



**DA AFGHANISTAN BANK  
FINANCIAL INTELLIGENCE UNIT**

**ANNUAL REPORT 2020**



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©FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTER OF  
AFGHANISTAN (FINTRACA) **ANNUAL REPORT 2020**

## **ACKNOWLEDGEMENTS**

The year 2020 was filled with challenges associated with the spread of COVID-19 Pandemic. The restrictive measures taken to contain the spread of COVID-19 presented us with unavoidable constraints. However, we emerged successful and our success would not have been possible without support and cooperation from our colleagues in different organizations. The center owes deep gratitude and extends its sincere esteem to all our colleagues at ONSC, AGO, DAB, ARD & ACD of MoF, NDS, MoI, Asset Registration and Verification Office of Anti-Corruption Commission, NPA, MOJ, MOEC, SC, MOFA,AMA, ABA; The World Bank, UNODC, US Treasury, EU Commission On ML 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!***

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## ABOUT US

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

The center is purposed to collaborate with LEAs, Regulators, Prosecutors and International Counterparts to protect Afghanistan's financial system from exploitations for the purpose of 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 FIUs 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 in EGMONT group of FIU's.

### OUR VISION

To become a center of excellence in fighting against money laundering and terrorist financing in the country by maintaining international best practices.

### OUR 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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## GOVERNOR MESSAGES



**AJMAL AHMADY**

ACTING GOVERNOR, DA AFGHANISTAN BANK

The Central Bank of Afghanistan is highly devoted and shall remain strongly committed to fighting financial crimes and ensuring the protection of the integrity of the financial sector of the country. We have prioritized diagnostics to counter financial criminology and apply a strict AML/CFT regime across the country.

The central Bank has made far-reaching commitments at national and international levels to work together with relevant bodies and ensure protection of Afghanistan's financial sector from money laundering, terrorist financing and other financial crimes. In this regard, FinTRACA's contribution extends to all facets. The center has made tremendous progress in the collection, analysis, and dissemination of financial intelligence reports concerning various financial crimes to the country's respective law enforcement agencies and

foreign counterpart FIUs.

Collection, analysis, and dissemination of analytical products formulate the core operations of FinTRACA and require domestic inter-agency and international cooperation.

Through its core operations, FinTRACA facilitates the criminal justice system in combating money laundering, terrorist financing and other financial crimes by coordinating the exchange of information among domestic authorities via domestic MOUs, and with foreign counterpart FIUs through MOUs and Egmont Secure Web. In this manner, the center plays an instrumental role in provision of financial intelligence data to be utilized in investigation, prosecution and conviction of financial crimes.

Throughout the year 2020, FinTRACA also continued working beyond its routine activities and ensuring a positive contribution to national level policy development committees. I greatly acknowledge the center's countrywide participation and input in implementation of AML/CFT measures.

The year 2020 was yet another successful year for FinTRACA as the center continued fighting hard to accomplish its annual plan for the year 2020 endeavoring certain challenges and constraints. Doing so, FinTRACA remained unhesitant and uncompromising to its relentless commitments in line with its legal mandate. Such advancements by FinTRACA are indicative of its contribution in maintaining economic stability of the country.

It gives me utmost pleasure and a feeling of great happiness to release my statement for FinTRACA's Annual report for the year 2020. I take this opportunity to congratulate FinTRACA on successful completion of yet another year filled with great endeavors. I offer my warmest gratitude to the center's staff for their staunch determination in serving and protecting the country's financial sector. In order for FinTRACA operations to meet best international practices, Da Afghanistan Bank shall strive to provide the best of necessary resources.

## STATEMENT FROM THE DEPUTIES

The fiscal year 2020 has been a year full of challenges and constraints. Given the horrendous unavoidable circumstance associated with the spread of COVID 19, FinTRACA endured working under tough conditions and successfully overcame the challenges and constraints of the year 2020.

Throughout the year, the center remained committed to fight Money Laundering, Terrorist Financing and other associate Predicate Offences, and continued to strive and work to accomplish its planned activities in areas of collection, analysis and dissemination of financial reports to LEAs, AGO and other State Authorities. Commencement of implementation of the National AML/CFT Risk Assessment (NRA) Action Plan is the key highlight of the year 2020. The NRA Action Plan forms the basis for the application of risk-based AML/CFT regime by designating resources to rectify the deficiencies and reduce the specific threats and vulnerabilities confronting the country. The NRA Action Plan addresses the needs and priorities, which in turn can result in strengthening of the National Combating Abilities to mitigate ML and TF risks.

In pursuit of building capacity and enhancing the ability of reporting entities to detect ML and TF red flags, form suspicions and improve quality of Suspicious and Large Cash Transaction reports; the center strained to work with reporting entities and provide them with technical assistance and training programs. Though the statistics depict a minor reduction of 4% in number of STRs received, the quality of reports collected by the center in the year 2020 has improved. The reason behind reduction in number of STRs could be associated with restrictive measures taken by the government of Afghanistan to contain the spread of COVID-19, as these measures reduced working hours and consequently operations of reporting entities reduced during the year 2020.

However, as far as requests for information is concerned, the statistics compiled for the year 2020 shows an ascending trend. The Center has taken a multi-dissemination approach to dispatching relevant financial intelligence information to law enforcement agencies and other state authorities. This approach has resulted in maximization of the efforts of FinTRACA, as with this approach, it has become a lot more challenging for criminals to escape justice.

The center's scope of International Cooperation improved. The center signed an MOU on exchange of financial intelligence information concerning money laundering, terrorist financing and other associate predicate offences with Jordan FIU. This MOU further enhances Afghanistan's contribution in the global fight against money laundering and terrorist financing.

Addressing the needs and requirements in human resource parameters, the year 2020 marked addition to our organizations structure and attainment of specialized trainings and capacity building programs to our staff.

We have also worked on enhancing our IT infrastructure. In the year 2020, FinTRACA worked with the central bank to incorporate the subjects of FinTRACA watch-list, which is a list of high-risk individuals and entities, with the sanctions screening tool of the central bank. FinTRACA also developed its server room. The newly built server room of FinTRACA meets international standards.

Fulfilling the NRA Action Plan Item to address the need for enhancing the security of FinTRACA staff, His Excellency the Governor of Da Afghanistan Bank (DAB) instructed to move FinTRACA

office to the central complex of DAB. The central complex of DAB is a multi-layer security checkpoints and scanners protect a much safer and secure place as the premises.

The scope of FinTRACA's Fx-Portal, which is developed to receive electronic reports from FXDs, MSPs and MSBs are also enhanced with addition of the capability to receive remittance reports from FXDs, MSPs and MSBs alongside their exchange reports.

To improve the effectiveness of the utilization of financial information disseminated to LEAs, FinTRACA continued provision of trainings and coaching support to LEAs and AGO. These trainings and coaching support programs were focused precisely on ways and methods to utilize information disseminated to LEAs. The topics covered in these training programs include duties and legal responsibilities of FinTRACA, Freezing, Seizing and Confiscation of Funds and Assets, Combating money laundering, terrorist financing and other predicate offences and Conceptual understanding of UN Sanction lists (1988 & 1267). Trainings on these topics is expected to further enhance the capabilities and capacity of Afghan law enforcement agencies to investigate, prosecute and convict criminals.

In the year 2020, 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 regime from LEAs. The feedback received from law enforcement agencies enables FinTRACA to understand the ultimate outcome of its efforts and take additional measures to increase the effectiveness outcomes of FinTRACA's value added products.

In terms of enforcing compliance, FinTRACA enforced and recovered 6,075,200 AFN financial fines on banking institutions and money service providers; frozen a sum of 1,921,351 AFN and 120,997 USD, suspension of 13 licenses of MSPs; revocation of business licenses of 71 as well as dissemination of proactive analysis of unlicensed MSPs in 7 zones of the country. Having completed the fiscal year 2020 on a high note, we are moving forward to year 2021. Our priorities for the coming year include implementation of National ML/TF Risk Assessment Action Plan, attainment of new technology to FinTRACA, improving Case Management System (CMS) of the Center, building on staff and reporting entities' capabilities to improve the quality and increase the number of spontaneous disclosures to LEAs, AGO and other State Authorities.

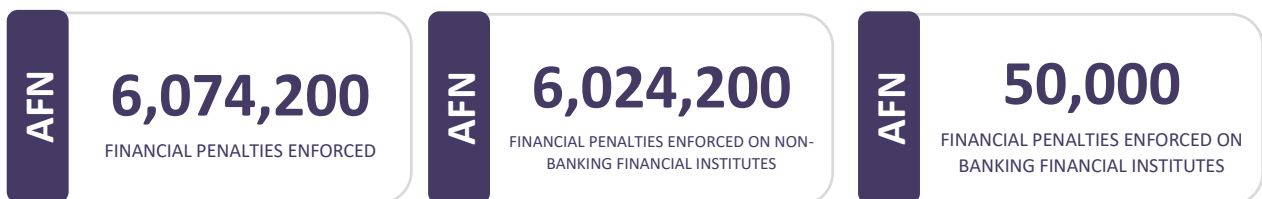
We have always stressed upon capacity building and enhancing qualification of the center's staff. We feel honored to be able to reflect upon our insistence for FinTRACA staff to attain specialized qualifications, which would help them excel in their professional lives. The professional capabilities of FinTRACA staff have significantly improved which resulted quality work and value-added products. We have tried our level best to be a source of guidance and support to all FinTRACA staff and shall continue to do so in the future.

We would like to take this opportunity to forward our heartfelt gratitude, thanks to all staff of FinTRACA for their hard work and dedication, and congratulate them for putting behind yet another successful year. Together we shall remain committed at FinTRACA, to fight ML/TF and serve the people and country more effectively and efficiently.

Respectfully,  
Mohammad Fahim Satari and Inamullah Akbari  
Deputy Director Generals  
FinTRACA



## HIGHLIGHTS



## COVID-19 IMPACT ON FINTRACA

The spread of COVID 19 pandemic brought unavoidable challenges and constraints to operations of FinTRACA throughout the year 2020. The year began with implementation of restrictive measures taken by the government of Afghanistan to contain the spread of COVID 19 Pandemic. The country entered a state of total lockdown for a period of one month. During this time the FinTRACA was proactive in its approach and implemented measures to ensure that there was no or very limited disruption in its ability to receive, analyze and disseminate STRs and other information. FinTRACA staff were instructed to commence with their work from home. All the necessary arrangements were made so our staff could have access to the required information from home. The IT system of FinTRACA remained running smoothly. Since all our reporting entities are connected to FinTRACA electronically, the center continued receiving STRs and LCTRs from reporting entities. After complete lockdown, the country entered a state of semi-lockdown for the next three months, where employees were instructed to go to work three days a week. The working hours were also reduced to 5 hours.

during this time, each department of FinTRACA's staff were divided into two groups, one group to come to office on odd days and the other group to visit office on even days of the week, to ensure business continuity. All FinTRACA staff were provided with sanitary kits, which included gloves, wet wipes, hand sanitizers, and masks. The office premises was sanitized on a regular basis to ensure the probability of infection reduced significantly. In order to better understand the impact of altered working hours, FinTRACA conducted a survey on the relevant sectors. This survey was focused on impact of restrictive measures on the operations of reporting entities. Some of these measures and actions implemented include: changes in the hours of operation for reporting entities; closure of some reporting entities as they were not designated by governments as an essential service; reduction in the type of services provided by reporting entities and reduction in customers' activities due to stay at home measures

As a result, it was discovered that customer turnover had significantly reduced, which in turn caused a reduction in the number of STRs and LCTRs received during the semi-lock down period. Contrary to popular expectations, the number of requests for information from law enforcement agencies increased during the pandemic. This shows that the criminals exploited the opportunity provided by the lockdown to commit crimes. In this regard, FinTRACA understood the changes in trends of the requests for information, and responded by prioritizing responding to these requests and provided full-fledged and timely support to law enforcement agencies by providing value added products.

To conduct analysis, FinTRACA needs to have access to a wide range of financial, administrative and law enforcement information from international counterparts and domestic entities. The measures implemented by governments and the private sector to contain spread of COVID 19, saw several agencies limiting their operations or closing entirely and therefore represented a challenge to FinTRACA. This resulted in delays in receipt of information by the FinTRACA to conduct timely analysis of financial crime cases. The pandemic was certainly a testing time, to which FinTRACA responded in a timely manner and took effective measures to ensure business continuity and at the same time protecting its staff from infection of COVID 19.

## CRIMINAL JUSTICE AND ENFORCEMENT SNAPSHOT

### CONVICTIONS REPORTED BY THE ANTI-CORRUPTION JUSTICE CENTER (ACJC)

CONVICTIONS	2016	2017	2018	2019	2020
Money Laundering	1	2	7	6	0
Corruption and bribery	1	5	1	2	4
Embezzlement	1	8	7	4	4
Land usurpation	0	1	0	0	0
Misuse of duty and official power	0	11	4	6	8
Forgery	0	4	1	1	0
Betrayal	0	0	2	3	0
Illegal use of weapon	0	0	0	1	0
Failure to comply with and cease the orders and rulings of competent authorities					2
<b>Total Convictions</b>	<b>3</b>	<b>31</b>	<b>22</b>	<b>23</b>	<b>18</b>
<b>Total number of subjects (Convicts)</b>	<b>10</b>	<b>91</b>	<b>85</b>	<b>67</b>	<b>72</b>
Total amount of Financial Penalties(AFN & USD)	52,445,263 AFN	816,642,743 AFN	87,157,000 AFN	37,580,000 AFN	39,108,432 AFN
	152, 500 USD	6,787,954 USD	386,880 USD	80,000 USD	1,404,000 USD
TOTAL CONFISCATIONS	0	7,063,000 AFN	1,075,000 AFN	102,217,675 USD	344,250 USD
		352,200 USD	353,500 USD	150,000 SAR	0
		299,500 PKR	309,000,000 IRT	100,000 AED	0
		3 vehicles, 317 grams of Gold, and 5 Mobile sets	5,874,200 SAR	15,000 EUR	0
				5.5 Billion IIR	0
		41,375 KG of Gold, 3 Mobile sets and one Pistol	0		

### TERRORIST FINANCING CONVICTIONS

TF CONVICTIONS REPORTED BY AGO	
ITEM	QUANTITY
Convictions	78
Suspects	115

CONFISCATION	
ITEM	QUANTITY
AFN	2,486,135
USD	75,831
PKR	638,800

## CONVICTIONS REPORTED BY COUNTER NARCOTICS JUSTICE CENTER (CNJC)

CASES, SUSPECTS AND CONVICTED CASES BY SUPREME COURT		
ITEM	2019	2020
Arrived Cases to CNJC	1081	868
Total Suspects	1287	1094
Convicted Cases by Supreme Court	623	412

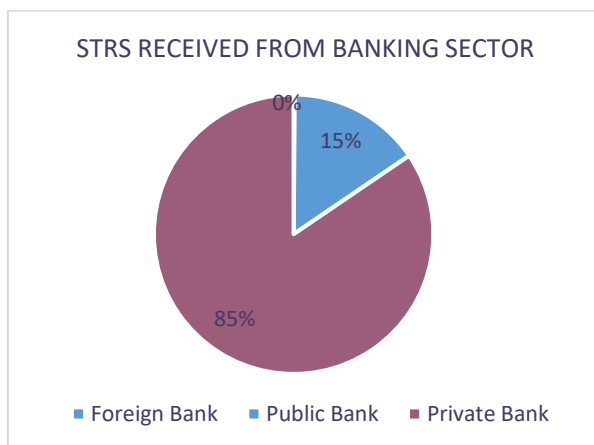
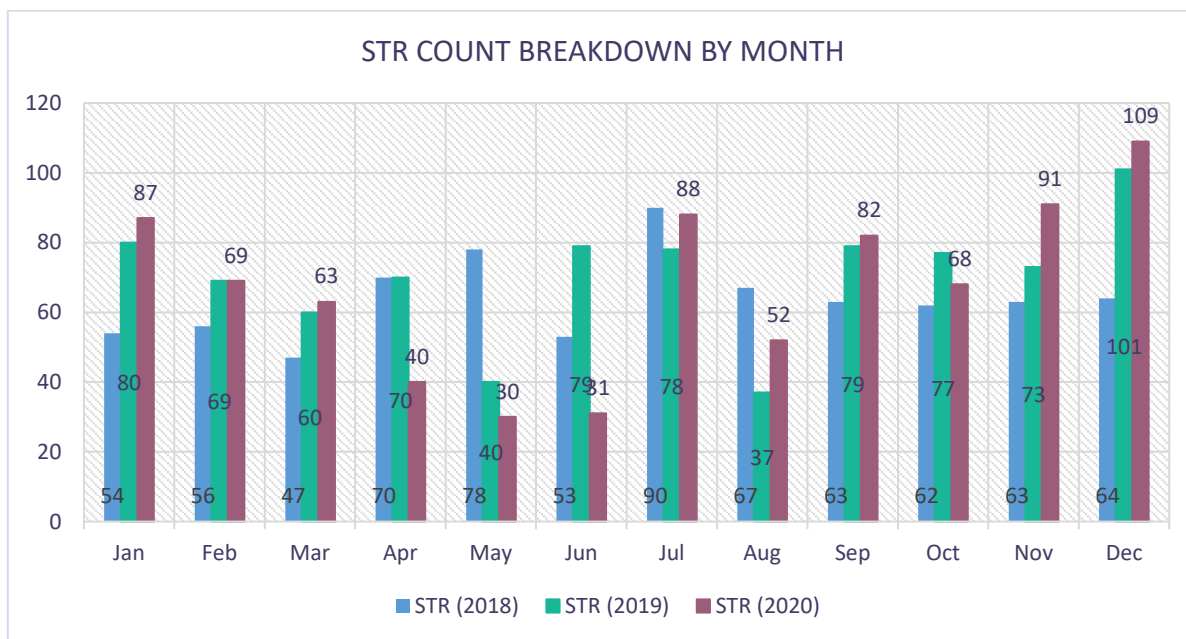
SEIZURE	
ITEM	QUANTITY
Heroin (KG)	1860.72
Morphine (KG)	217.52
Opium (KG)	17436.089
Hashish (KG)	92889.359
Solid Chemical Precursor (KG)	32292.97
Liquid Chemicals Precursor (L)	325.02
Tablet K (KG)	85.28
Bang Dana Henbane (KG)	139895.7
Methamphetamine (Gr)	1182.566
Acid Chloride (KG)	15946.95
Poppy (Kg)	3927

## RECEIPT OF SUSPICIOUS TRANSACTION REPORTS

A key responsibility of reporting entities of FinTRACA is to file Suspicious Transaction Reports where reasonable grounds for suspicion of involvement of transaction in money laundering, terrorist financing, proceeds of crime and other predicate offenses exist. The AML-PC law of the country obliges reporting entities to satisfy this requirement.

The STRs must be filed as soon as practicable but no later than three days, once the suspicion is formed. Any additional information that might confirm or validate or be needed for analytical or other legal purposes, must be provided by the reporting entities immediately. All documents exchanged between the FinTRACA and reporting entities concerning STRs remain highly confidential, and to ensure confidentiality of the STRs, the reporting entities including their employees and management boards are prohibited from disclosing the contents or any other information concerning STRs to their customers or any other person.

The center received a total number of 810 STRs, which shows a decreased of 4% compared to the previous year.



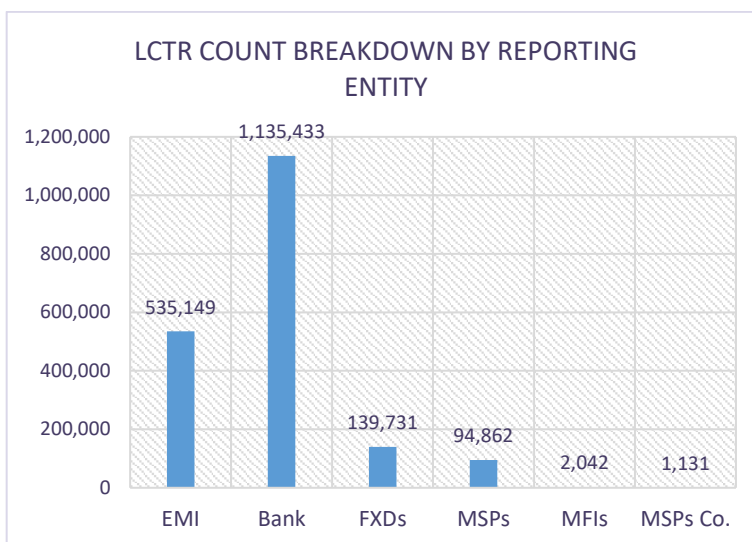
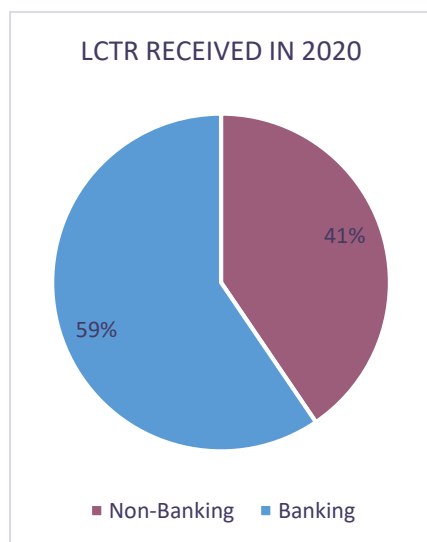
## RECEIPT OF LARGE CASH TRANSACTION REPORTS

The residing AML/CFT legal framework of the country forms the legal basis for reporting of large cash transactions. The AML-Pc law legally obliges all reporting entities of the financial intelligence unit to report any cash transaction that exceeds the threshold set by the relevant regulations, to FinTRACA.

The AML/CFT Responsibilities and Preventative Measures Regulations obliges banks to report particulars of transactions (deposit, withdrawal, or transfers) exceeding AFN1,000,000 or its equivalent in other currencies.

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



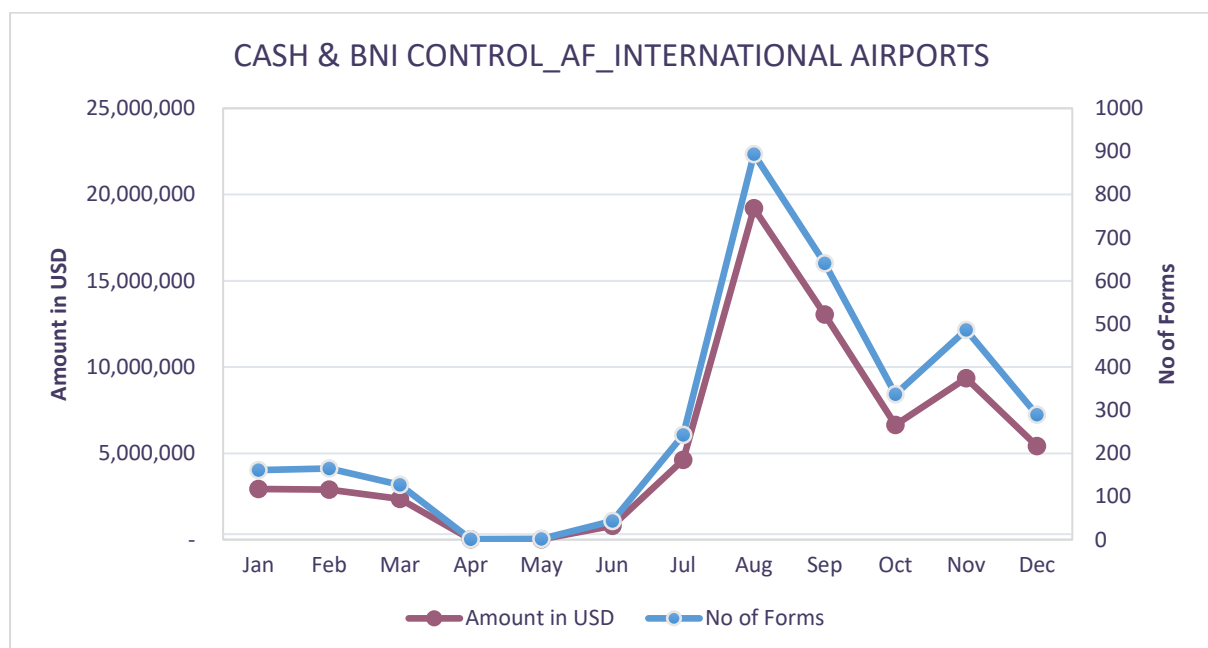
## CASH AND BNI

FinTRACA proposed to amend 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, which is in its final stage. The need of the amendment is to better control the 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 concerning money laundering and terrorist financing through the international airports and land borders of the country.

Satisfying its legal obligation outlined in article 12 of this regulation, FinTRACA has delivered 3 technical training sessions regarding “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 during the year 1398 to the Customs officials in order to improve their capacity for better implementation of the regulation.

Above measures by FinTRACA, satisfy the requirements of The Office of National Security Council outlined in an official directive on the prevention of Cash and BNIs smuggling through the international airports and land borders of the country.

FinTRACA received a total of 3,390 Cash and BNIs Declaration Forms from international airports and land borders through Customs ASYCUDA Database with a value of USD 67,360,145 from January 2020 until December 2020.



CASH & GOLD SEIZURE CASES AT INTERNATIONAL AIRPORTS/LAND BORDERS IN 2020					
No	Detection Date	Amount	Airport/Land Border	Investigation	Result
1	28-Aug-2020	18,055 Gram Gold	HKIA	Ongoing	-
2	13-Sep-2020	80,000 SAR 8,800 Euro	HKIA	Ongoing	-

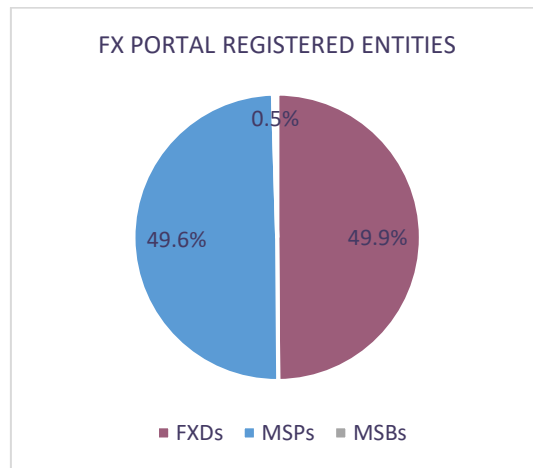
## REGIONAL OPERATIONS DIRECTORATE

### FOREIGN EXCHANGE HOUSES

Foreign Exchange Dealing means currency exchange service, currency pre-purchase contract, voluntary exchange contract, arrangements and other derivatives of currency dealings. In addition, foreign exchange dealer means a person holding a valid license or permit from DAB to engage in foreign exchange business.

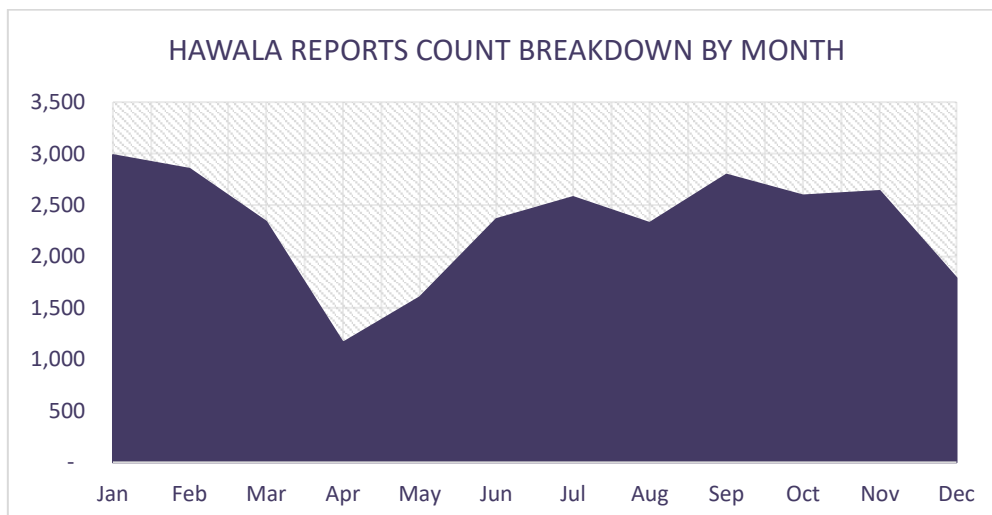
### SIZE OF THE MSP AND FXD SECTOR IN AFGHANISTAN

Since its development, 1700 MSPs, 1708 FXDs and 52 MSBs have been registered and are reporting in the FX-Portal as of 2020. Currently 82% of the sector provides their LCTRs electronically from across the country.



### HAWALA REPORTS

Money Service Providers and Foreign Exchange Dealers are required to report their Large Cash Transaction Reports (LCTR) to FinTRACA in compliance to article 17 of the AML-PC law and article 33 of FXDs-MSPs Regulation. As per the mentioned Regulation MSPs and FXDs, report the particulars of transactions (exchanges or transfers) in excess of AFN 500,000.00 or its equivalent to other currencies to FinTRACA.

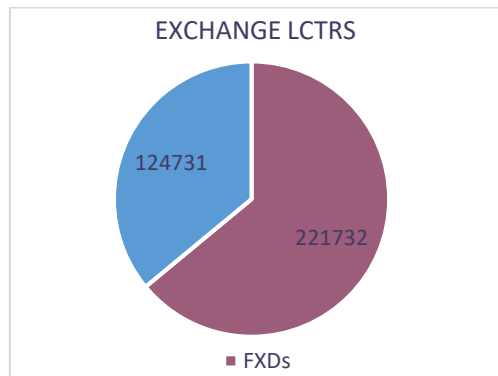




## EXCHANGE REPORTS

As per article 17 of AML-PC law of the country and MSP-FXD Regulation, all license holders of MSP or FXD are required to report their exchange LCTR FinTRACA. The threshold for reporting LCTRs is AFN (500,000) or its equivalent in other currencies.

Since the establishment of the FX Portal a total of 348,038 exchange large cash transactions are reported via Portal to FinTRACA, of which FXDs reported 124,731 and 221,732 are reported by MSPs.



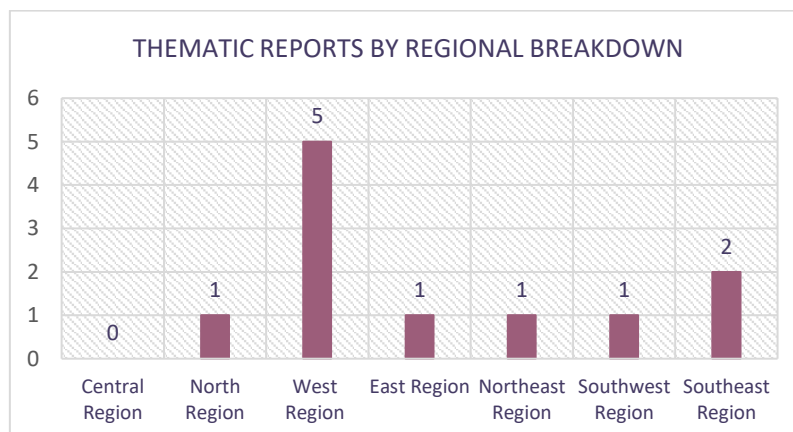
## ENFORCING COMPLIANCE

In accordance to the article 24 of AML-PC Law and MSP-FXD regulation FinTRACA is empowered to take enforcement actions against the violated MSPs and FXDs. The enforcement actions are issuance of warning letters, financial penalties and suspension and revocation of business licenses.

By the year 2020, FinTRACA has issued **60** warning letters, suspended **13** licenses, and at the same time revoked **71** licenses of MSPs and FXDs and enforced **5,344,600AFN** financial penalties across the country.

## THEMATIC REPORTS

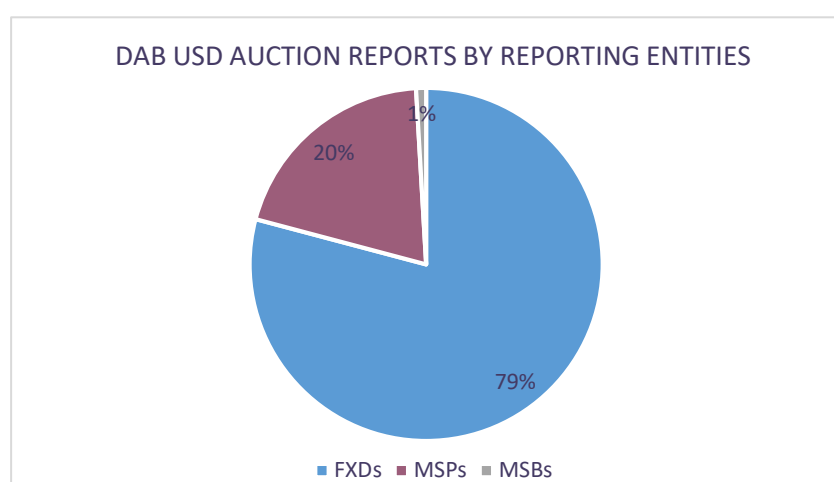
In accordance to the annual plan for the year 2020, FinTRACA has continued its initiation in 2019, to develop Thematic Reports on its Regional Level offices to facilitate effective analysis of the subjects by the analysis department of FinTRACA. During the year 2020, **8** thematic reports were developed by regional offices and shared with analysis department of FinTRACA, which were further analyzed and disseminated to law enforcement agencies.



## DAB USD AUCTION REPORTS RECEIPT

As per the provisions of article 5 of AML-PC Law of Afghanistan, Money Service Providers and Foreign Exchange Dealers are reporting entities to FinTRACA, hence these sectors are required to report all their transactions related to DAB USD Auction to FinTRACA via FX Portal. Reporting of DAB Auction transactions does not possess threshold. Given the sensitivities and significance of USD banknotes, and the impact of DAB Auction on the value of AFN, all amounts transacted in the DAB auction process must be reported to FinTRACA via the Fx-Portal.

Presented in the chart below, 71,456 auction reports are received in FX Portal during the year 2020, of which 56,541 are reported to the Portal by FXDs, 14,255 are reported by MSPs and 656 are reported by MSBs who participated in DAB USD AUCTION.



## DAB USD AUCTION DATA ON DISCREPANCIES

In line with the KPMG action plan for DAB and FinTRACA, the auction reports discrepancies of participants in FX Portal has to be shared with Non-banking Financial Supervision Department of DAB for their onsite examinations purposes. In order to sharpen and ease the process FinTRACA facilitated NBFSD with Online Users in FX Portal for their use during the onsite examination.

## DAB USD AUCTION RECONCILIATION BY FINTRACA

FinTRACA has established the reconciliation route for monthly review of USD cash-related reporting by FXDs and MSPs participating in DAB Auction and detailed and targeted reconciliation. The review and reconciliation include cross checking USD auction data obtained from Market Operation Department of DAB with sale auction amounts reported by MSPs and FXDs in FinTRACA FX Portal.

The format of reconciliation requires the relevant assignees within FinTRACA to follow up the transactions parties in between and to trace and find the real and fake reports submitted by MSPs and FXDs participating in DAB USD AUCTION.

## USD BANKNOTE SERIAL NUMBERS RECORDING SYSTEM

In accordance to the KPMG action plan DAB has established the USD Banknote recording system within the year 2020, FinTRACA has cooperated its comments and revision with DAB in order to establish a well responsive system. The mentioned system is live now and which enables both DAB and FinTRACA to trace the USD Banknote serial numbers.

## CASE ANALYSIS RELATED TO USD AUCTION REPORTING

FinTRACA is empowered to conduct financial analysis in compliance with AML-PC law of the country. Therefore, Regional Operations Department within FinTRACA has regularly conducts the financial analysis on the reports received from DAB USD AUCTION participants and further disseminates the suspicion to LEAs.

## NON-BANKING SECTION DIRECTORATE

The Non-banking financial Institution Section is set to observe AML/CFT compliance of Insurance companies, MSBs, EMIs and MFIs sectors. The breakdown of the activities of these sectors are illustrated in the proceeding part of this section of the report.

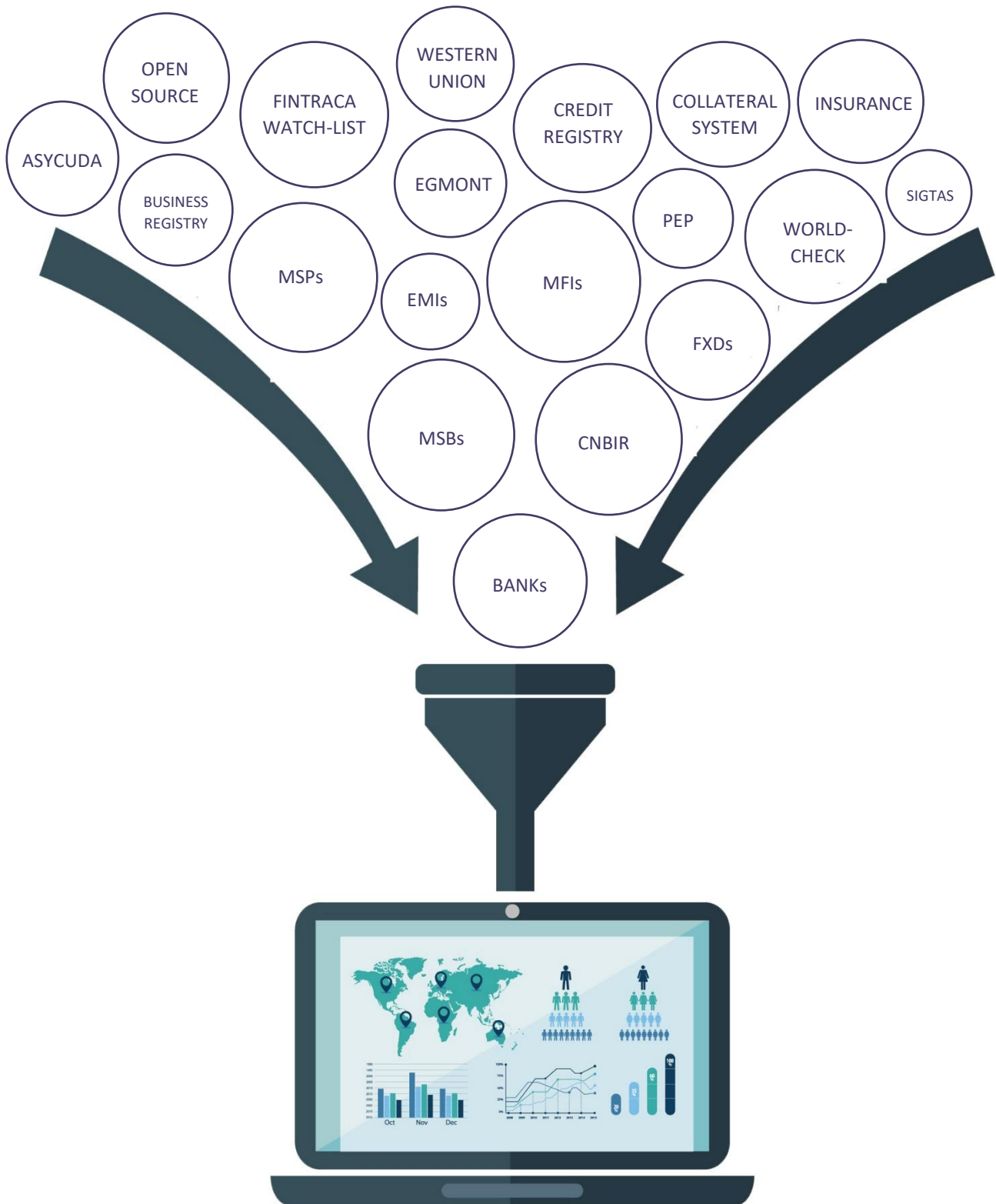
EMIs UPDATES				
LCTRS	STRS	CIRCULAR	TRAININGS	PENALTIES
535149	4	2	1	2 Warning Letters

MFIs UPDATES				
LCTRS	STRS	CIRCULAR	TRAININGS	PENALTIES
2042	0	2	1	0

INSURANCE COMPANIES' UPDATES				
LCTRS	STRS	CIRCULAR	TRAININGS	PENALTIES
0	1	3	1	0

MSBs UPDATES				
LCTRS	STRS	CIRCULAR	TRAININGS	PENALTIES
1205	1	3	5	1 Warning Letter

# DATA COLLECTION SOURCES



## SPONTANEOUS DISCLOSURES

During the year 2020, the Analysis section of the center has disseminated 34 cases out of 57 analyzed cases, which included 59 STRs. Five of these cases were proactive while 29 were reactive cases. These cases, which include terrorist financing, money laundering, fraud, human trafficking, ghost police, cash smuggling, gold smuggling, drug trafficking and other red flags/predicate offences.

ENTITY		NO. OF CASES	STRS	SUBJECTS
National Directorate of Security		15	12	63
Attorney General Office	ARO OF AGO	02	0	03
	ACJC	06	07	1241
	CID	04	03	09
Major Crime Task Force of MOI (MCTF)		06	12	25
Sensitive Information Unit of MOI – (SIU)		01	01	01
<b>GRAND TOTAL</b>		<b>34</b>	<b>35</b>	<b>1342</b>

### BREAKDOWN OF DISSEMINATED CASES BY RED FLAGS

NO	RED FLAG/PREDICT OFFENSE	NUMBER OF CASES
1	Terrorist Financing	11
2	Money Laundering	10
3	Human Trafficking	2
4	Gold Smuggling	1
5	Ghost Police	1
6	Fraud	5
7	Drug Trafficking	2
8	Counterfeiting Currency	1
9	Cash Smuggling	1
<b>GRAND TOTAL</b>		<b>34</b>

## NATIONAL COOPERATION

During the year 2020, FinTRACA received 314 requests for financial intelligence information from law enforcement agencies, AGO and other state authorities. FinTRACA responded to 251 requests, which included 1339 subjects. The basis for the exchange of financial intelligence information is provided in article 28 of the AML-PC law and the domestic MOUs signed with these entities.

NO	AGENCIES	TOTAL NUMBER OF REQUESTS				
		2016	2017	2018	2019	2020
1	Attorney General's Office (AGO)	10	69	118	61	128
2	Ministry of Interior (Police)	49	50	31	111	63
3	National Directorate of Security (NDS)	56	36	60	71	87
4	Asset Registration and Verification Office	-	-	11	21	26
5	National Procurement Authority (NPA)	-	-	-	8	6
7	Other State Authorities	30	25	31	16	4
<b>TOTAL ASSIGNED REQUEST OF INFORMATION</b>		<b>145</b>	<b>180</b>	<b>251</b>	<b>288</b>	<b>314</b>
<b>TOTAL EXECUTED REQUEST OF INFORMATION</b>		<b>138</b>	<b>166</b>	<b>240</b>	<b>253</b>	<b>251</b>
<b>TOTAL NUMBER OF SUBJECTS INCLUDED</b>		<b>1006</b>	<b>666</b>	<b>1713</b>	<b>882</b>	<b>1339</b>

## PREDICATE OFFENCES RELATED TO UPON REQUEST DISCLOSURES

PREDICATE OFFENCE	NUMBER OF CASES				
	2016	2017	2018	2019	2020
Money Laundering	4	7	8	10	7
Terrorist Financing	43	22	46	53	78
Asset Registration & Verification	9	3	14	35	37
Corruption & Bribery	44	20	27	24	85
Drug Trafficking	16	81	99	61	48
Tax Crime	10	13	25	5	2
Fraud	2	1	2	2	2
Kidnapping and Hostage	4	4	4	6	1
Organized Crime	2	1	1	-	-
Extortion	-	-	-	1	-
Forgery	1	1	1	7	5
Robbery and Theft	-	-	-	2	-
Wired Fraud	-	-	-	4	1
Murder, Grievous Bodily Injury	-	-	-	-	2
Human Trafficking	-	-	-	-	5
Smuggling	-	1	-	-	2
Other	10	26	24	78	39
<b>GRAND TOTAL</b>	<b>145</b>	<b>180</b>	<b>251</b>	<b>288</b>	<b>314</b>

## DOMESTIC INQUIRIES

The legal basis for domestic enquiries made by FinTRACA is provided in article 28 of AML-PC law. Throughout the year, 2020 FinTRACA made 16 domestic enquiries. These enquiries incorporated information concerning income tax, export & import details, verification of business licenses from Ministry of Interior Affairs, Ministry of Finance, and Ministry of Industry and Commerce.

No	AGENCY	TOTAL
		2020
1	Ministry of Interior Affairs (Police)	1
2	Ministry of Finance (Afghanistan Custom & Revenue Departments)	14
3	Ministry of Industry and Commerce (MICI)	1
<b>TOTAL INQUIRIES</b>		<b>16</b>

## ACCESS TO EXTERNAL DATABASES

The AML/CFT legal framework of Afghanistan grants FinTRACA access to external databases. Article 28 of AML-PC law of Afghanistan provides the legal basis for access to external databases for FinTRACA. As per this article, 'To exercise its duties under the AML-PC law, FinTRACA shall have, where possible, direct access to the databases of government agencies and competent authorities.'

Complying with the above article, in order to enhance its analytic capabilities and enlarge its information platform, FinTRACA has worked closely with the officials of Revenue and Customs departments of Ministry of Finance to gain access to the following databases of Customs and Revenue departments of Ministry of Finance:

- ASYCUDA, Afghanistan Customs Department; and
- SIGTAS, Afghanistan Revenue Department.

The said authorities are providing technical support to the relevant staff of FinTRACA and are in the process of creating user accounts for FinTRACA to gain access.

It is noteworthy to mention that FinTRACA already had access to the SYCUDA database to attain information on cross border movement of cash and bearer negotiable instruments. However, the new user accounts of ASYCUDA are purposed to provide FinTRACA with information related to import and export of goods to be further utilized in the analysis of spontaneous cases of FinTRACA.

Gaining access to SIGTAS database broadens the scope of information gathering for FinTRACA through provision of information related to tax and revenues. FinTRACA utilizes such information to combat financial crimes related to tax evasion and revenue theft.

## INTERNATIONAL COOPERATION

Complying with the legal obligation assigned to FinTRACA in the legal framework of the country, the center exchanged 23 analytical reports with foreign counterparts FIUs during the year 2020. These requests included 12 outbound requests, and 11 requests responded. A total number of 67 subjects were included both in inbound and outbound international requests.

### MEMORANDUM OF UNDERSTANDING (MOU)

FinTRACA signed one memorandum of understanding during the year 2020. This MOU was signed with Anti-Money Laundering and Counter Terrorist Financing Unit (AMLU) Jordan on November 2020.

This MOU is expected to enhance cooperation in the exchange of information on money laundering, terrorism financing, and other associated predicate offences.

NO	FIU NAME	COUNTRY	DATE SIGNED
1	Anti-Money Laundering and Counter Terrorist Financing Unit (AMLU Jordan)	Jordan	November, 2020

The signing of this MOU 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 this MOU 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. So far, FinTRACA has signed a total number of 21 MOUs.

## COMPLIANCE ENFORCEMENT

Compliance enforcement measures are imposed in accordance with the powers designated to FinTRACA in Afghanistan's AML-PC law. The range of compliance enforcement measures undertaken by FinTRACA varies from issuing warning letters, revocation and suspension of business licenses and imposition of fines to removal of staff or administrator of reporting entities.

### REVOCATION AND SUSPENSION OF BUSINESS LICENSES

The revocation and suspension of business licenses of reporting entities are influenced by factors including the degree of ML/TF risk exposures, and regulatory violations committed by reporting entities. As reflected in the table below, the number of revoked business licenses in 2020 increased by 238% compared to 2019, while the number of suspended business licenses



decreased by 72%.

The reason for decline of suspended business licenses is improved compliance by the relevant sectors. As reporting entities have developed the required skills to report promptly to FinTRACA, administrative violations associated with misreporting have reduced.

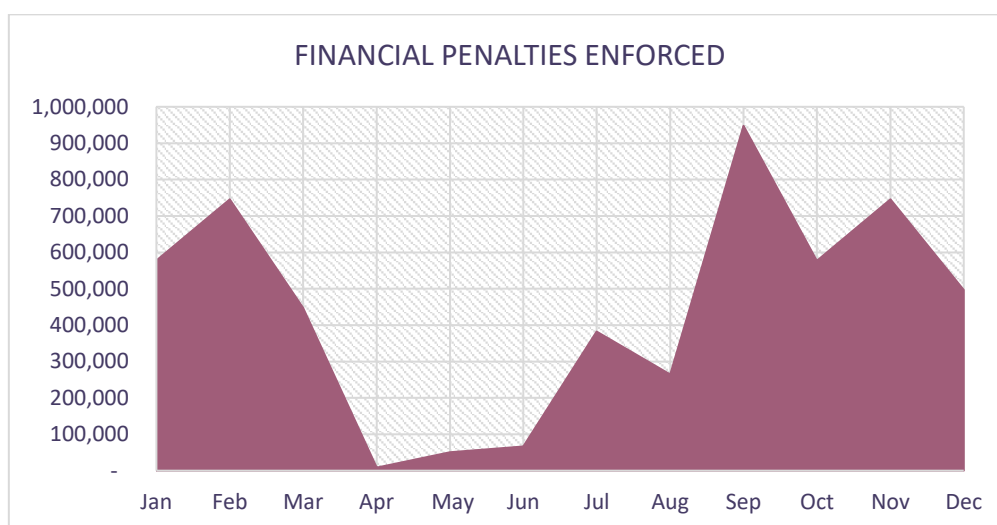
REVOCATION/SUSPENSION OF BUSINESS LICENSES	2017	2018	2019	2020	CHANGE (%)
Revoked Business Licenses	25	8	21	71	238%
Suspended Business Licenses	8	17	47	13	-72%

### ISSUANCE OF NOTIFICATIONS TO SUPERVISORY BODY

In the year 2020, FinTRACA submitted a total number of 11 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.

### IMPOSING FINANCIAL PENALTIES

In addition to the measures taken by the regulator (DAB), FinTRACA enforced the following financial penalties from reporting entities. The following chart displays comparative analysis of the amount of monetary penalties imposed on the banking and non-banking sectors in the year 2020 against the previous year (2019).



### FREEZINGS

86 corporate and individual bank accounts were frozen by FinTRACA in the year 2020. The total frozen sums in these accounts equate to 1,921,351 AFN and 120,997 US Dollars. These amounts were frozen in commission of Money Laundering, Terrorist Financing, Terrorism, Corruption, Drug Trafficking, Embezzlement, Human trafficking, Misuse of duties and forgery. LEAs including ACJC, NDS, and MOI conducted these freezings either proactively or as per request for freezing submitted to FinTRACA. The legal basis for freezing of bank accounts by FinTRACA is provided in Article 37 of AML-PC Law.

YEAR	FROZEN ACCOUNTS	FROZEN AMOUNTS	
		AFGHANI	US DOLLARS
2016	42	25,153,380	239,493
2017	91	6,791,783	792,976
2018	29	336,818	5,279
2019	35	51,552,279	2,466,984
2020	86	1,921,351	120,997
<b>TOTAL</b>	<b>283</b>	<b>85,755,611</b>	<b>3,625,729</b>

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

## NATIONAL ML/TF RISK ASSESSMENT

Afghanistan's first National Money Laundering and Terrorist Financing Risk Assessment (NRA) was undertaken in accordance with the Financial Action Task Force Recommendation number 1, IMF Legal Department's recommendation, Anti Money Laundering and Proceeds of Crime Law of Afghanistan, and the approval of the Da Afghanistan Bank's Supreme Council. The Office of the National Security Council of Afghanistan (ONSA) instructing all relevant agencies to promptly participate in the process and coordinate with the Financial Transactions and Reports Analysis Center of Afghanistan, the Financial Intelligence Unit. Then reinforced NRA.

For this assessment, the World Bank tool was adopted and applied. This assessment tool enables countries to identify the main drivers of ML/TF risks. It provides a methodological process, based on the understanding of the causal relations among money laundering risk factors and variables relating to the regulatory, institutional, and economic environment. Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) coordinated the national risk assessment and total number of 45 officials from 17 public and private sector agencies contributed to the assessment from Jan 2018 to June 2019.

The national ML/TF risk assessment was conducted based on the DAB strategic plan and FATF Recommendation to identify, assess and understand Afghanistan ML/TF risks, and ensure that an adequate AML/CFT regime is applied to address such risks. The deficiencies and gaps outlined in the national risk assessment are scrutinized, and for the areas where rooms for improvement are identified, this action plan is developed.

The action plan consists of seven main pillars and its implementation will ensure that all gaps and shortcomings identified in the NRA are addressed and Afghanistan AML/CFT regime will be further improved.

These pillars are as follows:

- a) Improving AML/CFT legal and regulatory framework;
- b) Developing and strengthening operational framework and performance of AML/CFT stakeholders;
- c) Developing and enhancing reporting entities' AML/CFT policies, procedures and solutions;
- d) Capacity building of AML/CFT regime's stakeholders;
- e) Awareness programs;
- f) Strengthening counter financing terrorism operational framework and efforts; and
- g) Enhancing national and international cooperation and coordination.

The proceeding part of this document incorporates tables that provide illustrations of action items under each pillar, which were planned to be completed by FinTRACA, the Afghanistan Financial Intelligence Unit. The tables also outline start and end date, follow-up action taken by FinTRACA, current progress status, and remarks of each action items. The numbering of items in the tables are the same as the complete National Action Plan. It is also worth mentioning that FinTRACA is not assigned any item under pillars 3 and 6 of the National Action Plan.

## HIGH LEVEL COORDINATION COMMISSISON

FinTRACA coordinated the third meeting of the High-Level Coordination Commission (HLCC) on 18th of February 2020. The establishment of the HLCC is in line with the FATF recommendation and is purposed to establish an effective inter-governmental agency coordination mechanism between 09 member ministries and government agencies to enhance collective efforts of the Afghan government to combat terrorist financing, money laundering and other predicate offences and increase effectiveness outcomes of AML/CFT regime in the country.

The third meeting of HLCC was held in Supreme Council Hall of Da Afghanistan Bank and chaired by former first Deputy and Acting Governor of Da Afghanistan Bank, and attended by deputy ministers and high-ranking representatives of the member agencies.

As per the meeting agenda, the Director General of FinTRACA presented the reviewed NRA document to HLCC members. He emphasized upon the fact that the NRA document was subjected to thorough review and corrections were brought in the structure, quality, and consistency of the document. He then proceeded to presenting the national action plan, and the amended draft ToR of the HLCC, which was prepared by the coordinator of HLCC. The members of the commission engaged in discussions concerning the NRA and action plan and exchanged their views, before approving the NRA and action plan.

It is noteworthy to mention that the High Level Coordination Commission to fight ML and TF is established as per the legal provision set forth in article 33 of the AML-PC Law, and its members include Deputy Minister of Foreign Affairs, Deputy Minister of Interior Affairs,

Deputy Minister of Finance, Deputy Minister of Justice, Deputy of Supreme Court, Deputy of AGO, NDS deputies, and representative of the Office of National Security Council.

### **THE FIRST MEETING OF THE MONITORING COMMITTEE FOR IMPLEMENTATION OF PREPARATION PLAN FOR AFGHANISTAN'S MUTUAL EVALUATION**

The first meeting of the monitoring committee for implementation of preparation plan for Afghanistan and implementation of FATF recommendations was held on March 24, 2020 under the chairmanship of the Minister of Finance.

The monitoring committees for implementation of preparation plan for Afghanistan's mutual evaluation is established as per the presidential decree No. 110, for better implementation of AML/CFT measures and FATF recommendations, under the chairmanship of the Minister of Finance and vice chairmanship of the Governor of Da Afghanistan Bank.

The members of the committee include Director General of Macro Economics and Financial policy of the Ministry of Finance, the chairman of the legal board of Ministry of Finance, president of the Financial Disputed Resolution Council, and the Director General of FinTRACA. FinTRACA is the coordinator of the committee. FinTRACA acts as the coordinating body of the monitoring committee.

In the first meeting of the Monitoring Committee, FinTRACA presented a detailed report of the measures taken by FinTRACA concerning preparations for mutual evaluation of Afghanistan to the committee members. The National Risk Assessment (NRA) document and its National Action Plan were also presented to the Monitoring Committee, both of which were previously approved by the High Level Coordination Commission.

## CAPACITY BUILDING PROGRAMM

Fulfilling responsibilities designated to FinTRACA in the AML/CFT legal and regulatory framework of Afghanistan, FinTRACA worked with relevant law enforcement agencies and reporting entities in areas concerning technical assistance and training and capacity building programs. The Center delivered 29 training programs to REs, and 04 training programs to LEAs.

These trainings and capacity building programs delivered to LEAs and REs included topics such as conceptual understanding of ML/TF, AML/CTF procedures, Sanction lists, FinTRACA watch list, KYC, large and suspicious transaction reporting, Electronic request for information, UN Sanctions lists, duties and responsibilities of FinTRACA, FinTRACA Watch-List, and other relevant areas.

FinTRACA also delivered customized training programs on DAB Auction and Large cash transaction reporting for more than 3000 MSPs and FXDs, which are registered on the FX portal. FinTRACA also worked on enhancing the capacity of FinTRACA staff by arranging for attainments of training programs from international organizations.

Working on capacity development of FinTRACA staff, the Center coordinated with the EU Global AML/CFT Facility and organized training programs on parallel financial investigations, trade-based ML, International AML/CFT standards, and Cross Border Cash Control Mechanism. Apart from this, the year 2020 also marked attainment of ECOFIL Certification by FinTRACA staff on FIU Operations, Financial Analysis, and Impact of COVID 19 on FIU operations.

## PRIORITIES FOR THE FY YEAR 1400 (2021)

- 1 IMPLEMENTATION OF NRA FINTRACA ACTION PLAN ITEMS FOR YEAR 2021
- 2 ENHANCING DOMESTIC & INTERNATIONAL COOPERATION & COORDINATION
- 3 IMPROVING INFORMATION TECHNOLOGY INFRASTRUCTURE
- 4 ACCESS TO LAW ENFORCEMENT AND RELEVANT AUTHORITIES' DATABASES
- 5 IMPLEMENTATION OF PROVINCIAL AWARENESS PROGRAMS ON CASH & BNI
- 6 IMPROVING FEEDBACK REGIME
- 7 CAPACITY BUILDING PROGRAMS FOR REPORTING ENTITIES & LEAS

## 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
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
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
HKIA	Hamid Karzai International Airport
SU	Supreme Council



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