



Da Afghanistan Bank
Financial Transactions and Reports Analysis Center of
Afghanistan

2022

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ANNUAL REPORT

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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.

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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DIRECTOR GENERAL MESSAGE

I am pleased to present the Annual Report of the Financial Intelligence Unit of Afghanistan for the year 2022. However, we need further strengthen our legal framework to eliminate financial crimes.

I wish to thank all FinTRACA officials for their commitment to ensuring that the work of FinTRACA continued unabated. Despite the challenging circumstances of the country, the notable achievement of the FinTRACA during the past year was possible due to the determination and dedication of its officials. I remain proud of the persistence of FinTRACA in identifying and preventing ML/TF and other related crimes. We also express our sincere gratitude and appreciation to our colleagues at Da Afghanistan Bank, Banking Supervision Department, Non-Banking Financial Supervision Department, Ministry of Finance, Customs and revenues Departments, General Directorate of Intelligence, Ministry of Interior Affairs, Afghanistan Microfinance Association, and Afghanistan Banking Association for supporting our mission with their continued cooperation and collaboration. I also must extend our thanks and appreciation to the competent Authorities and reporting entities with whom the FinTRACA collaborates at the national levels and who provide support to ensure our operations are efficient and valuable.

Despite the current situation, ML/TF will continually receive our full attention in 2023, thus contributing to the integrity of the financial system for a safe and stable financial, social and economic environment.

FinTRACA focuses on strengthening inter-agency cooperation in both domestic and international contexts. FinTRACA has taken various measures to improve the compliance level of reporting institutions with the implementation of a sound risk-based supervisory regime.

FinTRACA continues to explore new avenues through technology to provide time and quality reports to LEAs and other competent Authorities on ML/TF trends, patterns, typologies, and red flags of financial crimes affecting the financial system.

FinTRACA looks forward to continuing its trend of success and achievements attained in 2022 into 2023 and beyond. We fully understand and embrace our mandate to help protect the financial sector in Afghanistan and internationally. We are enthusiastic and motivated to play our part in addressing and eliminating the scourge of Money Laundering, Terrorist Financing, and related offenses. Our efforts in collaboration with other local and international stakeholders will serve to take the profit out of crime.

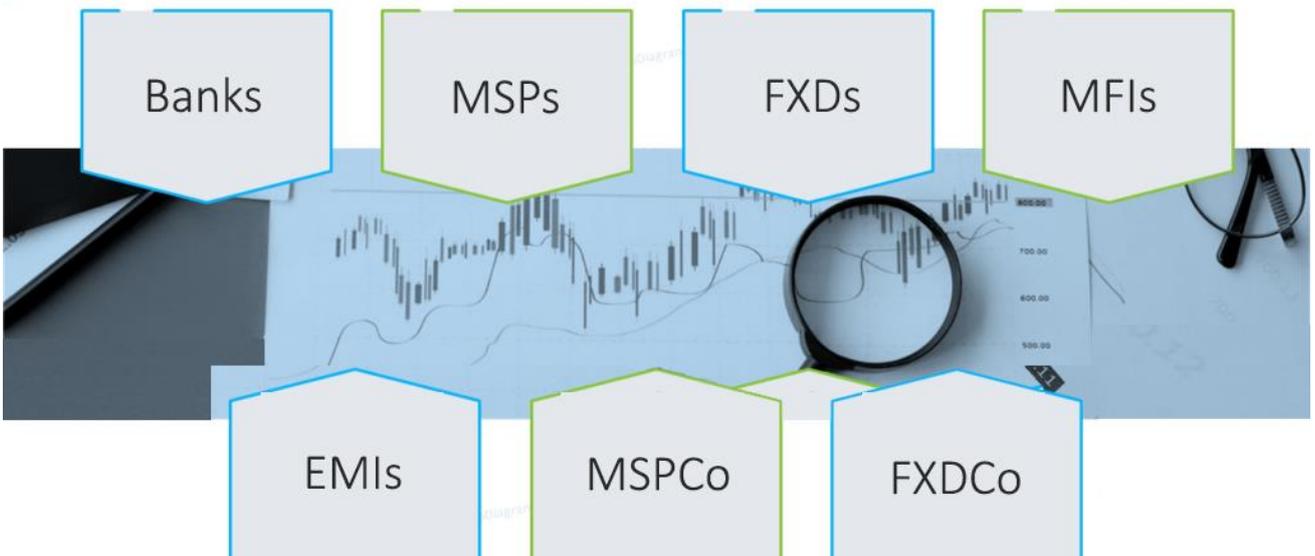
In closing, I wish to express sincere thanks to the staff of FinTRACA, and all our partner agencies, for their commitment to helping the FinTRACA achieve the success it did in 2022. We look forward to your continued dedication, cooperation, and collaboration in 2023.

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2022 HIGHLIGHTS



REPORTING ENTITIES

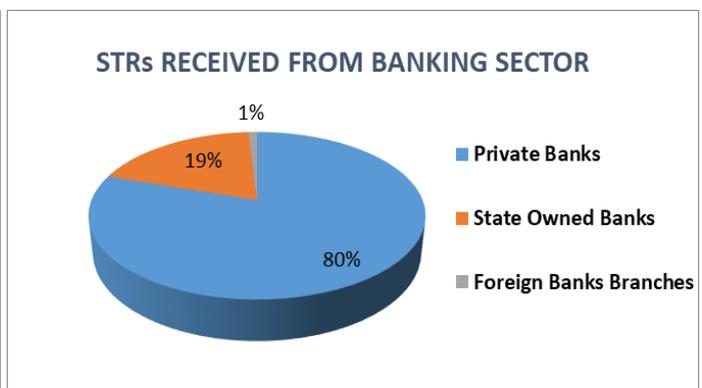
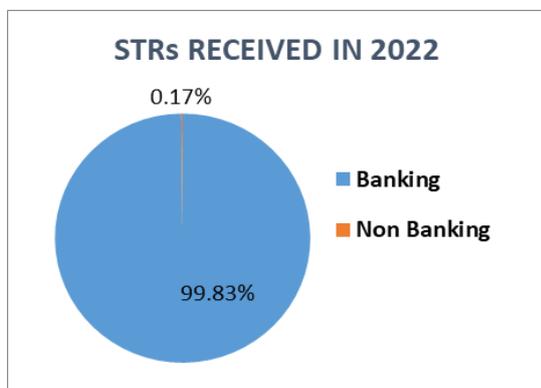
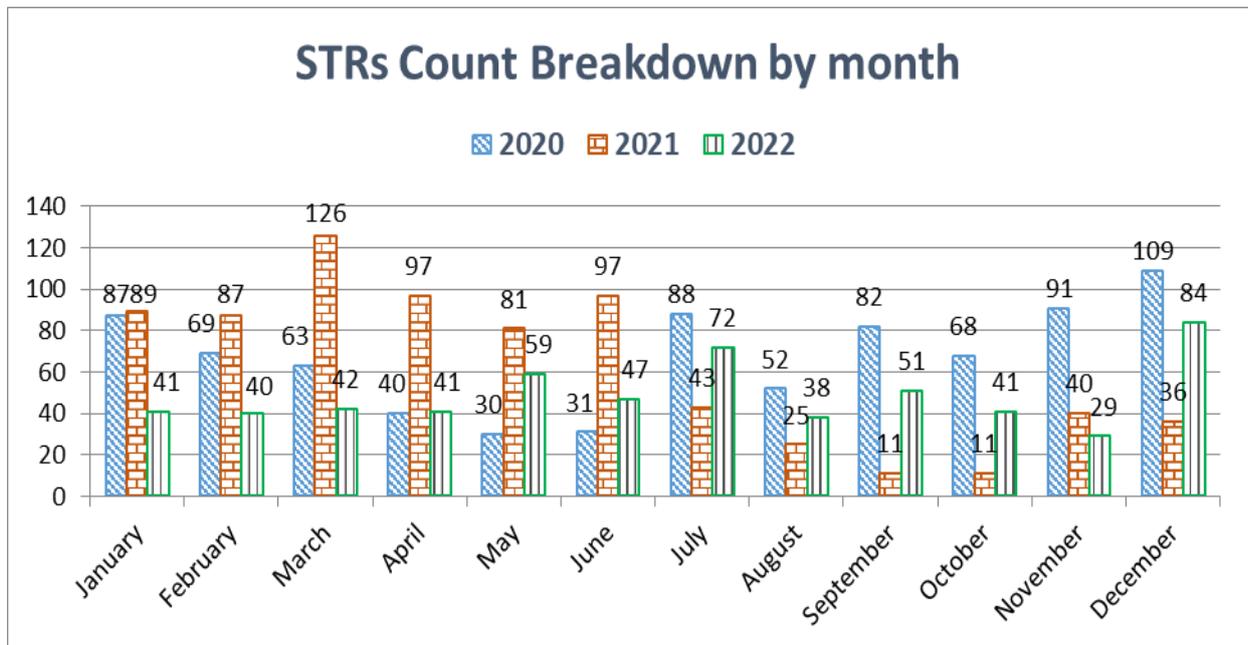


RECEIPT OF SUSPICIOUS TRANSACTION REPORTS

A key responsibility of reporting entities is to file suspicious transaction reports (STRs) where reasonable grounds for suspicion of involvement of a 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 suspicious transaction reports must be filed as soon as practicable as but no later than three days, once the suspicion is formed. Any additional information that might confirm, validate or be needed for analytical or other legal purposes must be provided by the reporting entities without delay.

To ensure confidentiality of the STRs, all documents exchanged between the FIU and reporting entities remain highly confidential, and 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 of 586 STRs in 2022, which shows a decrease of 21% compared to the previous year (2021).

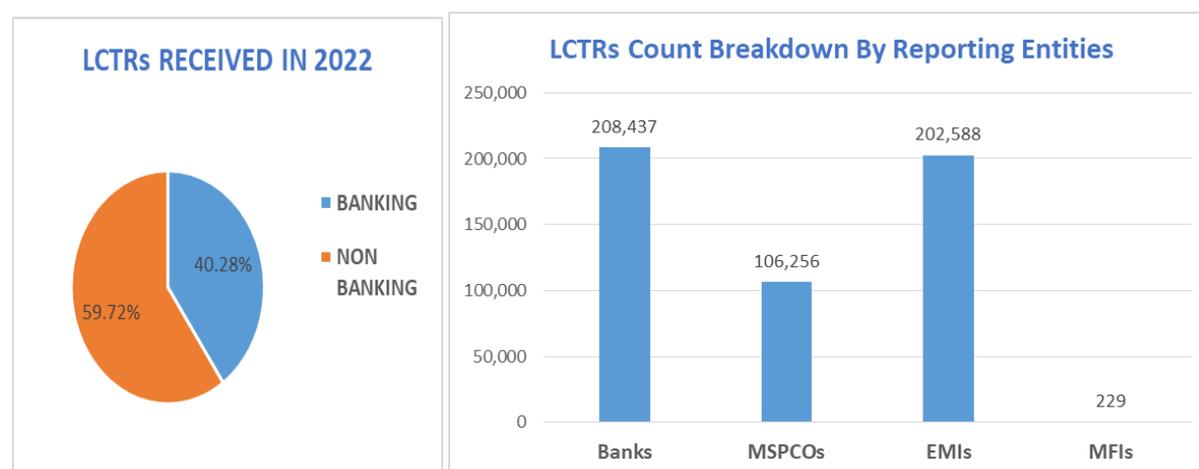


RECEIPT OF LARGE CASH TRANSACTION REPORTS

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 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 (deposits, withdrawals, or transfers) exceeding AFN **1,000,000** or its equivalent in other currencies.

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

REPORTING ENTITY	LCTR THRESHOLDS
FXDs and Money Service Provider Companies (MSPCOs)	AFN 500,000
Micro Finance Institutions (MFIs)	AFN 200,000
Electronic Money Institutions (EMIs)	AFN 50,000



CASH AND BEARER NEGOTIABLE INSTRUMENTS

As per 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 the country provides the regulatory basis for cash and BNIs control at international airports and land borders.

FinTRACA didn't receive any Cash and BNIs declaration form from Customs ASYCUDA database due to new threshold amount set by the authorities, overall economic situation and banking sector limitations in the year 2022.

NON-BANKING FINANCIAL SECTORS

• SIZE OF THE MSP AND FXD SECTOR IN AFGHANISTAN

To improve the condition of the financial sector DAB continued the implementation of corporatization plan of individual MSPs and FXDs in 2022. It has being implemented effectively so far and their compliance with relevant laws and regulations have improved.

According to the new requirement, they are obliged to obtain new corporate license of FXD and MSPCO and have appropriate structure including shareholders, Supervisory board, management team and compliance officer (MLRO) to strengthen compliance program. In addition they are required to have a proper system, appropriate policies, procedures and reporting mechanisms.

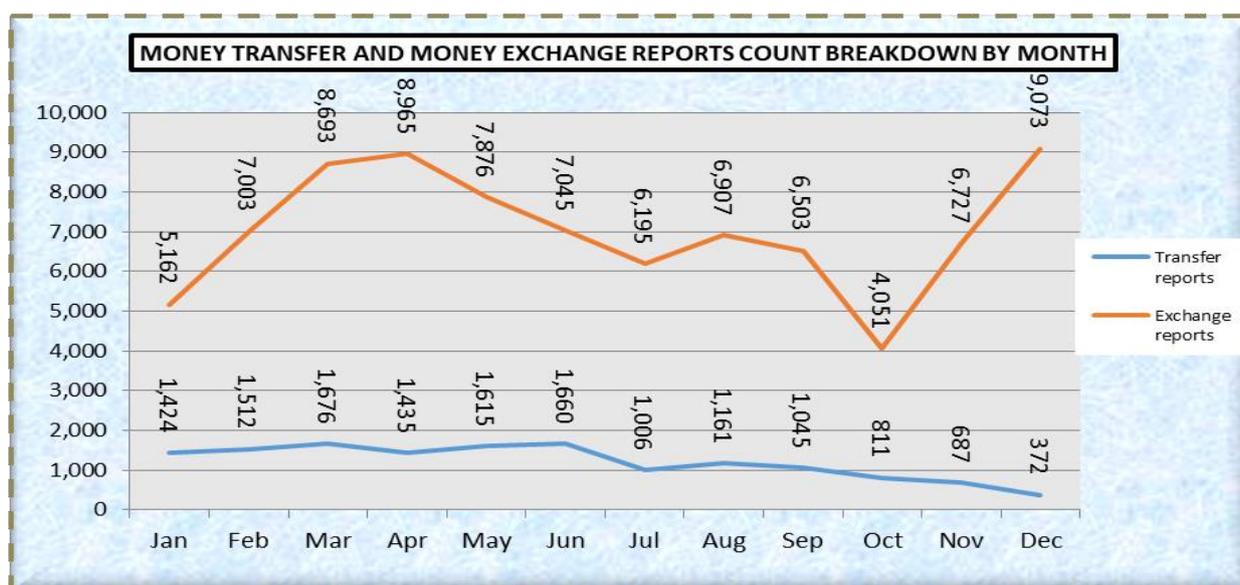
It is worth mentioning that 753 companies (FXD and MSPCOs) have been registered and obtained business licenses from the DAB till the end of 2022, and the process is ongoing.

• MONEY TRANSFER AND REPORTING

Money service providers and foreign exchange dealers which are currently known as FXD and MSPCOs are required to report their large cash transaction reports (LCTRs) to FinTRACA in compliance to article 17 of the AML-PC law and article 52 of FXDs-MSPs Regulation. As per the mentioned Regulation, MSPs and FXDs report the particulars of transactions (exchanges and transfers) which exceed the amount of AFN 500,000 or its equivalent in other currencies to the FinTRACA.

• MONEY EXCHANGE AND REPORTING

As per AML-PC law of Afghanistan and MSP-FXD Regulation, all licensed MSPCOs are required to report their exchange LCTRs to FinTRACA. The threshold amount of reporting LCTRs is AFN 500,000 or its equivalent in other currencies. During the year, 2022 a total of 84,200 exchange large cash transactions are reported via FX-Portal to FinTRACA.



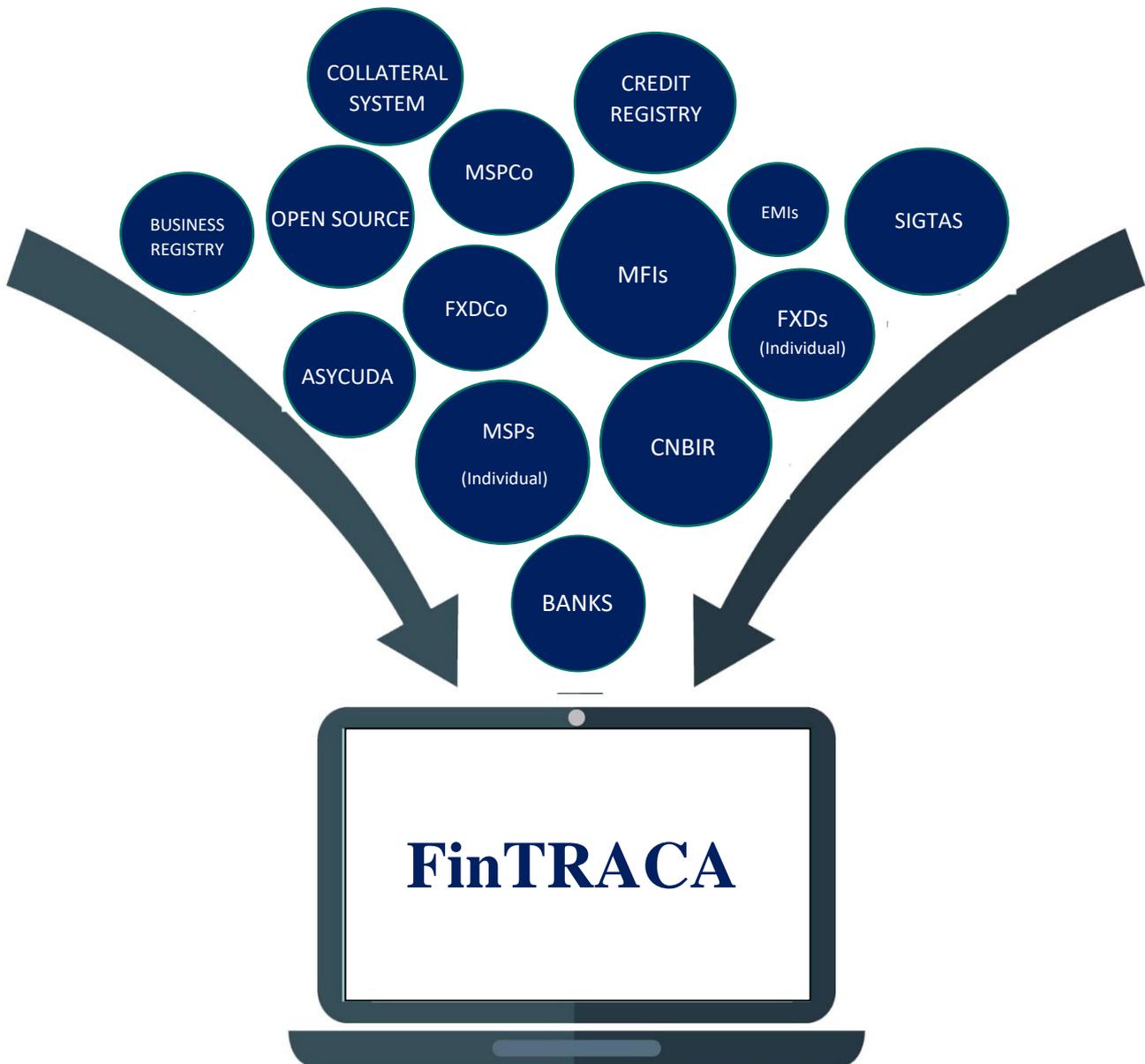
DAB USD AUCTION

As per the provisions of AML-PC Law of the country, Foreign Exchange Dealers and Money Service Providers Companies (FXD and MSPCOs) are the reporting entities to FinTRACA, these entities are required to report all the transactions related to DAB USD Auction to FinTRACA via FX Portal. There is no any threshold amount for the reporting of DAB USD Auction. Given the sensitivities and significance of USD banknotes, and the impact of DAB Auction on the value of AFN, all transacted amounts in the DAB USD auction process must be reported to FinTRACA via the FX-Portal. FinTRACA has received a total of 6,465 auction reports through FX-Portal during the year 2022.

The Non-Banking Financial Institution Section of FinTRACA is responsible for the compliance of AML/CFT obligations in insurance companies, EMIs and MFIs sectors. The breakdown of the actions of these sectors illustrated in the below tables.

MFIs UPDATES		EMIs UPDATES	
LCTRs	STRs	LCTRs	STRs
159	0	195,068	0

DATA COLLECTION SOURCES



SPONTANEOUS DISSEMINATION

During the year 2022, FinTRACA has analyzed 143 STRs related to 116 cases, from which 46 cases were disseminated. 29 of these were Proactive and 87 were Reactive cases. These cases were cash smuggling, corruption, bribery, drug trafficking, forgery, fraud, ghost police, human trafficking, tax evasion, wire fraud and other red flags/predicate offenses.

Breakdown of Spontaneous Dissemination by FinTRACA in the Year 2022

AUTHORITIES	NO OF CASES	STRs	SUBJECTS
Ministry of Interior Affairs (Mol)	39	74	173
Ministry of Finance (MoF)	3	3	20
General Directorate of Intelligence (GDI)	2	0	4
Da Afghanistan Bank (DAB)	1	0	3
National Statistics and Information Authority (NSIA)	1	0	1

Breakdown of Disseminated Cases by Red Flags

NO	RED FLAG/PREDICATE OFFENSES	NUMBER OF CASES
1	Cash smuggling	2
2	Corruption and bribery	8
3	Drug trafficking	3
4	Forgery	6
5	Fraud	14
6	Ghost police	1
7	Human trafficking	3
8	Money Laundering	31
9	Tax evasion	32
10	Wire fraud	3
11	Other predicate offenses	13

The STRs dissemination ratio for the year 2022 has increased by 72% compared to the dissemination of STRs during the year 2021. This is illustrated in the below table.

STRs	2020	2021	2022	CHANGE (%) (2021-2022)
Case Count	57	51	116	+127%
STRs Received	810	743	586	- 21%
STRs Analyzed	49	56	143	+ 155%
Spontaneous Dissemination	34	34	46	+ 35%

NATIONAL COOPERATION

As per AML-PC law and signed MOUs, FinTRACA exchanges financial intelligence with the relevant authorities. During the year 2022, FinTRACA received 19 requests from law enforcement agencies on exchange of financial intelligence about 26 subjects and all the requests have been responded.

Below table illustrates received requests:

No	AUTHORITIES	TOTAL NUMBER OF REQUESTS
1	General Directorate of Intelligence (GDI)	8
2	Ministry of Interior Affairs (Mol)	11

UPON REQUEST DISSEMINATION

PREDICATE OFFENCE	YEAR				
	2018	2019	2020	2021	2022
Money Laundering	8	10	7	8	6
Terrorist Financing	46	53	78	81	1
Asset Registration and Verification	14	35	37	40	-
Corruption & Bribery	27	24	85	130	2
Drug Trafficking	99	61	48	31	-
Tax Crime	25	5	2	-	-
Fraud	2	2	2	-	4
Kidnapping and Hostage	4	6	1	1	1
Organized Crime	1	-	-	-	-
Extortion	-	1	-	-	-
Forgery	1	7	5	4	1
Robbery and Theft	-	2	-	2	1
Wired Fraud	-	4	1	-	-
Murder, Torture	-	-	2	-	-
Human Trafficking	-	-	5	-	-
Smuggling	-	-	2	-	-
Other	24	78	39	58	3
TOTAL	251	288	314	355	19

INTERNATIONAL COOPERATION

FinTRACA was a member of the Egmont Group (EG) of financial intelligence from 2010 and has contributed to the global efforts against ML/TF through EG's Secure web.

Since August 2021, the mentioned organization suspended the FinTRACA's access to its Secure Web. Afterward, FinTRACA sent an official letter to the Egmont Group on 6th March 2022 to re-establish correspondence. The letter highlighted that the legal, regulatory and policy framework of Afghanistan's AML/CFT regime is in-place and unchanged as well as FinTRACA satisfies the eligibility criteria of the Egmont Group as outlined in its charter.

Subsequently, in July 2022, the mentioned organization has conditionally canceled the membership of FinTRACA. Therefore, no requests for information were exchanged between FinTRACA and the counterpart FIUs during the year 2022.

FinTRACA aims to expedite efforts to resume correspondence with the international counterparts.

ENFORCEMENT

In accordance with the AML-PC Law and relevant regulations, FinTRACA is empowered to take enforcement actions against the non-compliant Banks, MSPs, FXDs and other financial institutions. The enforcement actions include issuance of warning letters, suspension and revocation of business licenses and removal of staff of the reporting entities.

By the year 2022, FinTRACA has issued 16 warning letters, suspended 19 licenses, and revoked 18 licenses of MSPs and FXDs across the country.

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 2022 decreased by 48.64% compared to 2021 and the number of suspended business licenses also decreased by 44.18%.

The reason for decline of suspended and revoked business licenses is due to improved compliance by the sector. 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	2018	2019	2020	2021	2022	CHANGE % (2021-2022)
Suspended	8	21	71	43	19	-44.18%
Revoked	17	47	13	37	18	-48.64%

Financial penalties are suspended for the time being and currently the relevant authorities are working on alternatives.

ISSUANCE OF NOTIFICATIONS TO SUPERVISORY BODIES

FinTRACA during the year 2022 submitted a total number of 3 notifications to the Banking Supervision Department of Da Afghanistan Bank in line with the AML/CFT Responsibilities and Preventative Measures Regulation where the on-site examination was deemed necessary.

FREEZINGS

As per AML-PC law FinTRACA has authority to freeze bank accounts for a certain period of time. FinTRACA has frozen 19 corporate and individual bank accounts as per the requests of LEAs (GDI and Mol) in the year 2022. The total frozen amounts sums in these accounts equal to AFN **3,980,675** and USD **5,440**. These amounts were frozen due to corruption and bribery.

Apart from FinTRACA, other government agencies such as DAB, MoF, MOI and GDI might also have taken enforcement measures, which are not included herein.

The following chart displays comparative analysis of the amount of frozen bank accounts from the years 2018 to 2022.

YEAR	FROZEN ACCOUNTS	FROZEN AMOUNTS	
		AFN	USD
2018	29	336,818	5,279
2019	35	51,552,279	2,466,984
2020	86	1,921,351	120,997
2021	127	34,913,197	1,311,381
2022	19	3,980,675	5,440
TOTAL	296	92,704,320	3,910,081

NATIONAL RISK ASSESSMENT

FinTRACA worked on the assessment and implementation of NRA action plan to the extent of its authority. During the year 2022 initial discussions has been made on resuming the process. FinTRACA is committed to follow up the matter in coordination with the relevant authorities.

HIGH LEVEL COORDINATION COMMISSION (HLCC)

As per AML-PC Law and FATF Recommendation, FinTRACA coordinated the 6th meeting of the High-Level Coordination Commission (HLCC) in 2022. The meeting was conducted among its members to enhance collective efforts to combat terrorist financing, money laundering and other predicate offences and increase effectiveness and implementation outcomes of AML/CFT regime in the country.

HLCC WORKING COMMITTEE

The second meeting of working committee of the High level of Coordination Commission (HLCC) for Combating Money Laundering and Terrorist Financing was conducted as per the AML-PC law.

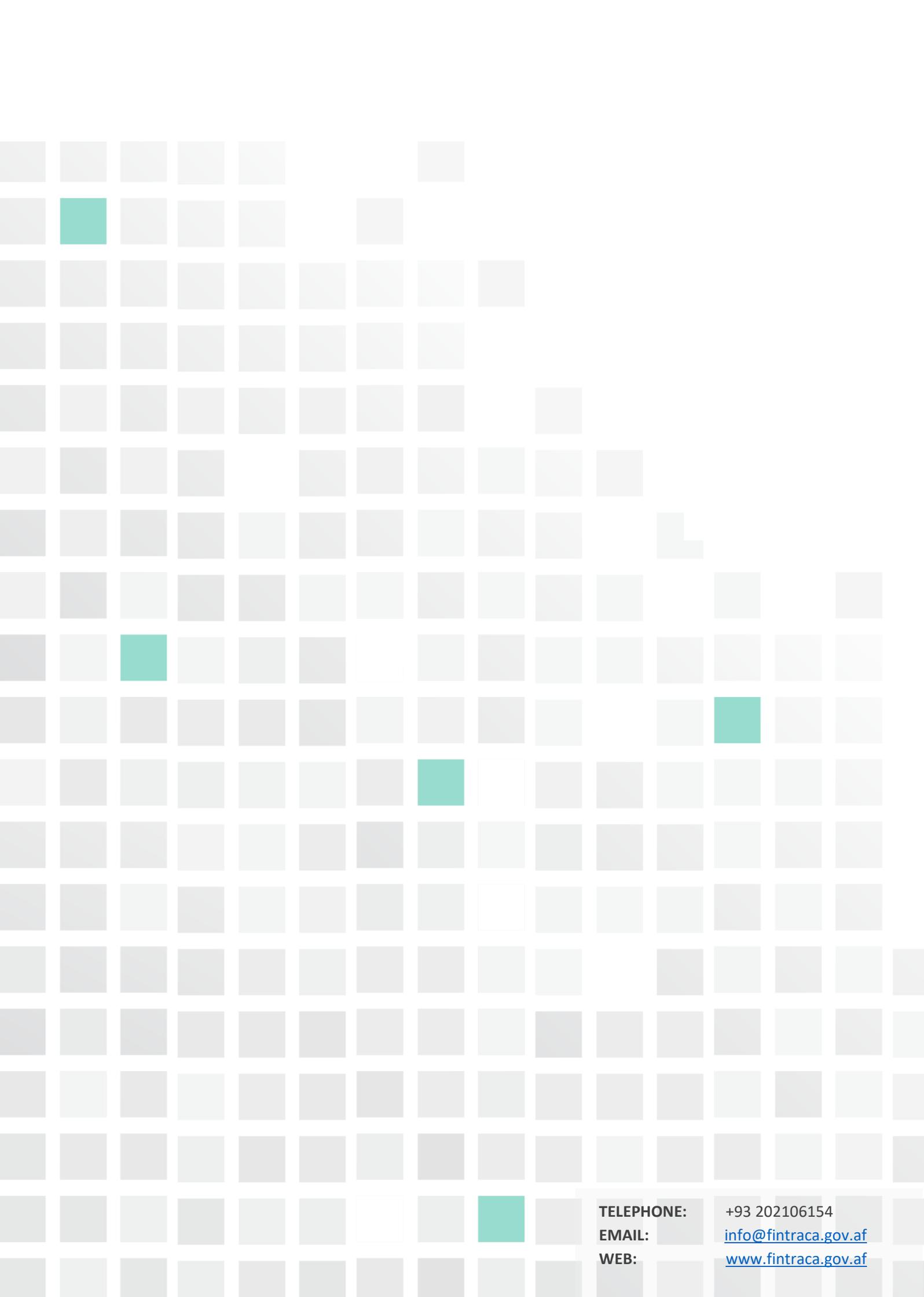
The purpose of the meeting was to better implement the AML-PC Law of Afghanistan, coordinate the efforts of the concerned authorities, implement the decisions of the HLCC for Combating ML/TF, and creating effective coordination between government authorities on overall implementation of AML/CFT regime in the country.

CAPACITY BUILDING PROGRAMS

FinTRACA delivered 7 related trainings to Law Enforcement Agencies and employees of Da Afghanistan Bank. The trainings covered the topics such as: Importance of FinTRACA, combating money laundering, terrorist financing and implementation of United Nations Security Council sanctions lists.

ACRONYMS

AFN	Afghani
ABA	Afghanistan Banks Association
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
ARD	Afghanistan Revenue Department
BNI	Bearer Negotiable Instrument
BSD	Banking Supervision Department
CFT Law	Combating the Financing of Terrorism Law
DAB	Da Afghanistan Bank (Central Bank of Afghanistan)
DNFBP	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FI	Financial Institution
TF	Terrorist Financing
FXDCo	Foreign Exchange Dealers Companies
LCTR	Large Cash Transaction Report
ML	Money Laundering
MoF	Ministry of Finance
Moi	Ministry of Interior
MOU	Memorandum of Understanding
MSB	Money Service Business
MSP	Money Service Provider
MSPCo	Money Service Provider Companies
GDI	General Directorate of Intelligence
NRA	National ML/TF Risk Assessment
STR	Suspicious Transaction Report
WG	Working Group
NTEC	National Target Exploitation Center



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