedicated prosecution department of CNJC for further investigation and prosecution. It's worth mentioning that Supreme Court has issued verdict decisions on the conviction of 205 drug-related cases during the aforementioned period.

Source: Counter Narcotics Justice Center (CNJC/CJTF)

INTERNATIONAL COOPERATION

In accordance with the article # 31 of the AML-PC law, FinTRACA exchanged the total number of 33 out of 38 analytical reports included 194 subjects with counterpart Financial Intelligence Units during the year 2017.

MEMORANDUM OF UNDERSTANDING (MoUs), 2017

Adopting International best practices and applying national legal basis, FinTRACA signed 3 MoUs in the light of FATF recommendation and article # 31 of Anti-Money Laundering and Proceeds of Crime Law with counterpart Financial Intelligence Units during the year 2017 which are as following:

- State Financial Monitoring Service of Ukraine (SFMS);
- Korean Financial Intelligence Unit (KoFIU); and
- China Anti-Money laundering Monitoring and Analysis Center (CAMLMAC)

These MOUs will enable cooperation between the Financial Intelligence Units on the collection, analysis and exchange of financial intelligence spontaneously or upon request. The MOUs were signed based on the spirit of cooperation and mutual interest within the framework of national laws of each authority to join international community in the fight against money laundering and terrorism financing.

Also, FinTRACA has accomplished the internal formalities for signing MoUs with Australian Transactions and Reports Analysis Center (AUSTRAC), Financial Transactions and Reports Analysis Center (FinTRAC) of Canada and the Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan. The aforementioned drafts MoUs are planned to be signed in 2018 accordingly.

So far, FinTRACA has signed the following 16 MoUs with its counterpart FIUs concerning cooperation in the exchange of financial intelligence related to money laundering, associated predicate offences and terrorism financing.

LIST OF MOUS WITH COUNTERPART FINANCIAL INTELLIGENCE UNITS

NO	FIU NAME	COUNTRY	DATE
1	The State Financial Monitoring Service of Ukraine	Ukraine	November, 2017
2	Korean Financial Intelligence Unit (KoFIU)	Korea	July, 2017
3	China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC)	China	February, 2017
4	Anti-Money Laundering Division, Investigation Bureau (FIU)	Taiwan	October, 2016
5	Financial Monitoring Department (FMD)	Tajikistan	September, 2015
6	Turkmenistan Financial Intelligence Unit (TFIU)	Turkmenistan	August, 2015
7	UK Financial Intelligence Unit at the National Crime Agency (UKFIU)	United Kingdom	June, 2014
8	Saudi Arabia Financial Intelligence Units (SAFIU)	Saudi Arabia	July, 2013
9	The Financial Crimes Enforcement Network (FinCEN)	United States of America	July, 2012
10	Bangladesh Financial Intelligence Unit (BFIU)	Bangladesh	July, 2009
11	Financial Crimes Investigation Board (MASAK)	Republic of Turkey	February, 2008
12	Mongolian Financial Intelligence Unit (MFIU)	Mongolia	July, 2008
13	Sri Lanka Financial Intelligence Unit (SFIU)	Sri Lanka	February, 2008
14	Department of Financial Monitoring (DFM)	Republic of Belarus	June, 2007
15	Federal Financial Monitoring Service (FFMS)	Russian Federation	2007
16	The State Financial Intelligence Service (SFIS)	Kyrgyz Republic	2007

CAPACITY BUILDING WORKSHOPS & INTERNATIONAL PARTICIPATIONS

CAPACITY BUILDING WORKSHOPS DELIVERED BY FINTRACA TO LAW ENFORCEMENT AGENCIES

NO	DATE	TRAINING TITLE	ORGANIZED BY	PLACE
1	Jan 2017	Anti-Money Laundering	NCA	Indonesia
2	Jul 2017	Anti-Money Laundering	NCA	Indonesia
3	Nov 2017	Anti-Money Laundering	NCA	Indonesia
4	Nov 2017	FinTRACA Overview	DAB/FinTRACA	Kabul
5	Dec 2017	FinTRACA Overview	DAB/FinTRACA	Kabul
6	Sep 2017	Analytical Products of FinTRACA	CNJC	Kabul
7	Feb 2017	Training to FinTRACA provincial focal points	DAB/FinTRACA	7 Regional Offices
8	Oct 2017	FinTRACA Overview	DAB/FinTRACA	Kabul
9	Jul 2017	MSP and FXD amended regulation	DAB/FinTRACA	Kabul
10	Jul 2017	MSP and FXD amended regulation	DAB/FinTRACA	Kabul
11	Sep 2017	MSP and FXD amended regulation	DAB/FinTRACA	Ghor
12	May 2017	MSP and FXD amended regulation	DAB	Herat
13	Oct 2017	Cash and BNI Control	FinTRACA	Nangarhar
14	Jan 2017	Electronic Reporting of MSPs	FinTRACA	Kabul
15	Nov 2017	How to file a good Suspicious Transaction Report	DAB/FinTRACA	Kabul

INTERNATIONAL MEETINGS/CONFERENCES ATTENDED BY FINTRACA STAFF

NO	FROM	TITLE	ORGANIZED BY	PLACE
1	Jan 2017	ICRG/ FATF	DAB	Australia
2	Jul 2017	20th APG Annual Meeting & Technical Assistance Forum	DAB	Sri Lanka
3	Nov 2017	Paris Pact Expert Working Group on Illicit financial flows from the trafficking of opiates originating in Afghanistan	UNODC/ DAB	Serbia

CAPACITY BUILDING WORKSHOPS ATTENDED BY FINTRACA STAFF

NO	FROM	TITLE	ORGANIZED BY	PLACE
1	15-Feb	Understanding & disrupting illicit financial flows associated with the southern route for opiate trafficking	UNODC	Tanzania
2	18-Apr	APG Assessor training workshop	DAB/ APG	Australia
3	4-Jul	Illicit use of money and value transfer service	UNODC/ DAB	China
4	13-Sep	Financial disruption of Illicit financial flows associated with transnational organized crime	DAB	Kazakhstan
5	20-Nov	Anti-money laundering workshop	DAB	Indonesia
6	24-Nov	The exploitation of NPOs for terrorist financing	DAB/ APG	Malaysia
7	24-Nov	The exploitation of NPOs for terrorist financing	DAB/ APG	Malaysia
8	18-Nov	Training on countering the financing terrorism (CFT) for Afghan competent authorities	UNODC/ DAB	Kazakhstan
9	12-Dec	Anti-money laundering	UNODC/ DAB	China
10	12-Dec	Anti-money laundering	UNODC/ DAB	China

COMPLIANCE COORDINATION COMMITTEE

In order to improve compliance regime in the banking sector of Afghanistan, FinTRACA officially established the Compliance Coordination Committee in September 2016. The main purposes for the establishment of this committee are:

- To improve the level of cooperation;
- To coordinate key AML/CFT compliance issues;
- To follow up on implementation of UNSCR 1267 and 1988 sanctions;
- To analyze the compliance deficiencies at sector level; and
- To keep banks informed of APG/FATF related issues.

Members of the Compliance Coordination Committee are:

- FinTRACA;
- Financial Supervision Department of Da Afghanistan Bank;
- Afghanistan Banks Association; and
- Chief compliance officers of all commercial banks.

In 2017, FinTRACA conducted the committee meetings on the different compliance issues with the relevant organizations on quarterly basis.

The first meeting was held on 31st March 2017 at the head office of FinTRACA, discussed the implementation of 1267, 1988 UN sanction lists, customer due diligence, initial analysis of STRs, updating KYCs and FATF statements about Afghanistan. The second meeting took place on 6th August 2017, was earmarked for the delisting of Afghanistan from compliance document of FATF, future plans, implementation of FATF recommendations and the FinTRACA's Watch-List. The third meeting was held on 6th November 2017 at the Afghanistan Banks Association. The aim of the meeting was to discuss the issues in relation to correspondent banking relations, proper mechanism for PEP identification, practical challenges with updating KYCs, verification of MSP/ FXDs licenses with DAB, and STR online reporting facilities.

The fourth meeting of the compliance coordination meeting was allocated to train the compliance officer on how to file a good STR. The training material and delivery was made by Mr. Nesar Yosufzai, Director General of FinTRACA.



NATIONAL RISK ASSESSMENT

Based on the Financial Action Task Force (FATF) recommendation; “countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively. Based on the results of the assessment, countries should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This approach should be an essential foundation to efficient allocation of resources across the anti-money laundering and countering the financing of terrorism (AML/CFT) regime and the implementation of risk based measures throughout the FATF Recommendations. Where countries identify higher risks, they should ensure that their AML/CFT regime adequately addresses such risks. Where countries identify lower risks, they may decide to allow simplified measures for some of the FATF Recommendations under certain conditions”.

A national risk assessment is intended to form the basis for the effective implementation of an AML/CFT regime by aligning the regime to the specific threats and vulnerabilities confronting the country - it allows for a better understanding of needs, priorities and can result an increase in effectiveness of policy implementation.

In order to improve the AML/CFT regime, identify higher risk areas, allocate resources; Da Afghanistan Bank decided to undertake ML/TF national risk assessment. Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) will coordinate the NRA and the World Bank is going to provide technical support to undertaking the national risk assessment in Afghanistan.

Based on the approved strategic plan (2017-2020), FinTRACA as Financial Intelligence Unit will coordinate the ML/TF national risk assessment. NRA working groups are composed of five teams (Threat, Vulnerability, Banking Sector, DNFBP, Financial Inclusion and Other FIs) which will be carried out by almost 40 members from 17 public and private sector agencies.

The first 3-day NRA workshop was conducted on 17-19 December 2017 at World Bank Office in Kabul. The WG members were provided required learning materials, supported with tools and process presented by World Bank experts. WGs members were also given the opportunity of breakout sessions and individual group discussions.



JOINT TASK FORCES

TASK FORCE ASSIGNED BASED ON FIU DOSSIER

According to the instructions of his Excellency President of Islamic Republic of Afghanistan, a joint action task force consists of Attorney General's Office, Ministry of Finance, National Directorate of Security and FinTRACA, was formed to investigate the 3 spontaneous disclosures of FinTRACA that contain 11 corporate businesses including Money Service Provider and Foreign Exchange Dealers in the violations of money laundering, tax evasion, forgery, concealment or disguising the illicit origin of funds and proposal of Kickbacks to the bank official.

The disclosures were previously disseminated by FinTRACA to National Directorate of Security in the light of article # 36 of Anti-Money Laundering and Proceeds of Crime Law. A large amount has been transferred by the businesses to abroad in order to import commercial goods to Afghanistan.

The joint action task force has started their investigation on the 1st out of the 3 cases that contains 3 businesses and has found that the businesses have:

- Transferred an enormous amount to abroad and paid insignificant taxes to government;
- Provided misleading supporting documents for transferring the funds to abroad; and
- Offered and proposed kickback to the bank official.

The investigation of first case was completed by the joint action task force and according to the article # 134 Constitution of Afghanistan and article # 147 Criminal Code, the case was submitted to Attorney General's Office for prosecution on charges of money laundering, tax evasion, proposal of kickbacks, and forgery.

It's worth mentioning that currently the joint action task force is engaged in collecting information on the remaining cases from Customs and Tax authorities to review and compare the wired amounts of the businesses with their importation of goods and paid taxes.

ASSESSMENT OF MINISTRY OF MINES CONTRACTS

Based on the ordinance of His Excellency the President of the Islamic Republic of Afghanistan on the assigning of the delegation for the financial and technical audit of the Ministry of Mining and Petroleum contracts. The purpose of the technical audit was to ensure legitimacy, transparency in the management of contracts, the collection of contract revenues, imposition of fines and debts in accordance with economic, financial, technical, contractual obligations, efficiency and profitability performance of the central and provincial units, enterprises and projects of the Ministry of Mines and Petroleum.

The delegation was composed of Ministry of Finance, National Procurement Authority (NPA), National Directorate of Security (NDS), Polytechnic University, Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) and Financial Transaction and Reports Analysis Center of Afghanistan (FinTRACA).

The overall audit was conducted during six months in ten provinces of the country. Findings of the report will provide ground for pro-active analysis to FinTRACA.

2018 PRIORITIES

In compliance with FinTRACA's Strategic Plan (2017-2020), the following priorities are planned to be achieved during the fiscal year 1397 (2018).

NO	ITEMS
1	Coordinating the process of National Risk Assessment (NRA)
2	Implementation of GoAML technology
3	Establishment of "Disaster Recovery Site" and standard "Primary Data Center"
4	Expansion of cooperation and coordination with relevant public and private organizations
5	Expansion of cooperation and coordination with international counterparts
6	Inception of "Foreign Exchange Reports" from licensed service providers
7	Collection of reports from "Electronic Money Institutions"
8	Collection of reports from "Micro Finance Institutions"
9	Collection of reports from "Licensed Brokerage Financial Institutions"
10	Amendment of internal "Policies and Procedures"
11	Capacity building of FinTRACA staff (Advanced Certifications)
12	Capacity building of relevant stakeholders in collaboration with foreign counterparts
13	Advancement of "FinTRACA Watch-List" database
14	Reviewing legal framework of NPOs (Non-Profit Organizations)
15	Prioritizing analysis of corruption and bribery STRs in-line with the "Combating Corruption Strategy of the Government of Islamic Republic of Afghanistan"
16	Improving the effectiveness of Cash & BNIs reporting from land borders in collaboration with the Customs Authority.
17	Expanding the number of typologies
18	Adopting a consolidated "Code of Conduct" for all FinTRACA staff
19	Improving the disruption measures and strategies in line with the high-risk areas identified as part of the STR disclosures in 2016 and 2017.
20	Access to World-Check database

EMPLOYEES OF THE YEAR

At FinTRACA we all work very hard to serve the country and safeguard the financial system of Afghanistan from ML, TF and other predicate offenses. We are constantly seeking out more standard practices and how to provide value-added products to Attorney General's Office and other Law Enforcement Agencies. We work together as a team and try to help each other in possible means along with high ethical standards. With that being said, we have transparently selected our BEST EMPLOYEES for the year 2017!

<p>BEST EMPLOYEE OF THE YEAR ABDUL WASEL ISAR</p>	
<p>BEST ANALYST OF THE YEAR SHAHPOOR MIAKHIL</p>	
<p>BEST REGIONAL MANAGER OF THE YEAR KHALID ARAB</p>	

They were picked the best employees of the year based on their hard work, willingness to take initiative and carried out additional responsibilities beyond their regular assignments.

Congratulations!

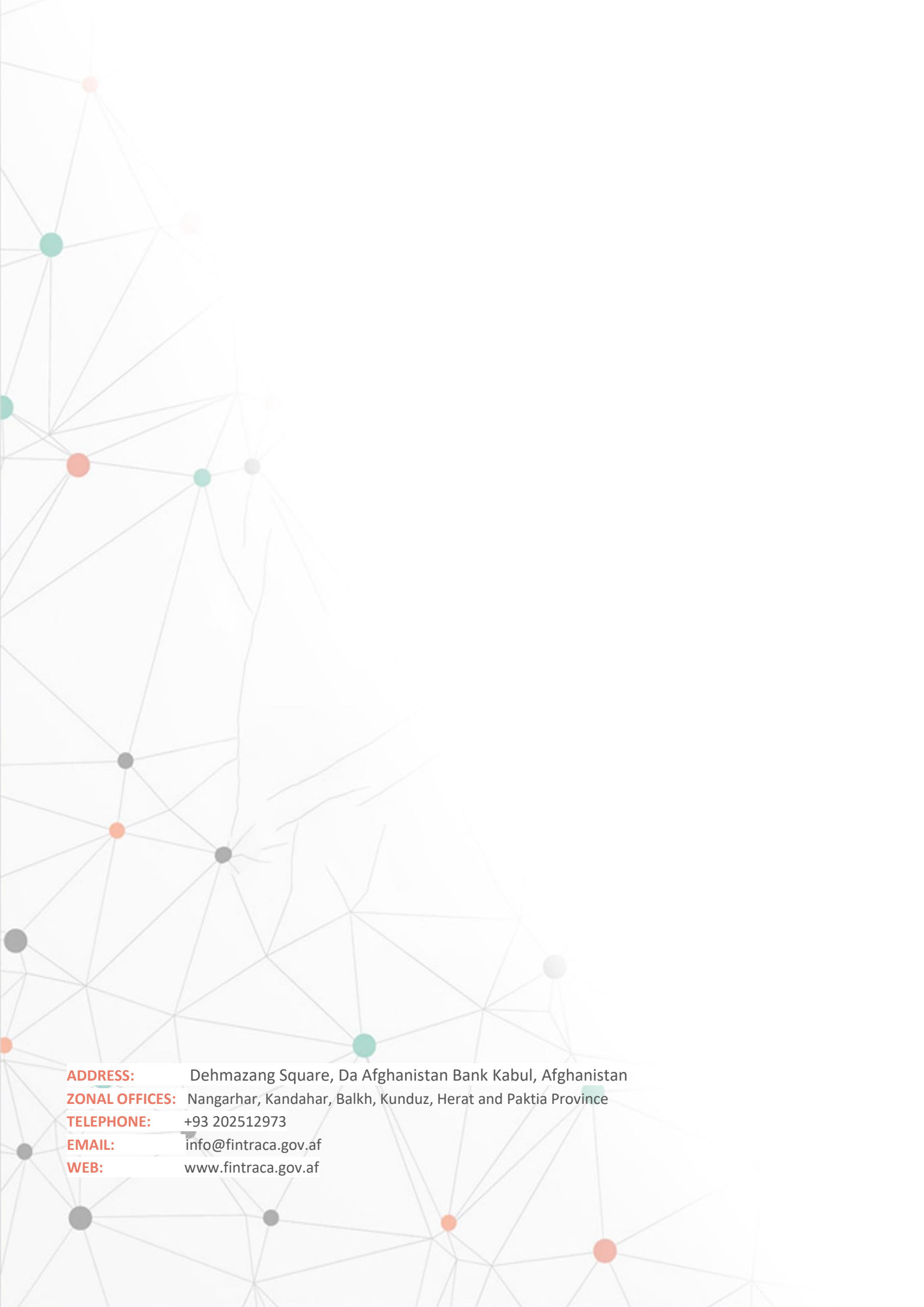
On behalf of FinTRACA Team

Nesar Yosufzai, CAMS
Director General, FinTRACA



ACRONYMS

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
CFT Law	Law on Combating the Financing of Terrorism
CDD	Customer Due Diligence
CNPA	Counter-Narcotics Police of Afghanistan
DAB	Da Afghanistan Bank (Central Bank)
DNFBP	Designated Non-Financial Businesses and Professions
FI	Financial Institution
FIU	Financial Intelligence Unit
FinTRACA	Financial Transactions and Reports Analysis Centre of Afghanistan
FSD	Financial Supervision Department of Da Afghanistan Bank
FT	Financing of Terrorism
HOO	High Office of Oversight and Anti-Corruption
STR	Suspicious Transaction Report
LCTR	Large Cash Transaction Report
MCTF	Major Crime Task Force
ML	Money Laundering
MLA	Mutual Legal Assistance
MOI	Ministry of Interior
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MSP	Money Service Provider
NDS	National Directorate of Security
FATF	Financial Action Task Force
ICRG	International Cooperation Review Group
APG	Asia Pacific Group
RRG	Regional Review Group
ARD	Afghanistan Revenue Department
BNI	Bearer Negotiable Instrument
R	Recommendation (FATF)
NRA	National ML/TF Risk Assessment
WG	Working Group



ADDRESS: Dehmazang Square, Da Afghanistan Bank Kabul, Afghanistan

ZONAL OFFICES: Nangarhar, Kandahar, Balkh, Kunduz, Herat and Paktia Province

TELEPHONE: +93 202512973

EMAIL: info@fintraca.gov.af

WEB: www.fintraca.gov.af