



STANDING COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

Review Report of the Fiji Financial Intelligence Unit 2023 Annual Report



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Acronyms

AML	-	Anti-Money Laundering
BCR	-	Border Currency Report
CFT	-	Combating the Financing of Terrorism
CTRs	-	Cash Transaction Reports
FCCC	-	Fijian Competition and Consumer Commission
FICAC	-	Fiji Independence Commission Against Corruption
FIU	-	Fiji Financial Intelligence Unit
FTR	-	Financial Transactions Reporting
FRCS	-	Fiji Revenue & Customs Services
MOAs	-	Memorandum of Agreements
MOUs	-	Memorandum of Understandings
RBF	-	Reserve Bank of Fiji
SCFAD	-	Standing Committee on Foreign Affairs and Defence
SDGs	-	Sustainable Development Goals
SO	-	Standing Order
STRs	-	Suspicious Transactions Reports
TTRs	-	Threshold Transaction Reports

Chairperson's Foreword

The Standing Committee on Foreign Affairs and Defence ('SCFAD') hereby submits to Parliament the Review Report of the Fiji Financial Intelligence Unit 2023 Annual Report that was presented in Parliament and referred to the SCFAD on 02 September 2024.

The Financial Intelligence Unit ('FIU') was established in 2006 under the Financial Transactions Reporting (FTR) Act. The Unit functions both as an Intelligence unit and as a Regulator as mandated by the FTR Act 2004. These two core functions are aimed at protecting Fiji's financial system from abuse by criminals who seek to use the financial services offered to launder the proceeds of crime or to facilitate other serious crimes.

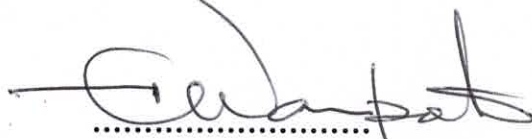
The Unit is fully funded by the Reserve Bank of Fiji and the Governor of the Reserve Bank was delegated the responsibilities of the line minister over the Unit in 2005 and has remained that way up to the reporting period.

This review report was compiled after the Committee perused the Annual Report and a face-to-face discussion with the Acting Director FIU, Ms. Esther Sue and her senior staff. The Committee extends its gratitude to them for their timely response to the Committee's requests for information and their openness during our discussions.

The Fiji FIU must be commended for being up to date with their Annual Report and I must add that the professional way that the Annual Report is structured and presented greatly enabled the Committee to compile and table this review report back to Parliament in a timely manner.

I thank the Foreign Affairs and Defence Committee Members and the Committee Secretariat for the hard work involved in the compilation of this review report.

On behalf of the Standing Committee on Foreign Affairs and Defence, I commend this Review Report to Parliament.



.....
Hon. Viliame Naupoto
Chairperson

Recommendations

The Committee recommends the following:

- 3.1 That the delegated responsibility from the Minister for Justice to the Governor of the Reserve Bank of Fiji, which has been in place since 2005, be reassessed to determine if the arrangement is still relevant (*refer to paragraph 3.5.1*).
- 3.2 That the Financial Transaction Reporting ('FTR') Act be reviewed and updated to ensure that it is aligned with the current international standards on anti-money laundering ('AML') and relevant to the requirements of local financial institutions (*refer to paragraph 3.6.1*).
- 3.3 That the entities that are required by the FIU to submit feedback are to do so in a timely manner (*refer to paragraph 3.7.1*).
- 3.4 That the appointment of a substantive Director of the Unit be undertaken in a timely manner (*refer to paragraph 3.4.6*).
- 3.5 That the FIU be commended for being up to date with their Annual Report.

1.0 Committee Remit and Composition

Pursuant to Standing Order 109(2)(e) the Standing Committee on Foreign Affairs and Defence is mandated to look into matters related to Fiji's relations with other countries, development aid, foreign direct investment, oversight of the military and relations with multi-lateral organizations. The members of the Standing Committee on Foreign Affairs and Defence are as follow:



Hon. Viliame Naupoto
Chairperson of the Standing Committee on Foreign Affairs and Defence



Hon. Lenora Qereqeretabua
Deputy Chairperson
*Deputy Speaker of Parliament
Assistant Minister for Foreign Affairs*



Hon. Jovesa Vocea
Member
*Assistant Minister for Rural, Maritime Development
and Disaster Management*



Hon. Ratu Isikeli Tuiwailevu
Member
Assistant Minister for iTaukei Affairs, Heritage and Arts



Hon. Rinesh Sharma
Member

1.1 Committee Secretariat Team

Supporting the Committee in its work is a group of dedicated Parliament Officers who make-up the Committee Secretariat and are appointed and delegated by the Secretary-General to Parliament pursuant to Standing Order 15(3)(i). The Secretariat team is made up of the following officers:

- Ms. Marica Tuisoso – Acting Senior Committee Clerk
- Ms. Kushbu Chand – Graduate Intern

2.0 Background and Terms of Reference

The Standing Committee on Foreign Affairs and Defence, was referred the Fiji Financial Intelligence Unit 2023 Annual Report ('Annual Report') on 02 September 2024 in accordance with SO 38(2), whereby the Committee was assigned to investigate the contents of the report and provide a report to Parliament in a subsequent Sitting. This report is outside the usual mandate of the Committee, but the referral was made to help ease the workload of the other Standing Committees.

2.1 Procedure and Program

I. Closed Hearing (written and oral submission)

In accordance with Standing Order 111(2), and after consultation with the Honourable Speaker, the Committee conducted a face-to-face closed session with the officials from the Fiji Financial Intelligence Unit on 18 September 2024. A summary of the submission is provided in a later part of this report, under the heading 'Committee's Deliberation and Analysis' and copies of the written submission can be obtained from the online appendices of this report, which can be accessed from the Parliament website: www.parliament.gov.fj

II. Oral and Written Evidence Received

The Committee received oral and written submission from the Fiji Financial Intelligence Unit as listed in the Appendices.

3.0 Committee Deliberation and Analysis

3.1 Introduction

3.1.1 The Fiji Financial Intelligence Unit is a specialized agency established under the Financial Transactions Reporting Act of 2004. Its primary role is to collect, analyze, and disclose financial information and intelligence to combat money laundering, terrorist financing, and other financial crimes.

3.1.2 The FIU works closely with various financial institutions, including banks, insurance companies, money remitters, and real estate agents, to ensure compliance with the Financial Transactions Reporting Act. It also collaborates with local law enforcement agencies like the Fiji Police Force, the Fiji Independent Commission Against Corruption ('FICAC') and the Fiji Revenue & Customs Services ('FRCS') to investigate and prosecute financial crimes.

3.2 Intelligence Role

3.2.1 As an intelligence agency, FIU is required to refer financial intelligence to its law enforcement partners for investigation and prosecution of serious financial crimes. This includes proactive disseminations as well as disseminations based on requests from law enforcement partners.

3.3 Regulatory Role

3.3.1 FIU as a regulator, ensures that financial institutions in Fiji have strong internal systems and controls to mitigate the risk of their services and products being misused by criminals and their associates for money laundering, terrorism financing and other serious financial crimes.

3.3.1 The FIU's efforts are crucial in maintaining the integrity of Fiji's financial system and protecting it from abuse by criminals.

3.4 Summary of the 2023 Annual Report

3.4.1 In 2023 the FIU issued 429 intelligence products to their law enforcement partners. This included 163 proactive disseminations on 150 individuals and 10 entities. These disseminations were a result of analysis of suspicious transactions referred to FIU by its reporting entities. The other 266 products were reports requested by law enforcement partners and other government ministries. This included requests for data as well as credibility check requests from government ministries. These products contained information on 517 individuals and 249 entities.

3.4.2 During the reporting period, the FIU conducted on-site examinations and assessments of six legal professionals and seven real estate agents. The FIU also joined the Reserve Bank of Fiji ('RBF')

for an anti-money laundering compliance examination of a commercial bank and provided advice to RBF supervisors as and when needed on anti-money laundering compliance issues. To support digital innovations in the payment system space, the FIU issued a new guideline to provide further requirements and guidance to financial institutions on the use of digital identification systems for customer due diligence or electronic Know Your Customer requirements.

- 3.4.3 As a Financial Intelligence Unit, FIU collects a lot of data. At the end of 2023 its financial transaction database held more than 30 million financial reports. FIU received more than 5 million reports from its reporting entities. This is a 127% increase from five years ago in 2019 and a 39% increase compared to 2022. To receive and better use this data, the FIU continued to use technology solutions to improve data quality, create alert and monitoring systems, manage its cases, and receive reports from reporting entities.
- 3.4.4 In addition to partnerships and collaboration with local stakeholders, the FIU also participated in various regional and international forums. As the designated lead agency for Fiji, the FIU liaised closely with the Asia Pacific Group on Money Laundering. The FIU coordinated technical assistance projects in Fiji and participated as an assessor and reviewer in two mutual evaluations of other Asia Pacific Group on Money Laundering members. The Fiji FIU is also a member of the Egmont Group of FIUs, a network of 177 FIUs that provides a platform for FIUs to securely exchange expertise and financial intelligence to combat money laundering and terrorist financing. The FIU is also a member of the Pacific Financial Intelligence Community and the Pacific Anti-Money Laundering and Combating the Financing of Terrorism ('AML/CFT') Supervisors Forum and participated in various meetings and working groups throughout the year.
- 3.4.5 The FIU prioritizes work by focusing on the associated risks. It conducted an assessment of the risk for money laundering and terrorist financing in Fiji's banking sector and a report on this assessment is now published and can be accessed on the FIU website. When supervising the reporting entities, a risk-based supervision approach enabled the FIU to allocate its compliance resources to high-risk entities given the large number of financial institutions and entities that the FIU is required to supervise. The FIU continues to collaborate with its partner agencies on higher risk predicate crimes such as drug trafficking and tax evasion to ensure that its products make a greater impact. The need to focus on risk is an international requirement and assists the FIU to target its efforts and resources.
- 3.4.6 The FIU has a small team of 9 permanent staff (including two officers who are seconded from FRCS and FPF respectively). Mr. Razim Buksh who held the position of Director since the establishment of Fiji FIU in 2006 retired in December 2023 and the position of Director has been vacant since. The two managers of the Unit are alternating as Acting Director for a period of six months. The position for Director is expected to be filled by 2025. The Committee urges the relevant appointing authority to this position to ensure that the appointment of a substantive

Director is not prolonged, and that effort is made to make the appointment as soon as practically possible.

3.4.7 FIU is working on finalizing its new Strategic Plan for 2025–2029.

3.4.8 FIU is fully funded by the Reserve Bank of Fiji.

3.5 Committee Findings

3.5.1 Ministerial Delegation to the Governor of the Reserve Bank of Fiji

3.5.1.1 The Committee noted that under the FTR Act, the Director of the Fiji FIU reports to the line-Minister. During the reporting period the line-Minister was the Minister for Justice. The line-Minister is directly responsible for the performance of the FIU and oversee the FIU's efforts to combat money laundering and terrorist financing activities. In 2005 this responsibility was delegated to the Governor of RBF and has remained ever since for the last 19 years.

3.5.1.2 The working relationship between the FIU and the Ministry of Justice is through the chairmanship of the National Anti-Money Laundering Council by the Permanent Secretary for Justice and that the FIU provides monthly updates on its activities and outputs to the Ministry.

3.5.1.3 The Committee noted that this Annual Report was tabled in Parliament by the Attorney-General and not the Minister for Justice given that the FTR Act is now under the responsibility of the Attorney-General as per Legal Notice 2 of 2023 and 27 of 2024.

3.5.1.4 The line Ministry and the RBF should review this delegated responsibility to assess whether the arrangements are still relevant and allow for the effective execution of FIU's mandated roles.

3.5.1.5 The Committee noted that under the FTR Act Section 23(2) the Director FIU's remunerations including allowances is determined by the Minister for Finance. The Committee feels that this arrangement is worth relooking to ensure transparency and the independence of the Unit.

3.6.1 Revision of the FTR Act 2004

3.6.1.1 The FTR Act 2004 is aligned to the international standards for anti-money laundering, however, in the past 20 years, these standards have changed, and the Act needs to be reviewed to reflect these changes. Stakeholders have also indicated the need for a review.

3.7.1 Feedback on Intelligence Products

3.7.1.1 The Fiji FIU faces challenges in obtaining feedback on their intelligence products. This challenge was highlighted by the Standing Committee on Economic Affairs that reviewed the Unit's 2021-2022 Annual Reports. The Unit has been working on ways to gather this feedback.

FIU have included feedback forms in individual intelligence products and have seen improvements.

- 3.7.1.2 Additionally, FIU have raised the issue with the national AML Council, leading to presentations from law enforcement partners about the reports provided and their outcomes.
- 3.7.1.3 The Committee recommends that entities that are required to provide feedback to FIU do so in a timely manner. Feedback are part of the Intelligence processing cycle and when provided in a timely manner helps perfect the quality of intelligence provided.

3.8.1 Promoting the Understanding of Money Laundering Risk and Matters in Fiji

- 3.8.1.1 Fiji's National Risk Assessment on money laundering and terrorism financing identifies the top crimes generating proceeds in the country. Over the past five years, drug trafficking has been the leading crime, followed by tax evasion, with corruption, fraud, and scams at lower levels.
- 3.8.1.2 To address the rise in scams, information is shared with agencies like the Consumer Council, Fijian Competition and Consumer Commission ('FCCC'), and Fiji Police Force for public awareness. The National Risk Assessment also highlights high-risk areas, including vulnerabilities in the banking sector. The FIU conducted risk-based supervision of financial institutions based on factors such as asset-based risks and red flags from law enforcement agencies.
- 3.8.1.3 The awareness programmes on money laundering and other forms of financial crimes should continue given the degree of financial transaction that occur on a daily basis.

3.9.1 Impact of the Budapest Convention

- 3.9.1.1 Fiji's accession to the Budapest Convention does not significantly change the Financial Intelligence Unit's interactions with foreign FIUs. The FIU is part of the Egmont Group, a global network of 177 FIUs, which facilitates secure information sharing. The Budapest Convention will complement existing relationships and frameworks. The FIU is also in dialogue with various Ministries and agencies involved in the Convention's adoption and implementation and will support them as needed within its mandate.

3.10.1 Access to FIU Information

- 3.10.1.1 The FIU holds over 30 million financial FTR and Border Currency Report ('BCR') on its database which forms the basis of FIU's intelligence process. Only FIU staff have access to the information, and they must sign secrecy agreements. Neither the Minister for Justice nor the Governor has access to FIU information. According to the Act, the Director of the FIU holds all powers and responsibilities. While funded by the Reserve Bank, the FIU operates

independently. Decisions on suspicious transaction reports are made by Intelligence analysts and endorsed by the Director. Information access by law enforcement or the Reserve Bank is governed by Memorandum of Understandings ('MOUs').

3.11.1 Information Sharing

3.11.1.1 The Committee noted the importance of information sharing between FIU and other agencies where the FTR Act provides the FIU with the authority to enter into Memorandum of Agreements ('MOAs') with other agencies. The MOAs allow the FIU to exchange information and enhance networking and cooperation with domestic partner agencies.

3.11.1.2 FIU has signed MOAs with 14 domestic partner agencies as indicated in the table below. As a result of these MOAs, the FIU was able to access six databases of government partner agencies.

MOA signed with Domestic Partner Agencies

Agency	Date MOA Signed	Type of MOA
Immigration Department	12 July 2007	Information exchange
FRCS	28 November 2007	Information exchange and secondment of two staff with the FIU
	12 September 2014 (amendment)	Direct access to FIU database
Fiji Police Force	24 January 2008	Information exchange and secondment of a staff with the FIU
	11 December 2014 (amendment)	Direct access to FIU database
Investment Fiji	13 June 2008	Information exchange
Ministry of Justice	3 July 2008	Information exchange
Land Transport Authority	5 October 2009	Information exchange
FICAC	3 November 2009	Information exchange
Joint Taskforce RBF/FRCS/FIU	14 April 2010	Information exchange
Maritime Safety Authority of Fiji	16 August 2012	Information exchange
RBF	17 April 2014	Information exchange
Fijian Elections Office	11 August 2016	Information exchange
Real Estate Agents Licensing Board	24 April 2017	Information exchange
Post Fiji Pte Limited	19 March 2020	Information exchange
ITaukei Land Trust Board	4 August 2021	Information exchange

Source: Fiji FIU

3.12.1 Correlation between detected illegal activities and drugs finds in Fiji

3.12.1.1 The Committee enquired as to whether there was some correlation between detected illegal financial transaction activities and the recent large drug finds in Fiji. The Committee was informed that no major connection was made.

3.12.1.2 Drug trafficking is typically carried out by organized crime groups, involving individuals or networks that may have been profiled in collaboration with the police over the years. These activities are well-organized and planned over a long period, indicating that those involved

have likely engaged in similar operations before. Various related activities and individuals often appear on the radar, raising suspicions of involvement. Close cooperation with the Fiji Police Force, including sharing information and conducting financial profiling on targets, is crucial in identifying and understanding these networks.

3.13.1 Transactions Reporting

3.13.1.1 FIU receives various types of reports from financial institutions, each with specific reporting timeframes:

- i. **Suspicious Transactions Reports (STRs):** Submitted within two business days of forming suspicion, primarily analyzed by FIU.
- ii. **Threshold Transaction Reports (TTRs):** Transactions of \$5,000 or more through bank accounts, reported within five business days.
- iii. **Cash Transaction Reports (CTRs):** For non-bank entities, cash transactions of \$5,000 or more, reported within five business days.
- iv. **Remittance Data:** Money going in and out of the country, reported within five business days.
- v. **Border Currency Reports:** Declarations of currency carried by travellers, administered by customs but stored in FIU's database.

3.13.1.2 Most reports (99%) are submitted electronically through FIU's online reporting system, although some entities still use paper forms.

4.0 Sustainable Development Goals

- 4.1 The Committee noted that the Fiji Financial Intelligence Unit do not include any elements of Sustainable Development Goals ('SDGs') in its Annual Report for the period under review. Therefore, the Committee strongly recommends that FIU is to reflect on the SDGs that are relevant to their daily activities and include in their Annual Report.
- 4.2 Gender is a critical dimension to Parliamentary scrutiny. Standing Order 110(2) requires Committees to ensure full consideration be given to the principle of gender equality. The Committee noted that during the reporting period, the Unit had a gender mix 67% women and 33% men. The two managerial positions are held by women.

5.0 Conclusion

The Standing Committee on Foreign Affairs and Defence has reviewed the Fiji Financial Intelligence Unit 2023 Annual Report and commends the Unit for a very professional and well-structured annual report. Moreover, the Fiji Financial Intelligence Unit has demonstrated resilience and adaptability in the face of evolving financial crime trends and increased demands for financial intelligence. The FIU has continued to enhance its capabilities, ensuring robust monitoring and reporting mechanisms. The Unit's commitment to aligning with international standards and collaborating with local and global partners has been pivotal in its efforts to combat money laundering and other financial crimes.

Moving forward, the FIU remains dedicated to strengthening its operations and contributing to the integrity of Fiji's financial system.

6.0 Committee Members' Signatures

 _____ Hon. Viliame Naupoto Chairperson	
 _____ Hon. Lenora Qereqeretabua Deputy Chairperson	 _____ Hon. Jovesa Vocea Member
 _____ Hon. Ratu Isikeli Tuiwailevu Member	 _____ Hon. Rinesh Sharma Member

7.0 Annexure

Published evidence

Written evidence, transcripts and supporting documents can be viewed on the Parliament website at the following link:

<https://www.parliament.gov.fj/committees/standing-committee-on-foreign-affairs-and-defence/>