



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
RESPONED

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

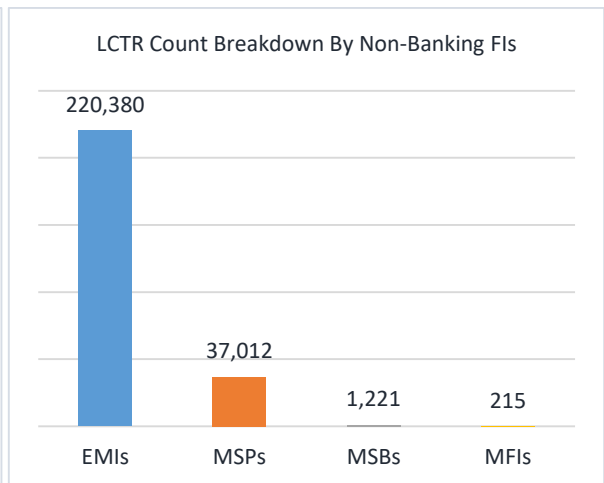
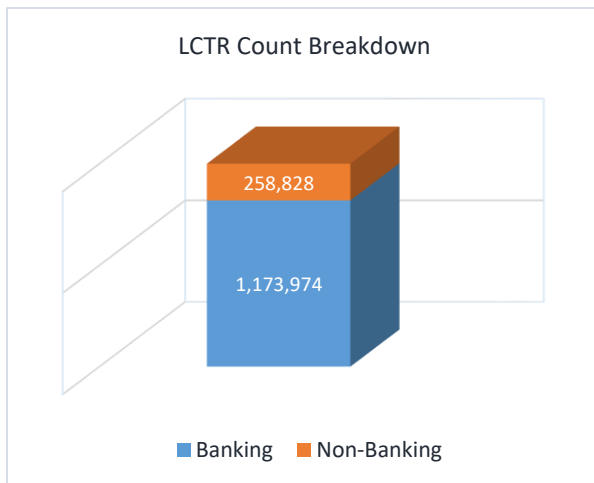
Reporting entities are obliged to report Large Cash Transaction Reports (LCTR) to FinTRACA based on article # 17 of the AML-PC law. A large cash transaction is any cash transaction above the threshold set by the relevant regulation.

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

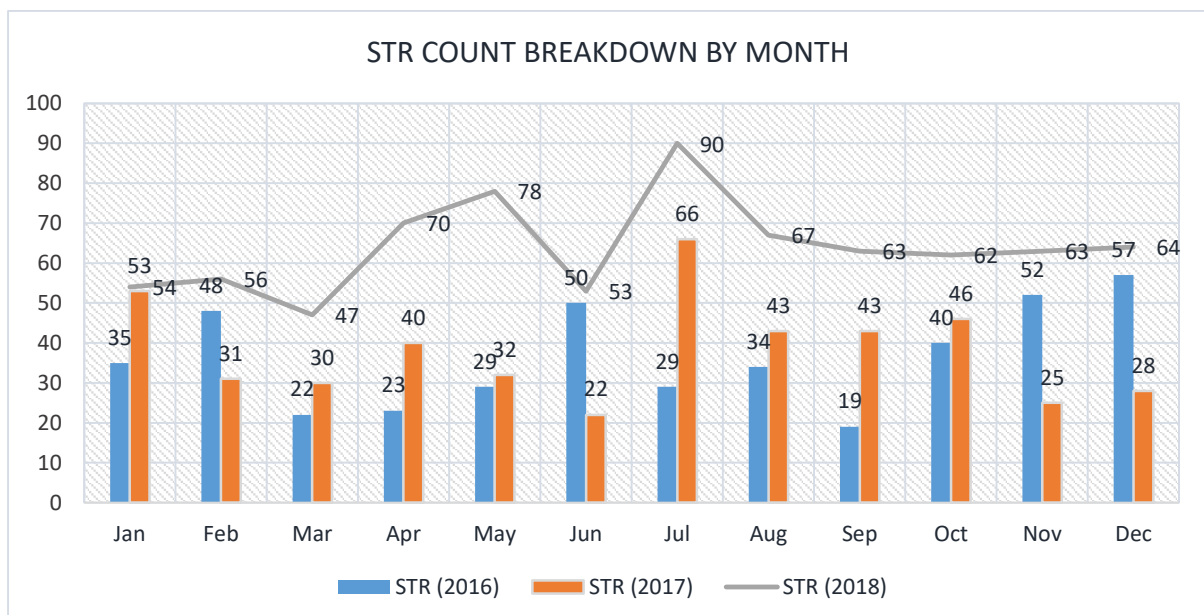
Reporting entities are required to file STR (s) where reasonable grounds for suspicion of involvement of transaction in money laundering, terrorist financing, proceeds of crime and other predicate offenses exist.

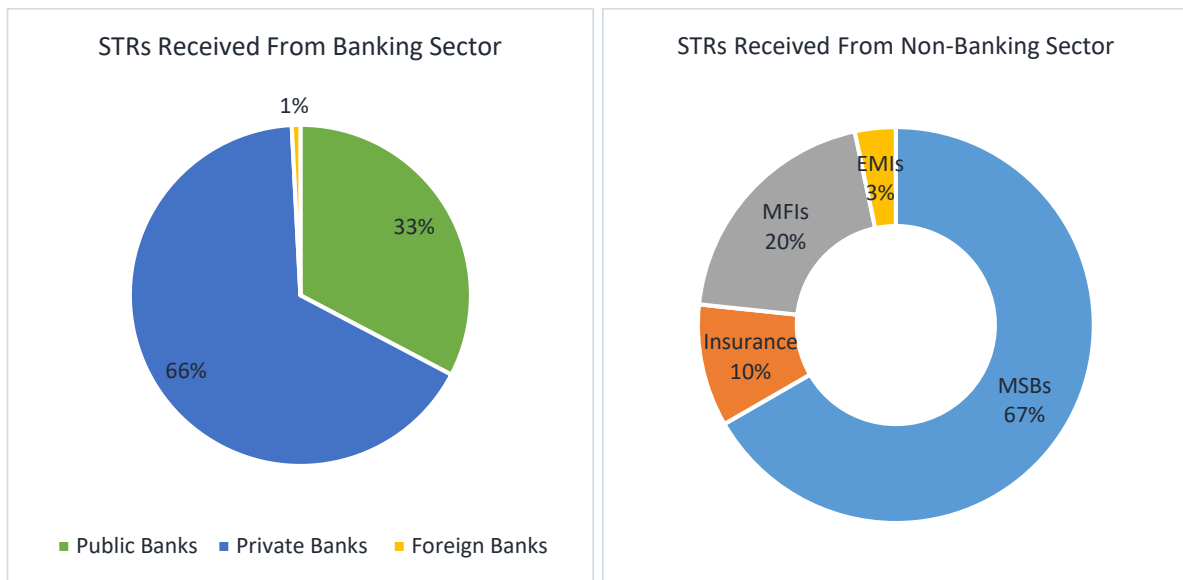
Reporting entities must also file STR to FinTRACA where the entity has reasonable ground to suspect that funds are linked to a terrorist (s) or are to be used for terrorism, terrorist acts or by terrorist organizations. The reporting entity must file an STR, as soon as practicable, but no later than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

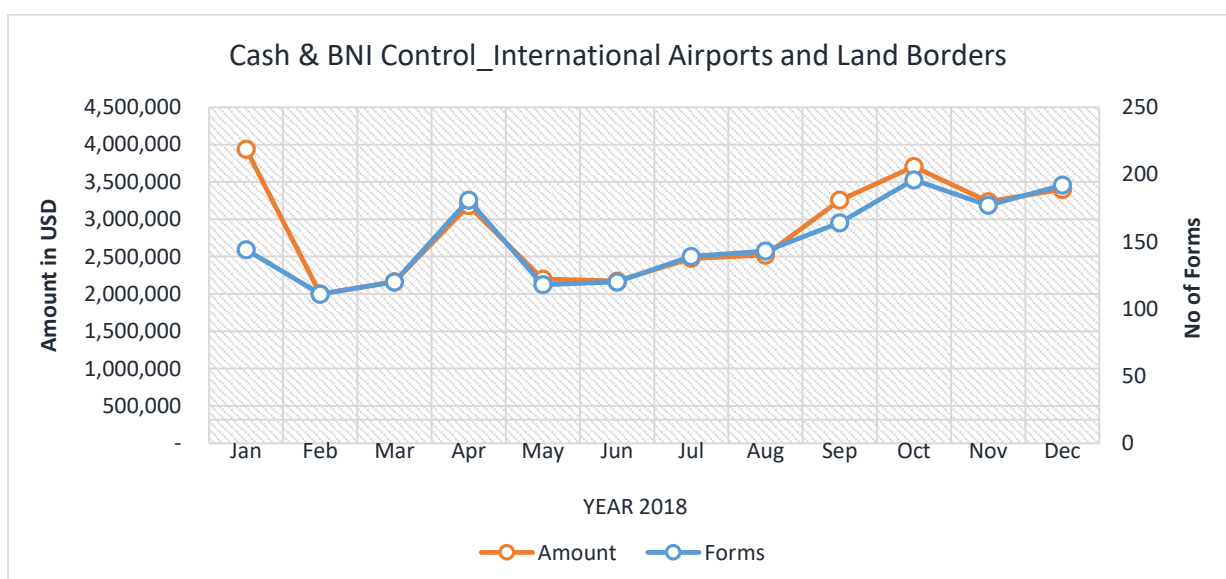
The objective behind the implementation of the aforesaid regulation is controlling physical transfers of currency, bearer negotiable instruments, gold, and other precious metals, as well as preventing the illegal transfer of such items and illicit funds connected with money laundering and terrorist financing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

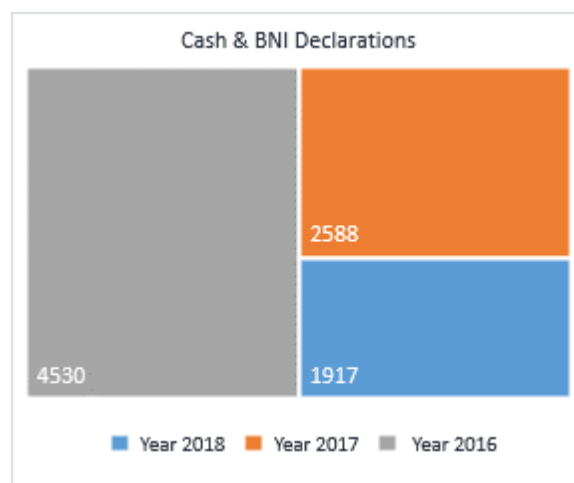
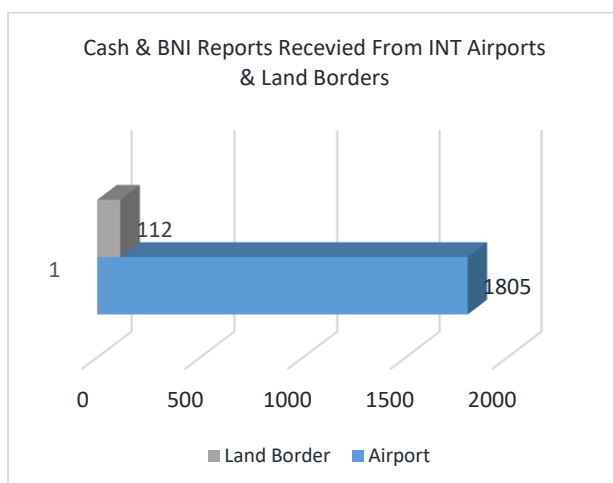
Accordingly, Afghanistan's Customs Department in cooperation with FinTRACA has taken necessary actions for better implementation of this regulation and FATF Recommendations. The regulation is being implemented across all four international airports in the country. The year 2018 marked the installation 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

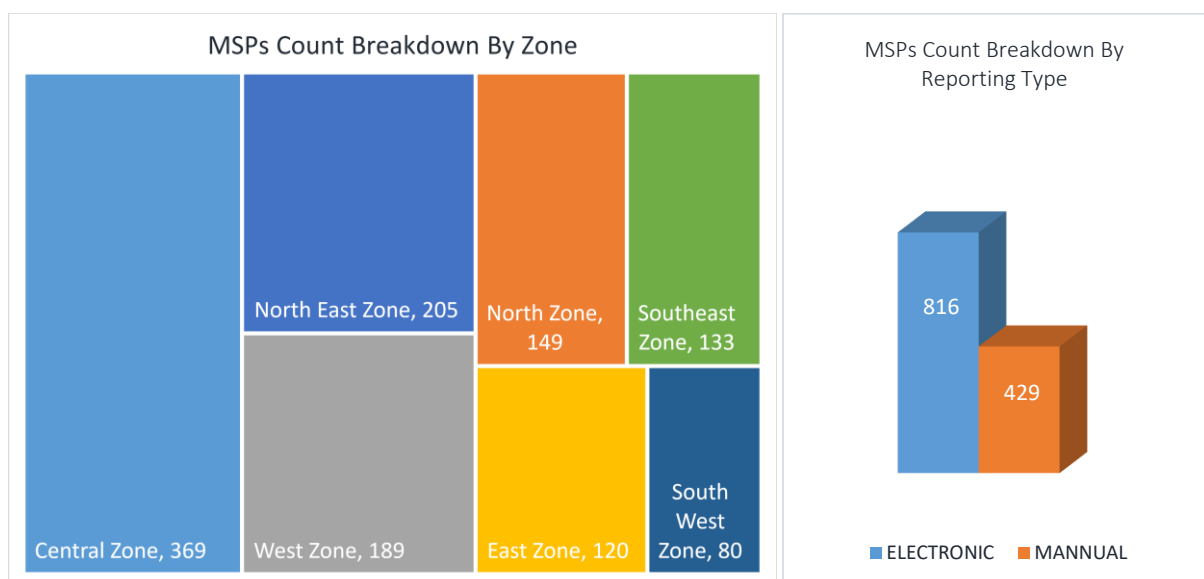
To further strengthen the cash and BNI control at Afghanistan’s land borders; a ‘Ruling Directive’ was prepared jointly by Office of the National Security Council, Customs Department, DAB, and FinTRACA with deliverable objectives. The directive draft is final and awaiting the approval of the National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

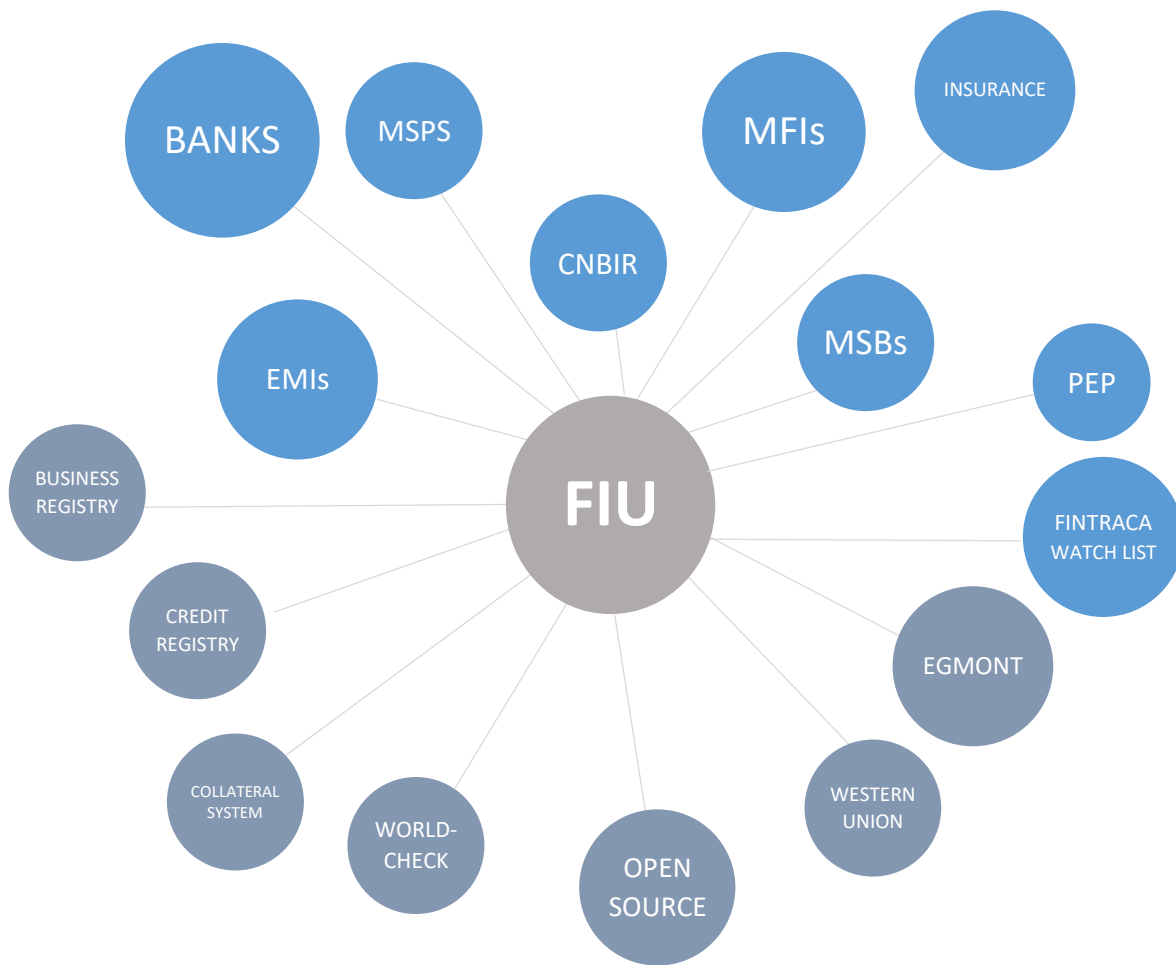
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Via inclusion of the new sectors, the center has been able to further enhance and facilitate its efforts to protect the integrity of relevant sectors from exploitation for ML and TF.

Section Director, Regional Operations

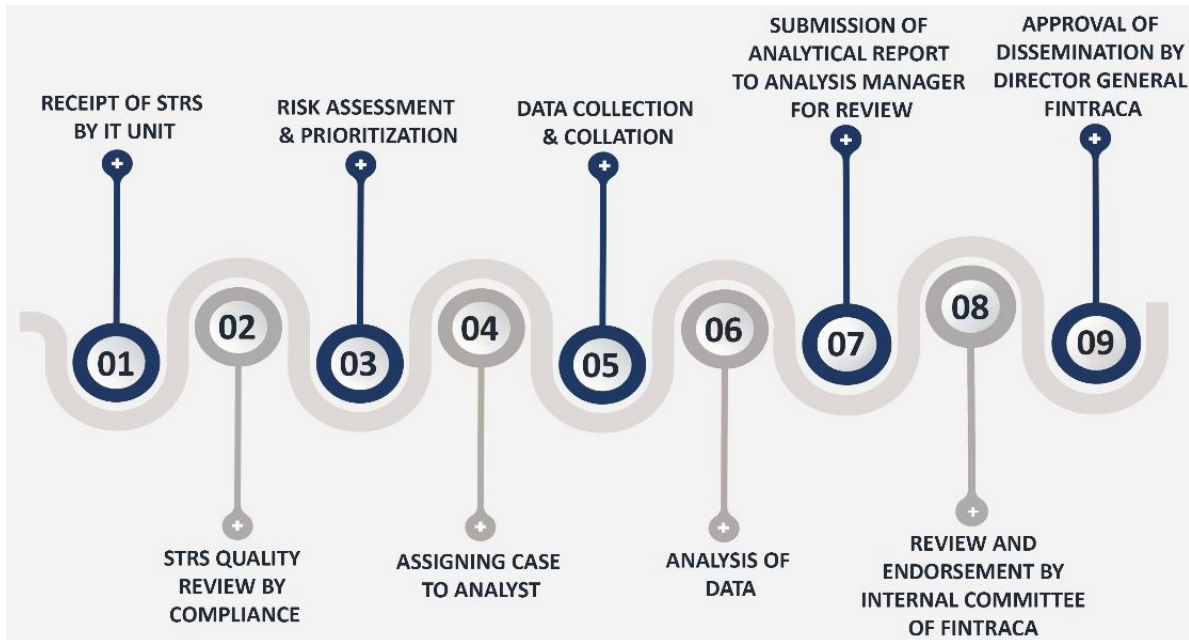
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DATA COLLECTION SOURCES



SPONTANEOUS DISCLOSURES

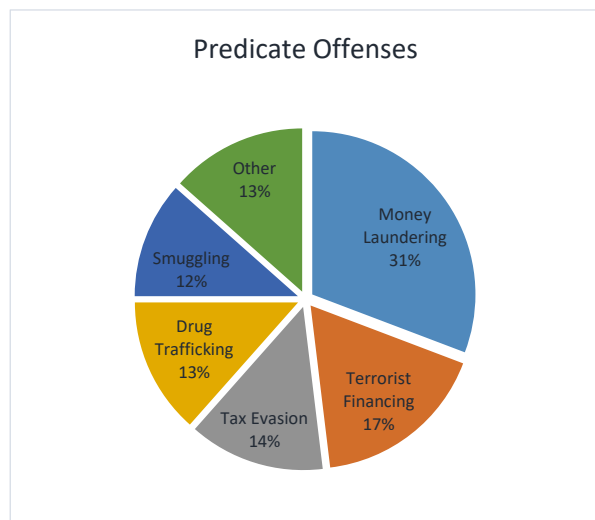
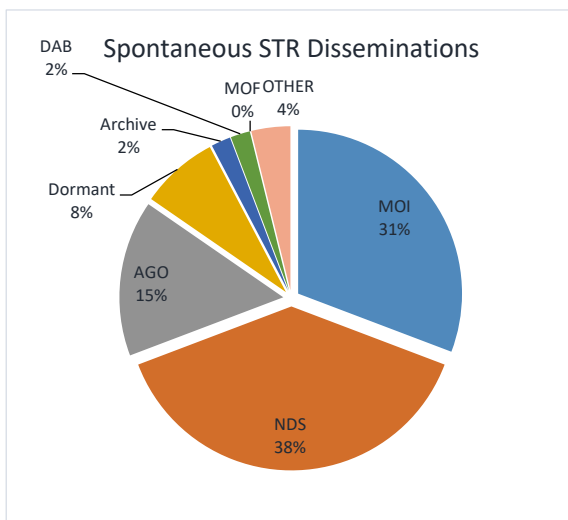
FinTRACA serves as the national center responsible for the receipt and analysis of the suspicious transaction reports and other financial information relevant to money laundering, associated predicate offense and terrorist financing. Dissemination of value-added products by FinTRACA is carried based 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:



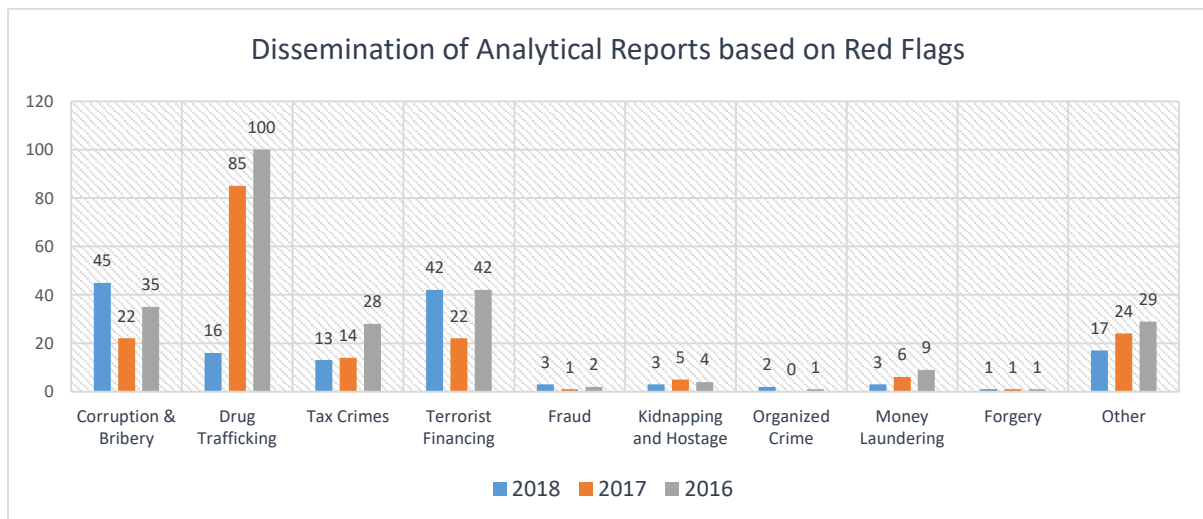
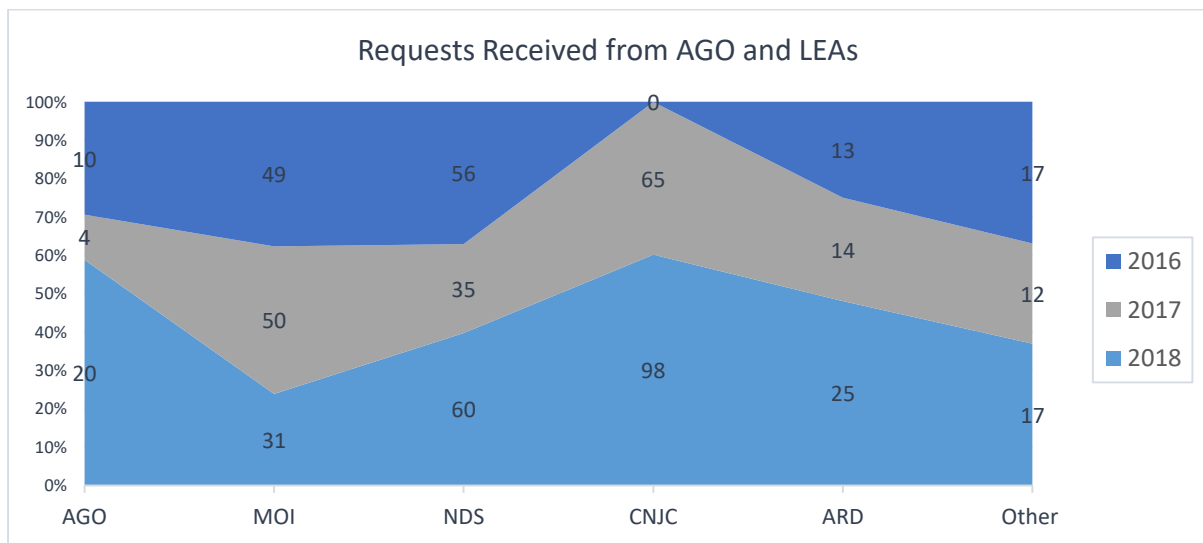
NO	CASE TYPE	PREDICATE OFFENSE	NO. STRS	NO. SUBJECTS	ENTITY
1	Proactive	Smuggling	-	8	Ministry of Interior Affairs
2	Reactive	Terrorist Financing	1	1	National Directorate of Security
3	Proactive	Money Laundering	-	1	National Directorate of Security
4	Proactive	Smuggling	0	3	Other
5	Reactive	Money Laundering	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.

“

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%.

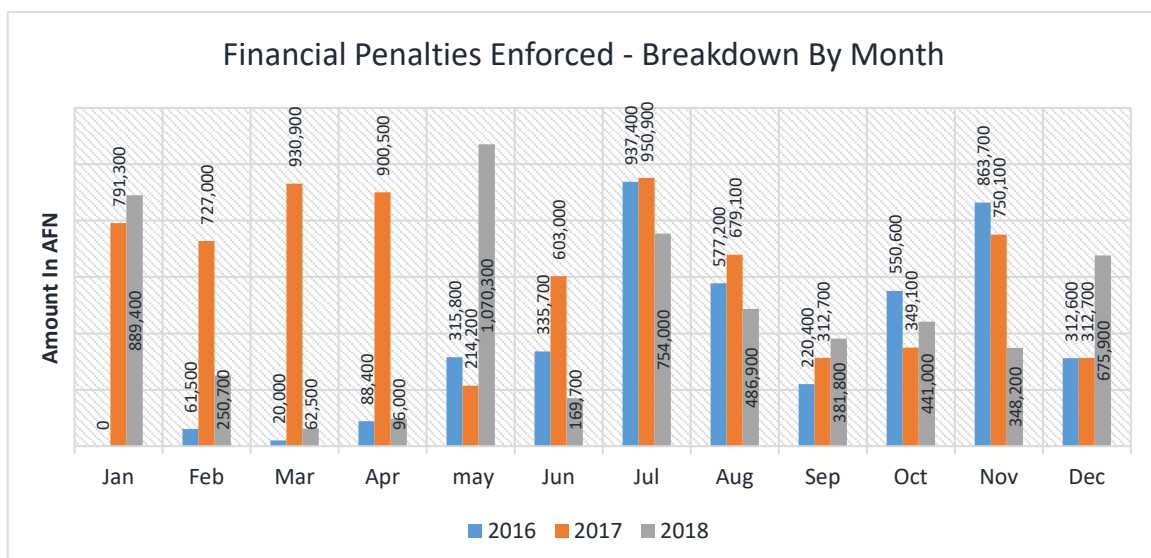
REVOCATION/SUSPENSION OF BUSINESS LICENSES	2016	2017	2018	CHANGE (%)
Revoked Business Licenses	80	25	8	32% Drop
Suspended Business Licenses	0	8	17	112% Increase

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.



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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