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Financial Intelligence Department

**Annual Report**

**2023**

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## Acronyms

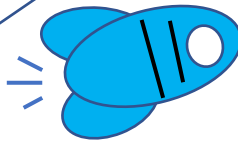
NCC	National Coordination Committee
FID	Financial Intelligence Department (FIU or Financial Intelligence Unit)
AML and CFT	Anti-Money Laundering and Countering of Financing of Terrorism
ML	Money Laundering
TF	Terrorist Financing
PF	Proliferation Financing
FATF	Financial Action Task Force
FSRB	FATF Styled Regional Bodies
STR	Suspicious Transaction Report
CTR	Cash Transaction Report
WTR	Wire Transfer Report
OTR	Other Transaction Report
REs	Reporting Entities
LEA	Law Enforcement Agency
CDD	Customer Due Diligence
NRA	National Risk Assessment
MER	Mutual Evaluation Report
FUR	Follow-up Report

**VISION**



To be premier esteemed agency, fully committed to protect financial system by grounding effective anti-money laundering and countering financing of terrorism framework

**MISSION**



To disseminate quality financial intelligence to facilitate detection, investigation and prosecution of money laundering and financing of terrorism.

**VALUES**



**TRICEP:**

- T- Team Work;
- R- Respect;
- I- Innovation;
- C- Confidentiality;
- E-Excellence; and
- P- Partnership

## INTRODUCTION

The Annual Report (AR) 2023 is published by the Financial Intelligence Department (FID) of the Royal Monetary Authority in line with Section 37 (10) of the AML and CFT Act of Bhutan 2018, which states, “*The Financial Intelligence Department shall publish an annual report on its activities, including any trends that have been observed in money laundering or terrorist financing threats to the financial system of Bhutan*”. The report reviews the developments during the year 2023.

**The report is divided into six Sections:**



## SECTION I: AML/CFT REGIME - INTERNATIONAL AND NATIONAL

Bhutan is a member of the Asia/Pacific Group on Money Laundering (APG), one of the nine FATF- Style Regional Body (FSRB), to achieve the effective implementation of, and compliance with the 40 Financial Action Task Force (FATF) Recommendations. Bhutan has been consistently working on policy and technical reforms to comply with the international standards.

### 1.1 Financial Action Task Force (FATF)

The FATF also known by its French name *Groupe d'action financière* (GAFI), is an intergovernmental organization established in 1989 at the G-7 Summit in Paris to generate political will to combat money laundering (ML). In 2001, it extended its mandate to include terrorism financing (TF).

As of 2023, the FATF consists 37 countries and two regional organizations (the Gulf Cooperation Council and the European Commission). However, Bhutan is not a member of the FATF. There are nine FATF Styled Regional Bodies (FSRBs) which constitute a global network to combat ML, TF and proliferation financing (PF) of weapons of mass destruction (WMD).

The mandate of the FATF is to set standards<sup>1</sup> and to promote effective implementation of legal, regulatory and operational measures for combating Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF), and other related threats to the integrity of the international financial system. In collaboration with other international stakeholders, the FATF also works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

The FATF reviews its member's progress in implementing the FATF's Recommendations through a peer review mechanism by a process called *mutual evaluation (ME)*.

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<sup>1</sup> Refer FATF 40 Recommendations at Annexure I

## 1.2 Asia/Pacific Group on Money Laundering (APG)

The APG is one of the nine FSRBs, founded in February 1997 by 13 original founding member countries in Bangkok, Thailand.

Bhutan became the 41<sup>st</sup> member of the APG in July 2011 and APG's current members strength stands at 41. The APG reviews its members through a process called mutual evaluation which is done on a peer review basis. The mutual evaluation of its members is conducted to determine whether they comply, or to what extent they comply, with their obligations in terms of implementation of the global AML and CFT standards. Bhutan submitted its 6<sup>th</sup> Follow Up Report (FUR) to APG secretariat in October 2022 seeking re-rating for Recommendation(R) 4, Recommendation 7, Recommendation 8, Recommendation 24, Recommendation 28, Recommendation 34 and Recommendation 40 of the FATF. Out of seven re-rating requested, R4, R7 and R34 were upgraded to Largely complaint (LC) while other 4 recommendations remained partially compliant (PC).

**Table 1.2: Technical Compliance Ratings Based on the MER and FURs**

Technical Compliance	2016 ME Ratings	2018 FUR Ratings	2022 FUR Ratings
Compliant(C)	7	8	7
Largely Compliant (LC)	7	16	25
Partially Compliant (PC)	17	15	6
Non-Compliant (NC)	9	1	2

### **1.3 Egmont Group**

The Egmont Group, founded in 1995, consists of 166 FIUs. The Egmont Group is a non-political international entity of FIUs to unite efforts to improve effective exchange of information to combat ML and TF. It provides a secured platform to exchange information on experiences in order to promote development of effective FIUs and to foster implementation of domestic programs in this field. Bhutan became a member of Egmont Group on 17<sup>th</sup> July 2020.

### **1.4 Financial Intelligence Unit (FIU)**

The Financial Intelligence Units (FIUs) are national centralized agencies to receive, request, analyze and disseminate financial intelligence concerning suspected proceeds of crime pertaining to money laundering and financing of terrorism. The FATF sets the international standards in Recommendation 29, which the national FIU has to comply with it.

#### **FATF Recommendation 29**

Countries should establish a financial intelligence unit (FIU) that serves as a national center for the receipt and analysis of:

- a. suspicious transaction reports; and
- b. other information relevant to money laundering, associated predicate offences and terrorist financing, and for the dissemination of the results of that analysis.

The FIU should be able to obtain additional information from reporting entities, and should have access on a timely basis to the financial, administrative and law enforcement information that it requires to undertake its functions properly.



## TYPES OF FIUs



### 1. ADMINISTRATIVE FIU

The main rationale for such an arrangement is to establish a “buffer” between the financial sector (and, more generally, entities and professionals subject to reporting obligations) and the law-enforcement authorities in charge of financial crime investigations and prosecutions. Under this structure, the FIU’s power is limited to the receipt and analysis of STR’s and other reports and disseminating relevant information to law enforcement agencies (LEAs).

### 2. LAW ENFORCEMENT FIU

Under this arrangement, the FIU will be close to other LEAs such as a financial crimes unit, and will benefit from their expertise and sources of information. In return, information received by the FIU can be accessed more easily by LEAs and can be used in any investigation, thus increasing its usefulness. Law-enforcement-type FIU will normally have the law-enforcement powers of the LEAs itself (without specific legislative authority being required), including the power to freeze transactions and seize assets (with the same degree of judicial supervision as applies to other law-enforcement powers in the country). This is likely to facilitate the timely exercise of law-enforcement powers when this is needed.

### 3. JUDICIAL FIU

This type of FIU is established within the judicial branch of the state and most frequently under the prosecutor’s jurisdiction. Disclosures of suspicious financial activity are usually received by the prosecutor’s office, which may open an investigation if suspicion is confirmed by the first inquiries carried out under its supervision. The judiciary’s powers (e.g., seizing funds, freezing accounts, conducting interrogations, detaining suspects, and conducting searches) can then be brought into play without delay.

### 4. HYBRID/MIXED MODEL FIU

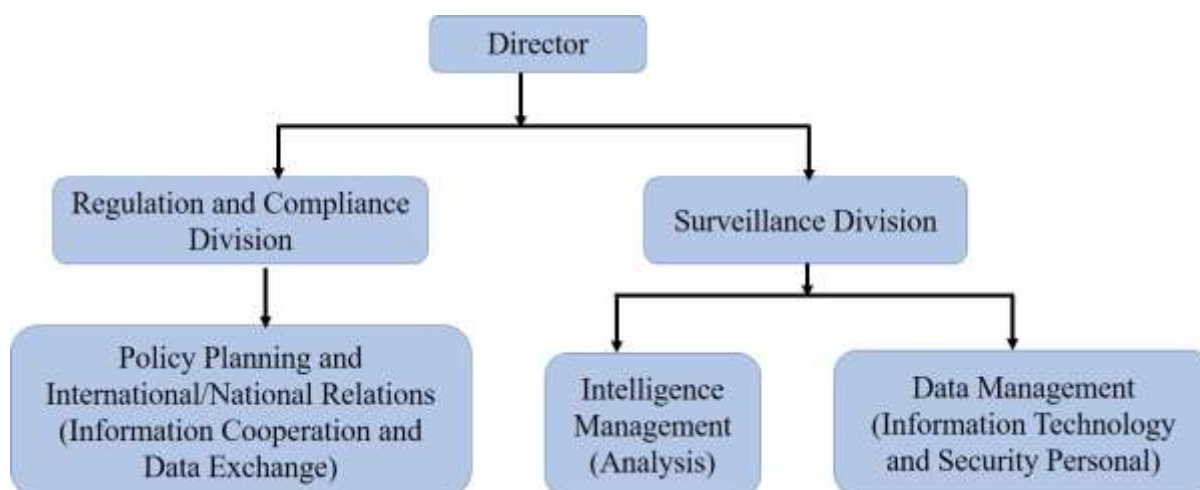
This hybrid type of arrangement is an attempt to obtain the advantages of all the elements put together. Some FIUs combine the features of administrative-type and law-enforcement-type FIUs, while others combine the powers of the customs office with those of the police. Seychelles is in the process of becoming an administrative FIU, the Seychelles FIU was a hybrid FIU (a mix of Administrative and enforcement models). Under this structure, in addition to its core function of receipt, analysis and dissemination of information, the FIU was empowered to investigate, confiscate and freeze assets relating to money laundering and financial terrorism.

## 1.5 Financial Intelligence Department (FID)

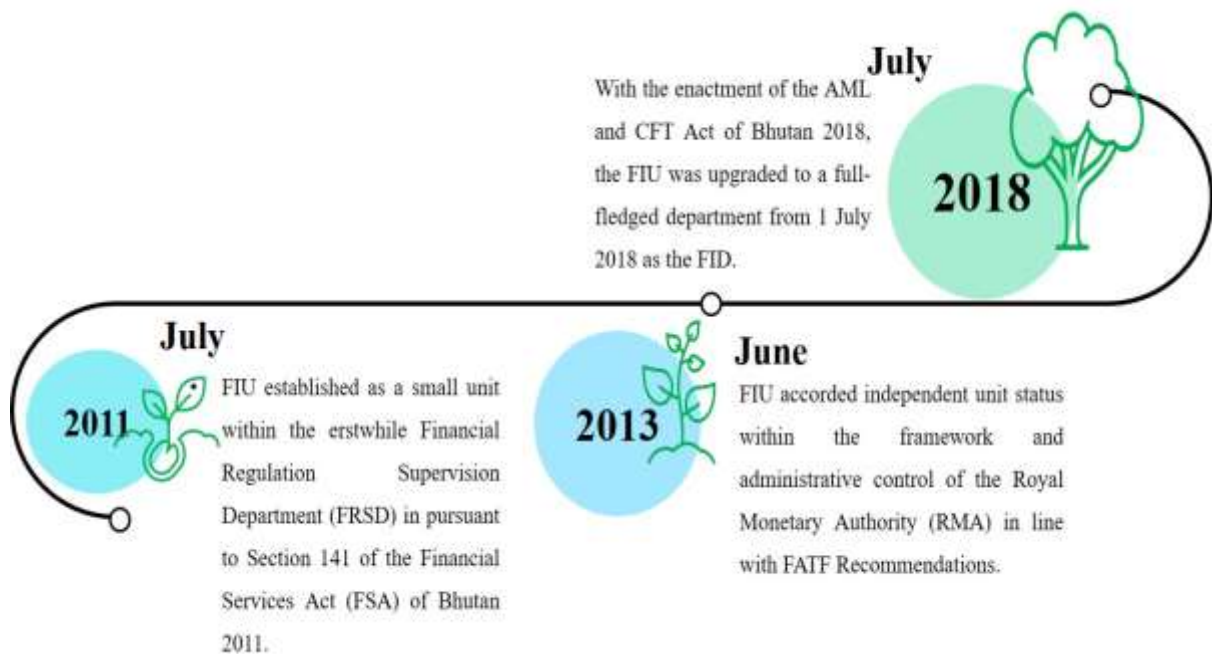
The money laundering (ML) and terrorist financing (TF) are serious offences which can take years to investigate and prosecute successfully. It is for such reasons that criminals will take any means necessary to obscure the money trail leading back to the underlying crime so that they may avoid detection, investigation and prosecution.

In response to this global challenge, the Financial Intelligence Department (FID) is established under Section 19 of the AML and CFT Act of Bhutan 2018 to comply with FATF's Recommendation 29. Section 20 of the AML and CFT Act of Bhutan 2018 states, "*The Financial Intelligence Department shall be the competent authority responsible for receiving, requesting, analyzing, and disseminating information concerning suspected proceeds of crime and terrorist property, under this Act*". The FID is an independent and autonomous department established within the Royal Monetary Authority (RMA), and is operated based on an administrative model. Since its establishment in 2018, the FID has been operating as one of the leading agencies in Bhutan, responsible for preventing and detecting ML and TF.

Figure 1.5(a): Organizational Structure of FID



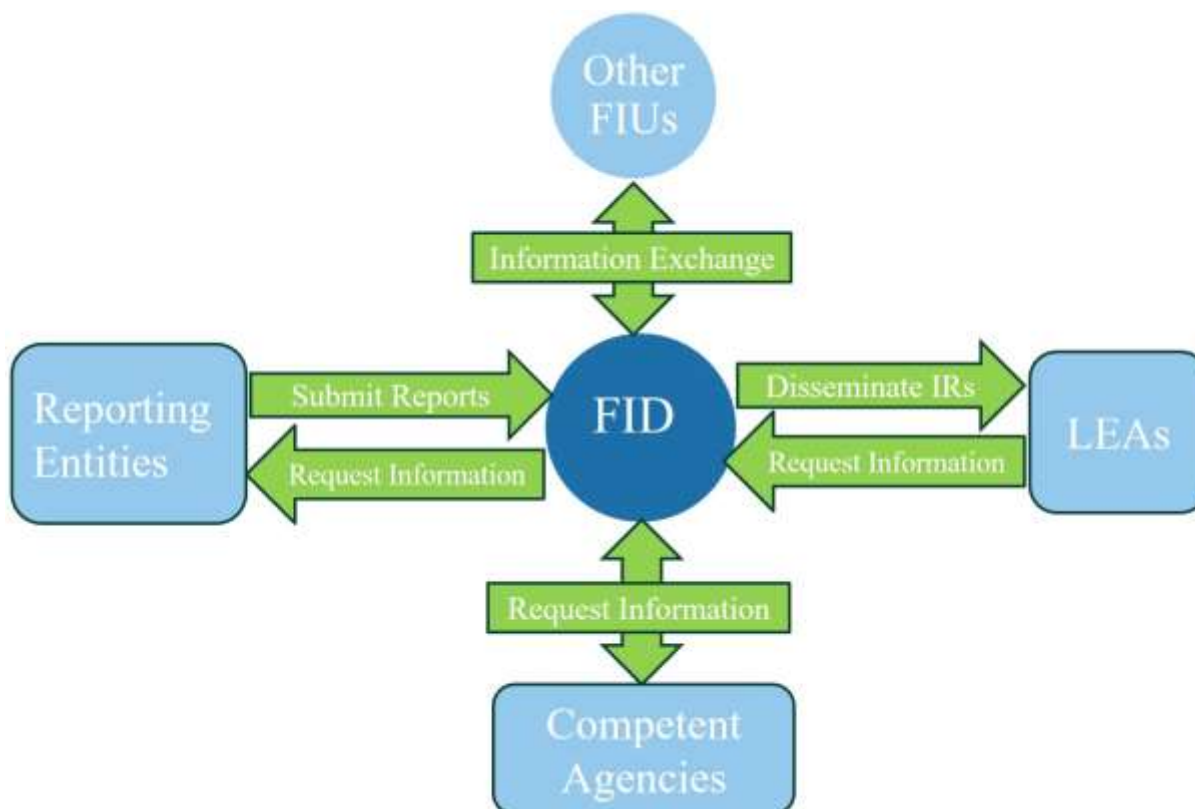
**Figure 1.5 (b): The Evolution of Financial Intelligence Department in Bhutan**



The FID shall consist of a Director and other staff, either assigned from RMA or seconded from other agencies under Sections 27 and 28 of the AML and CFT Act of Bhutan 2018. The FID Director shall be responsible for the day-to-day operations and management of the department and discharge functions and duties provided under Section 26 of the AML and CFT Act Bhutan 2018. The FID Director shall report to the Governor or the Deputy Governor relating to policy or resources matters for the operation of the department.

## 1.6 FID Ecosystem

The FID ecosystem comprises of reporting entities (REs) and law enforcement agencies (LEAs), and the department serves as an interface between REs and LEAs.



As per Section 50 of the AML and CFT Act, REs are financial institutions or designated non-financial business and professions (DNFBPs), and any other agencies identified by the RMA. The list of REs identified during the reporting period 2023 is provided in the table 1.6 below.

**Table 1.6: Reporting Entities in 2023**

REs	Number of REs	Name of REs
Banks	5	BoBL, BNBL, BDBL, DPNBL, T-Bank
Non-Banks	2	RICBL, BIL
DNFBPs	0	
Deposit taking Micro Finance Institution	2	RENEW MFI, Microfinance Bhutan Pvt. Ltd.
Money Value Transfer System (MVTs)	5	Bhutan Postal Corporation (Western Union), BNBL (Money Gram & Ria Money Transfer), BoBL (Ria

		Money Transfer), T Bank Ltd (Prabhu Money Transfer)
Securities Broker	9	RICBL, BNBL, BoBL, BDBL, Drukyl Securities Broker Pvt Ltd, Lekpay Dolma Securities Broker Pvt Ltd, Sershing Securities Broker Pvt Ltd, Rinson Securities Pvt Ltd, Bhutan Postal Corporation Ltd

As per Section 187 (14) of the AML and CFT Act of Bhutan 2018, the LEAs are Anti-Corruption Commission (ACC), Department of Law and Order (DLO), Bhutan Narcotics Control Authority (BNCA), Department of Revenue and Customs (DRC), Office of the Attorney General (OAG), Royal Bhutan Police (RBP), and any other agency or authority prescribed in the rules and regulations. Further, the Section 187 (18) of AML and CFT Act of Bhutan 2018 defined predicate offence as any offences as a result of which proceeds have been generated that may become the subject of an offence of money laundering (ML).

### 1.7 National Coordination Committee (NCC)

FATF Recommendation 2 requires countries to have national AML and CFT policies, informed by the risks identified, which should be regularly reviewed, and should designate an authority or have a coordination or other mechanism that is responsible for such policies. In line with this, Section 7 of the AML and CFT Act of Bhutan 2018 states, “***There shall be a National Coordination Committee (NCC) constituted for preventing ML and combating TF***”. The NCC is the apex body responsible for coordinating the implementation of the national AML and CFT strategy, undertaking of the AML and CFT National Risk Assessment (NRA) or to update such assessment, and advise the government on AML and CFT issues. The NCC’s Chairman is the Governor of the RMA and the NCC shall meet at least twice a year. The FID serves as the Secretariat to the NCC. During the reporting period, the 13<sup>th</sup> NCC meeting was held on 3<sup>rd</sup> November, 2023.

**Figure 1.7: National Coordination Committee Members**



Dasho Penjore  
NCC Chair



Mr. Sonam Wangyal  
Secretary, MoHCA



Major General  
Chimi Dorji  
Chief of Police, RBP



Mr. Karma Tshering  
Secretary, MoEA



Mrs. Deki Pema  
Chairperson, ACC



Mrs. Pema Choden  
Secretary, MoFA

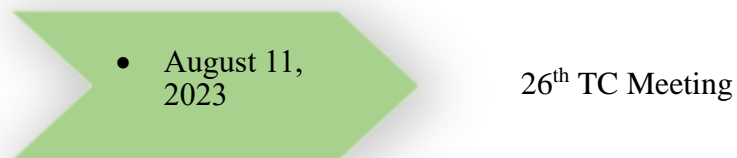


Mrs. Leki Wangmo  
Acting Secretary  
MoF

### 1.8 Technical Committee (TC)

The Section 17 of the AML and CFT Act of Bhutan 2018 states, “*The National Coordination Committee shall, on the recommendation of the Financial Intelligence Department, constitute a technical committee (TC) to provide advice on technical and other relevant matters*”. The TC’s chairman is Deputy Governor of the RMA. The TC members are representatives from the relevant agencies, ministries and LEAs as provided under Section 187 (14) of the AML and CFT Act of Bhutan 2018 and the Section 5 of AML and CFT Rules and Regulations 2022.

**Figure 1.8: Number of Technical Committee Meetings held during 2023**





## SECTION II: SUPPORTING LEGAL FRAMEWORK

### 2.1 Anti-Money Laundering (AML) and Countering of Financing of Terrorism (CFT) Act of Bhutan 2018

The AML and CFT Act of Bhutan 2018 is the legislation for combating money laundering and countering the financing of terrorism in Bhutan. The Act was enacted in 2018 and came into force on 22<sup>nd</sup> Day of the 11<sup>th</sup> Month of the Fire Female Bird Year of the Bhutanese calendar, corresponding to the 8<sup>th</sup> Day of January 2018. The Act criminalizes money laundering and financing of terrorism.



The Act defines ML and TF and has designated the Anti-Corruption Commission (ACC) and the Royal Bhutan Police (RBP) as the competent and relevant investigating authority.

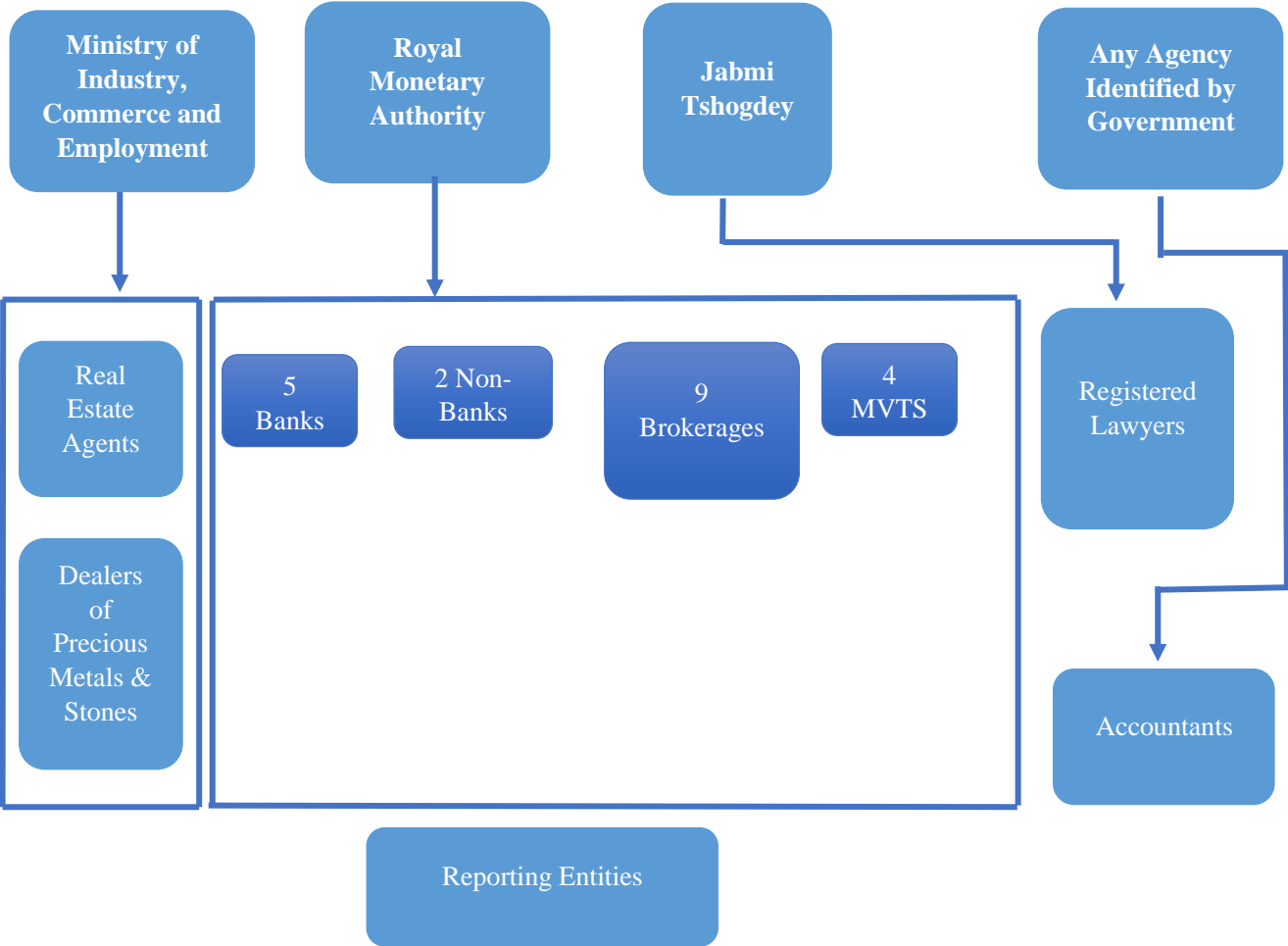
Predicate offences have been explicitly elaborated in Section 160 and 161 of the AML and CFT Act of Bhutan 2018.

### 2.2 AML and CFT Act of Bhutan 2018 and the FID

The Section 50 of the AML and CFT Act of Bhutan 2018 provides designation of reporting entities (REs) by the FID. The designated REs shall submit suspicious transaction report (STR), cash transaction report (CTR), wire transfer report (WTR) and any other transaction report (OTR) as mandated by the Act to the FID within prescribed timeframe.



**Figure 2.2: Reporting Entities and its Supervisors**



## SECTION III: ANALYSIS AND INTELLIGENCE

### 3.1 Receipt of STR, CTR and OTR

The AML and CFT Act of Bhutan 2018 mandates the FID as a competent authority to receive suspicious transaction report (STR), cash transaction report (CTR), and other transaction report (OTR) from the REs.

#### 3.1.1 Suspicious Transaction Reports (STR)

##### WHAT IS SUSPICIOUS TRANSACTION REPORTING?

Money launderers use many different and sophisticated types of schemes, techniques and transactions to accomplish their ends. While it would be difficult to describe all ML methodologies, the following are the more frequently observed signs of suspicions:

- ❖ Transactions that appear inconsistent with a client's known legitimate business or personal activities or means; unusual deviations from normal account and transaction;
- ❖ Unauthorized or improperly recorded transactions; inadequate audit trails;
- ❖ Unconventionally large currency (especially cash) transactions, particularly in exchange for negotiable instruments or for the direct purchase of funds transfer services;
- ❖ Apparent structuring of transactions to avoid dealing with identification requirements or regulatory record-keeping, source of funds and reporting thresholds;
- ❖ Transactions passed through intermediaries for no apparent business reason; and
- ❖ Introduction of a client by an overseas associate or financial institution based in a country or jurisdiction known for drug trafficking and production, other financial crimes and bank secrecy.

In cases where reporting entities detect or suspect suspicious transaction, they are obliged under the law to file an STR with the FID within 2 working days.



Reporting entities have an obligation under the Sections 69 to 73 of the AML and CFT Act of Bhutan 2018 to submit STR to the FID when they suspect that any service or transaction may be related to an offence of ML/TF. STR remains a key source of information used by the FID to generate intelligence report.

Once a STR is reported to FID, it's preliminary analysis will be done under its intelligence management process and actions are taken either to refer it to a LEAs for further investigations or keep the same under surveillance till further updates are received from the particular LEAs or any other related party. Also, some STRs are disseminated to relevant LEAs for their attention and suitable actions.

During the reporting period, the FID received 4 STRs, of which all were accepted, which is a drastic decrease as compared to previous year. While nine STRs have been received manually in the form of complains from external agencies during the year and is categorized as "others" in the table below.

**Table 3.1.1: Number of STRs submitted by REs (2021-2022-2023)**

<b>REs</b>	<b>2021 (Count)</b>	<b>2022 (Count)</b>	<b>2023 (Count)</b>
BoBL	37	19	2
BNBL	6	12	0
BDBL	6	2	1
DPNBL	1	0	1
TBL	0	0	0
Others	2	4	9
<b>Total</b>	<b>52</b>	<b>37</b>	<b>13</b>

### **3.1.2 Cash Transaction Reports (CTRs)**

Cash Transaction Reports are those transaction reports that the REs is mandated to submit to the FID under the Section 74 of the AML and CFT Act of Bhutan 2018 and it includes cash transactions of the value which equals to or exceeds Nu.300,000.00 which is prescribed in the AML and CFT Rules and Regulations 2022.

**Table 3.1.2: Details of CTRs submitted by REs (2022-2023) Nu in Million**

RE	2022				2023			
	Credit		Debit		Credit		Debit	
	Count	Amount(M)	Count	Amount(M)	Count	Amount(M)	Count	Amount(M)
BoBL	736,052	949,676.28	14,793,254	1,488,257.76	5,531,940	1,158,342.30	33,851,954	2,090,389.81
BNBL	12,416	10,769.25	12,384	9,014.41	64,796	15,004.58	54,470	22,190.62
BDBL	17,672	7,564.31	15,106	7,119.64	1,488,305	753,024.59	471,545	752,039.48
DPNBL	22,945	118,930.95	23,545	114,406.92	25,849	144,174.01	26,819	138,172.63
TBL	830,448	56,425.11	109,040	57,097.94	1,526,770	92,354.85	249,038	90,334.06
<b>Total</b>	<b>1,619,533</b>	<b>1,143,365.91</b>	<b>14,953,329</b>	<b>1,675,896.68</b>	<b>8,637,660</b>	<b>2,162,900.33</b>	<b>34,653,826</b>	<b>3,093,126.60</b>

During the reporting period 2023, the FID received a total of 43,291,486 CTRs from the banks. As compared to previous reporting period of 2022, the department has recorded a drastic increase of CTRs submitted to the tune of 26,718,624. This increase in the number of CTRs submitted is attributed to the regulatory requirement that the banks are mandated to report transactions exceeding the threshold limit conducted through digital banking since July 2022 as stipulated under the Section 143 of the AML and CFT Rules & Regulations 2022.

The Bank of Bhutan Limited recorded a substantial increase in CTRs counts by 23,854,588 during the review period followed by Bhutan Development Bank Limited with 1,927,072.

### 3.1.3 Wire Transfer Reports (WTR)

Wire transfer reports as stipulated under the Section 75 of the AML and CFT Act of Bhutan 2018 includes the crossborder wire transfer. The crossborder wire transfer are initiated in one country and settled in another, covering both inflows and outflows.

**Table 3.1.3: Details of WTR transactions initiated by REs (2022-2023) Nu in Million**

REs	2022				2023			
	Inflow		Outflow		Inflow		Outflow	
	Count	Amount	Count	Amount	Count	Amount	Count	Amount
BoBL	12,575	16,398.44	140,173	71,257.71	28,022	39,299.10	164,580	92,624.33
BNBL	13,517	16,608.53	46,890	26,282.67	29,741	10,098.16	36,246	20,185.65
DPNB	4,370	19,671.55	36,630	14,546.03	5,434	24,521.43	43,567	17,306.92
TBL	1,308	5,039.19	26,031	12,965.41	1,927	4,228.85	20,430	11,553.32
BDBL	-	-	1,805	453.39			297	120.59
<b>Total</b>	<b>31,770</b>	<b>57,717.72</b>	<b>251,529</b>	<b>125,505.21</b>	<b>65,124</b>	<b>78,147.54</b>	<b>265,120</b>	<b>141,790.80</b>

During the reporting period, the FID received a total of 330,244 WTR transaction reports from the banks. The BoBL submitted highest number of WTR reports followed by BNBL, DPNBL,

TBL and BDBL. However, as compared to previous reporting period, the FID recorded an overall increase in WTR report submitted, by 16.57 percent.

### 3.1.4 Other Transaction Reports (OTRs)

Other transaction reports includes the Money Value or Transfer Services (MVTS), Insurance (INS), Securities Broker (SB). The table below shows the different OTRs submitted by the respective REs to FID.

REs	MVTS	INS	SB
BoBL	√	×	√
BDBL	×	×	√
BNBL	√	×	√
DPNBL	×	×	×
TBL	√	×	×
RICBL	×	√	√
BIL	×	√	×
Bhutan Post	√	×	×

#### 3.1.4 (a) Money Value or Transfer Services (MVTs)

According to the FATF, “money or value transfer services (MVTS) refers to financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the MVTS provider belongs.

The table below shows the number and amount of MVTS transactions conducted by four reporting entities during the reporting period. The common MVTS operating in Bhutan through banks and postal corporation are (1) Money Gram, (2) Western Union, (3) RIA Money Transfer and (4) Prabhu Money Transfer.

**Table 3.1.4(a): Details of MVTS Transactions Initiated by REs in Nu (Million)**

MVTSs	2022		2023	
	Count	Amount	Count	Amount
<b>Money Gram</b>	5,884	252.37	6,102	284.69
<b>Western Union</b>	28,974	912.22	28,676	989.97
<b>RIA Money Transfer</b>	18,031	798.44	34,587	1,786.47
<b>Prabhu Money Transfer</b>	18,754	2,044.04	16,714	2,167.93
<b>Total</b>	<b>71,643</b>	<b>4,007.07</b>	<b>86,079</b>	<b>5,229.05</b>

During the reporting period, the FID received a total of 86,079 MVTS transaction reports from the banks. All three MVTS saw a decrease trend during the period while RIA Money Transfer service saw a substantive increase. The FID witnessed an overall increase of MVTS reports submitted by 20.15 percent during the reporting period as compared to previous year.

### 3.1.4 (b) Securities Brokers (SBs)

The Securities Brokers are required to submit Securities Brokers Report to the FID in line with Section 37 (1) and the Section 75 of the AML/CFT Act of Bhutan 2018. The REs shall submit the OTR-SBs to the FID within tenth day of the succeeding month. The table below shows the number and amount of Securities Brokers (SBs) report submitted to the FID by four reporting entities during the reporting period.

**Table 3.1.4 (b): Details of SBs Transactions Initiated by REs in Nu (Million)**

Securities Brokers	2022		2023		Difference	
	Count	Amount	Count	Amount	Count	Amount
<b>BoBL Securities</b>	1,564	60.90	3,090	128.96	1,526	68.07
<b>BNBL Securities</b>	8,122	282.17	5,267	229.37	(2,855)	(52.80)
<b>BDBL Securities</b>	0	0	-	0	-	-
<b>RICBL Securities</b>	2,959	3,167.89	6,187	346.22	3,228	(2,821.68)
<b>Total</b>	<b>12,645</b>	<b>3,510.96</b>	<b>14,544</b>	<b>704.55</b>	<b>1,899</b>	<b>(2,806.41)</b>

During the reporting period 2023, the FID received a total of 14,544 SBs transaction reports from the SBs as compared to previous reporting period 2022, the department has witnessed an overall increase of SBs report submitted, by 15.02 percent.

### 3.1.4 (c) Insurance (INS)

In pursuant to the Section 37 (1) and Section 74 of the AML/CFT Act, the insurance companies are required to submit cash transaction report on loan repayment and insurance premium transactions as follow:

- a) All loan repayment cash transactions exceeding Nu 300,000.00
- b) All insurance premium transactions (cash/cheque/transfers) above Nu 50,000.00

The REs shall submit the OTR-INS to the FID within tenth day of the succeeding month. The table below shows the number of insurance (INS) report along with accumulated amount submitted to the FID by the two reporting entities during the reporting period.

**Table 3.1.4 (c): Details of INS transactions initiated by REs in Nu (Million)**

INS	2022		2023		Difference	
	Count	Amount	Count	Amount	Count	Amount
<b>RICBL</b>	3,291	1,110.35	3,123	930.30	(168)	(180.04)
<b>BIL</b>	78	26.42	50	20.04	(28)	(6.39)
<b>Total</b>	<b>3,369</b>	<b>1,136.77</b>	<b>3,173</b>	<b>950.34</b>	<b>(196)</b>	<b>(186.43)</b>

During the reporting period, the FID received a total of 3,173 INS transaction reports from the insurance companies. As compared to previous reporting period 2022, the department witnessed a decrease of INS reports submitted, by 5.82 percent.

### 3.2 Dissemination of Intelligence Reports (IRs)

The IRs are those reports that the FID has shared, either on their own or upon request by any LEAs, where there is a suspicion that ML, TF, or other predicate offence has taken or is about to take place. During the reporting period, the FID has shared 11 IRs to the LEAs. The following shows the number of STRs received, analyzed by the FID and IRs disseminated to relevant LEAs and cases closed.

Figure 3.2(a): Number of STRs received in the FID

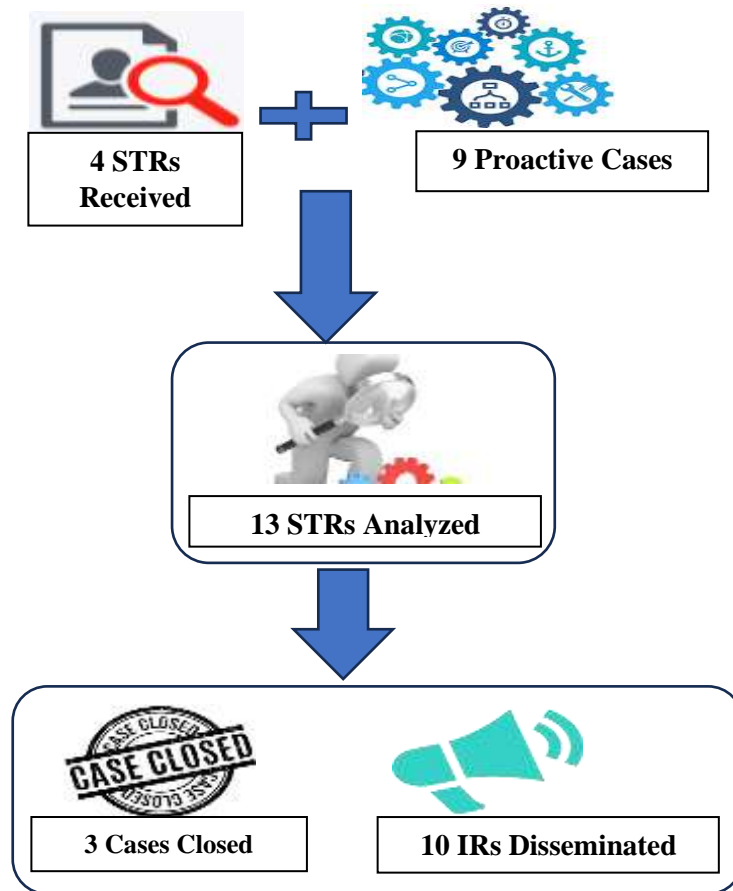
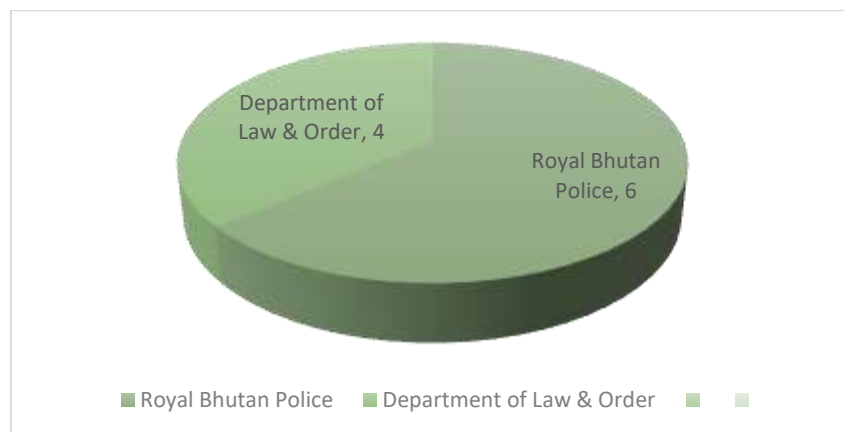


Figure 3.2(b): Number of IRs shared to different LEAs.



Out of 4 STRs and nine proactive cases, 2 STRs constituting 50 percent and 8 proactive cases were shared with LEAs for an appropriate action. Out of 4 STRs received, 2 STRs and 1 proactive case were closed upon analysis as the prima facie findings did not indicate ML and



TF offenses. The highest number of IR shared was with the Royal Bhutan Police for being the relevant LEA of the predicate offense committed.

### 3.3 Requests from and to Relevant Domestic LEAs

The FID receives numerous information requests from relevant domestic LEAs as well as the department also sought information from the domestic LEAs.

**Table 3.3: Details of information exchanged with domestic LEAs (2022 and 2023)**

Particulars	2022	2023
Requests from LEAs	32	43
Requests Responded by FID	32	23
Requests to LEAs	0	1
Requests Responded by LEAs	0	1

### 3.4 Requests from and to Foreign FIUs

During the reporting period, the FID sent two requests to foreign FIUs requesting for information to facilitate in analyzing the STRs.

**Table 3.4: Details of information exchanged with Foreign FIUs (2022 and 2023)**

Particulars	2022	2023
Requests from Foreign FIUs	0	0
Requests to Foreign FIUs	0	2

### 3.5 Monitoring and Supervision

Section 38 (2) of the AML and CFT Act mandates the supervisors to undertake the AML and CFT supervision of the Reporting Entities. Further, sections 39 (1) and 40 of the AML and CFT Act have identified FID/RMA to supervise the business and activities licensed or registered under the Financial Service Act of Bhutan 2011. To ensure the reporting entities compliance, in year 2023 FID carried out the following activities:

Year	Conduct AML/CFT onsite examination	Reporting Entities
2022	2	Druk Punjab National Bank (DPNB) and Bhutan National Bank Limited (BNBL)
2023	2	Bhutan Development Bank Limited (BDBL) and Tashi Bank Limited (TBL)

**To conduct AML/CFT onsite examination, key areas were assessed**



## SECTION IV: FORGING ALLIANCES AND COOPERATION

### 4.1 MoUs Signed with International Counterparts

The FID has been engaging with international counterparts to collaborate on the widest range of money laundering, associated predicate offences and terrorist financing, in line with Section 37 (9) of the AML and CFT Act of Bhutan 2018 and as advocated under Recommendation 40 of the FATF. During the reporting period, the FID has signed MoUs with Financial Intelligence Center (FIC) of the Republic of South Africa and Financial Intelligence Unit (FIU) of the United Republic of Tanzania. The total number of MoUs signed with foreign FIUs as of 2023 stands at 16.

**Table 4.1: Total MoUs signed with foreign FIUs**

SL No	Name of FIUs	Date/Month/Year
1	Financial Intelligence Unit (FIU), Bangladesh	17 <sup>th</sup> July 2014
2	Korea Financial Intelligence Unit, South Korea	17 <sup>th</sup> July 2014
3	Financial Intelligence Unit of Central Bank of Sri Lanka, Sri Lanka	16 <sup>th</sup> July 2017
4	Cambodia Financial Intelligence Unit, Cambodia	19 <sup>th</sup> July 2017
5	Myanmar Financial Intelligence Unit (FIU), Myanmar	31 <sup>st</sup> October 2017
6	Financial Intelligence Unit (FIU-IND), India	26 <sup>th</sup> July 2018
7	Financial Intelligence and Enforcement Department, Bank Negara Malaysia	19 <sup>th</sup> August 2019
8	Financial Intelligence Unit (FIU), Philippines	20 <sup>th</sup> August 2019
9	Financial Information Unit of Nepal, Nepal	2 <sup>nd</sup> December 2020
10	Financial Intelligence Unit (FIU), Maldives Monetary Authority of Maldives	4 <sup>th</sup> April 2021
11	Anti- Money Laundering Office (AMLO), Thailand	29 <sup>th</sup> April 2021
12	Anti-Money Laundering Intelligence Office, Lao PDR	27 <sup>th</sup> May 2021
13	Australian Transaction Reports and Analysis Centre (AUSTRAC), Australia	8 <sup>th</sup> February 2022
14	Japan Financial Intelligence Center, Japan	27 <sup>th</sup> May 2022
15	Financial Intelligence Center (FIC) of the Republic of South Africa	17 <sup>th</sup> January 2023
16	Financial Intelligence Unit (FIU) of the United Republic of Tanzania	3 <sup>rd</sup> November 2023

The FID is able to exchange information and intelligence with Egmont Group FIUs for ML, TF, and predicate offences investigation. The FID is also authorized to exchange information with foreign FIUs freely without necessity of having MoUs or formal arrangements.

#### 4.2 MoUs Signed with Domestic Agencies

During the reporting period, the FID has signed MoUs the Commission for Religious Organization for collection of information to facilitate its intelligence development. As of the reporting period, the FID has signed 13 MoUs with domestic agencies.

2014	• Anti-Corruption Commission (9 <sup>th</sup> July)
2017	• Bhutan Narcotic Control Authority (7 <sup>th</sup> July)
2018	• Royal Bhutan Police (20 <sup>th</sup> February) • Royal Civil Society Organizations Authority (20 <sup>th</sup> February) • Department of Revenue & Customs (23 <sup>rd</sup> November)
2019	• Tourism Council of Bhutan (12 <sup>th</sup> June) • Department of Immigration (12 <sup>th</sup> June)
2020	• Department of Census and Civil Registration (3 <sup>rd</sup> March) • Road Safety & Transport Authority (3 <sup>rd</sup> March)
2021	• Department of Cottage and Small Industries (14 <sup>th</sup> May)
2022	• Department of Trade, MoEA (31 <sup>st</sup> March) • Department of Land Administration and Management, NLCS (29 <sup>th</sup> March)
2023	• Commission for Religious Organization (CRO), (6 <sup>th</sup> November 2023)

## SECTION V: CAPACITY BUILDING/STAFF TRAINING

### 5.1 Professional Development of FID Officials

During 2023, FID officials participated in four international training, workshop and meeting opportunities. One of the trainings was sponsored by the International Monetary Fund (IMF) and the rest three was sponsored by the Royal Monetary Authority of Bhutan.

Sl.no	Date	Training/workshop/Meetings	Sponsored Institution	No. of officials attended
1	July 2023	Enhancing Beneficial Ownership Transparency Frameworks	IMF/Singapore	1
2	July 2023	APG Annual Meeting	RMA	2
3	July 2023	Egmont Plenary Meeting	RMA	2
4	November 2023	APG Typologies	RMA	3

The FID's involvement in such platforms have proven invaluable, providing opportunities for capacity building, knowledge exchange, understanding of evolving financial regulations and strengthened collaborative partnerships with both domestic and international counterparts. This engagement underscores the FID's commitment to staying abreast of global best practices and fostering effective strategies in combating financial crimes within its jurisdiction.

### 5.2 Awareness Program and Capacity Building of Reporting Entities & LEAs

The effectiveness of an FIU largely relies on the reporting entity's capability to proficiently identify and report transactions. Ongoing AML & CFT awareness programs and capacity-building initiatives enhance employees' awareness of the latest ML, TF & PF risks, thus enabling them to effectively mitigate such risks. In consideration to that, FID continued to raise its awareness campaign even much more so than last year. FID conducted 5 successful awareness programmes in 2023 with the participation of more than 160 individuals representing Reporting Entities, Law Enforcement Authorities and other relevant stakeholders to enhance the effectiveness of the AML/CFT regime in the country. Two of the awareness programmes were conducted in collaboration with Financial Institution Training Institute (FITI). With the recent increase of financial scams in the country, FID issued and published two printed and electronic media notifications to raise public awareness on such issues.

Sl.no	Date	Topic	Duration	No of attendees	Participants
1	May 2023	Awareness Session on FATF Rec. 8: Non-Profit Organizations (NPOs)	1 day	20	Commission for Religious Organizations (CRO), Civil Society Organisation Authority (CSOA) and CSOs
2	June 2023	Training/Awareness session on AML/CFT to LEA	3 days	20	Anti-Corruption Commission
3	August 2023	Training/Awareness session on AML/CFT to banks	3 days	13	All the banks and non-banks
4	October 2023	Familiarization session on physical cross-border transportation of currency and bearer negotiable instrument (BNI). The session also included awareness on AML/CFT and BFIAS user training.	10 days	100	All banks, Department of Revenue (DRC) and Custom and Department of Immigration (DoI)
5	October 2023	AML/CFT awareness for AMLCOs and BFIAS user training	1 day	15	All banks

**Figure 5.2(a): Awareness session on AML/CFT to REs**



## **SECTION VI: IMMEDIATE PRIORITIES**

### **6.1 Mutual Legal Assistance (MLA) Act**

Countries should rapidly, constructively and effectively provide the widest possible range of mutual legal assistance in relation to money laundering, associated predicate offences and terrorist financing investigations, prosecutions, and related proceedings. Countries should have an adequate legal basis for providing assistance and, where appropriate, should have in place treaties, arrangements or other mechanisms to enhance cooperation.

Ever since the adoption of MER in 2016, Bhutan has consistently been rated as non-compliant on FATF's Recommendation 37. As such, the immediate priority for Bhutan is to enact a law on mutual legal assistance (MLA). The MLA bill has been drafted with the technical assistance (TA) from International Monetary Fund (IMF) and has been put up to the Committee of Secretaries (CoS) for onward submission to the parliament.

### **6.2 Second National Risk Assessment (NRA)**

The NRA is a pivotal component of FATF Recommendation 1 that will facilitate Bhutan's implementation of the Risk-Based Approach (RBA). The NRA process allows a country to identify, assess and understand its money laundering and terrorist financing risks. Once these risks are properly understood, it will pave way for the formulation of an action plan and aid in the identification of any essential remedial measures, such as adjustments to legislation or allocation of resources

In March 2017, Bhutan formulated and implemented its initial National Risk Assessment (NRA) process by adopting the IMF methodology. However, with the passage of time, there has been numerous technology and financial system advancement. As such, this has necessitated an evaluation of new risks and vulnerabilities. In consideration to that, the FID commenced the process of revising Bhutan's NRA in collaboration with IMF. The IMF delegation conducted its initial on-site mission in Bhutan from 6<sup>th</sup> April -16<sup>th</sup> April, 2023. The second mission is due in May 2024.

## Annexure I: FATF 40 Recommendations

Number	Old Number <sup>1</sup>	
<b>A – AML/CFT POLICIES AND COORDINATION</b>		
1	-	Assessing risks & applying a risk-based approach *
2	R.31	National cooperation and coordination *
<b>B – MONEY LAUNDERING AND CONFISCATION</b>		
3	R.1 & R.2	Money laundering offence *
4	R.3	Confiscation and provisional measures *
<b>C – TERRORIST FINANCING AND FINANCING OF PROLIFERATION</b>		
5	SRII	Terrorist financing offence *
6	SRIII	Targeted financial sanctions related to terrorism and terrorist financing *
7		Targeted financial sanctions related to proliferation *
8	SRVIII	Non-profit organisations *
<b>D – PREVENTIVE MEASURES<sup>2</sup></b>		
9	R.4	Financial institution secrecy laws <i>Customer due diligence and record keeping</i>
10	R.5	Customer due diligence*
11	R.10	Record keeping <i>Additional measures for specific customers and activities</i>
12	R.6	Politically exposed persons *
13	R.7	Correspondent banking *
14	SRVI	Money or value transfer services *
15	R.8	New technologies *
16	SRVII	Wire transfers *
<i>Reliance, Controls and Financial Groups</i>		
17	R.9	Reliance on third parties *
18	R.15 & R.22	Internal controls and foreign branches and subsidiaries *
19	R.21	Higher-risk countries *
<i>Reporting of suspicious transactions</i>		
20	R.13 & SRIV	Reporting of suspicious transactions *
21	R.14	Tipping-off and confidentiality
<i>Designated non-financial Businesses and Professions (DNFBPs)</i>		
22	R.12	DNFBPs: Customer due diligence *
23	R.16	DNFBPs: Other measures *

<sup>2</sup> Recommendations 9-21 is applicable for financial institutions.



<b>E – TRANSPARENCY AND BENEFICIAL OWNERSHIP OF LEGAL PERSONS AND ARRANGEMENTS</b>		
<b>24</b>	R.33	Transparency and beneficial ownership of legal persons *
<b>25</b>	R.34	Transparency and beneficial ownership of legal arrangements *
<b>F – POWERS AND RESPONSIBILITIES OF COMPETENT AUTHORITIE AND OTHER INSTITUTIONAL MEASURES</b>		
<i>Regulation and Supervision</i>		
<b>26</b>	R.23	Regulation and supervision of financial institutions *
<b>27</b>	R.29	Powers of supervisors
<b>28</b>	R.24	Regulation and supervision of DNFBPs *
<i>Operational and Law Enforcement</i>		
<b>29</b>	R.26	Financial intelligence units *
<b>30</b>	R.27	Responsibilities of law enforcement and investigative authorities *
<b>31</b>	R.28	Powers of law enforcement and investigative authorities
<b>32</b>	SRIX	Cash couriers *
<i>General Requirements</i>		
<b>33</b>	R.32	Statistics
<b>34</b>	R.25	Guidance and feedback
<i>Sanctions</i>		
<b>35</b>	R.17	Sanctions
<b>G – INTERNATIONAL COOPERATION</b>		
<b>36</b>	R.35 & SRI	International instruments
<b>37</b>	R.36 & SRV	Mutual legal assistance
<b>38</b>	R.38	Mutual legal assistance: freezing and confiscation *
<b>39</b>	R.39	Extradition
<b>40</b>	R.40	Other forms of international cooperation *
1. The ‘old number’ column refers to the corresponding 2003 FATF Recommendation.		
* Recommendations marked with an asterisk have interpretive notes, which should be read in conjunction with the Recommendation.		