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Financial Intelligence Department

**Annual Report**

**2022**

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## Acronyms

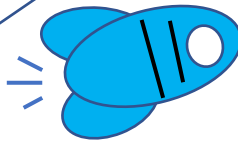
NCC	National Coordination Committee
FID	Financial Intelligence Department (FIU or Financial Intelligence Unit)
AML and CFT	Anti-Money Laundering and Countering of Financing of Terrorism
ML	Money Laundering
TF	Terrorist Financing
PF	Proliferation Financing
FATF	Financial Action Task Force
FSRB	FATF Styled 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) 2022 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 2022.

**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 2022, 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**

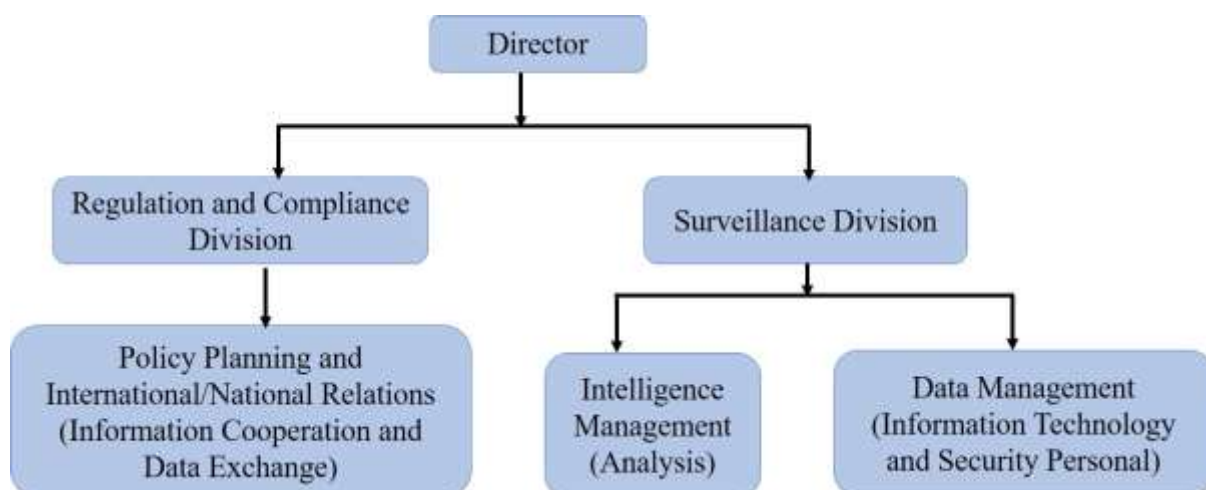
This hybrid type of arrangement is an attempt to obtain the advantages of all the elements put together. Some FIUs combine the features of administrative-type and law-enforcement-type FIUs, while others combine the powers of the customs office with those of the police. Seychelles is in the process of 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)

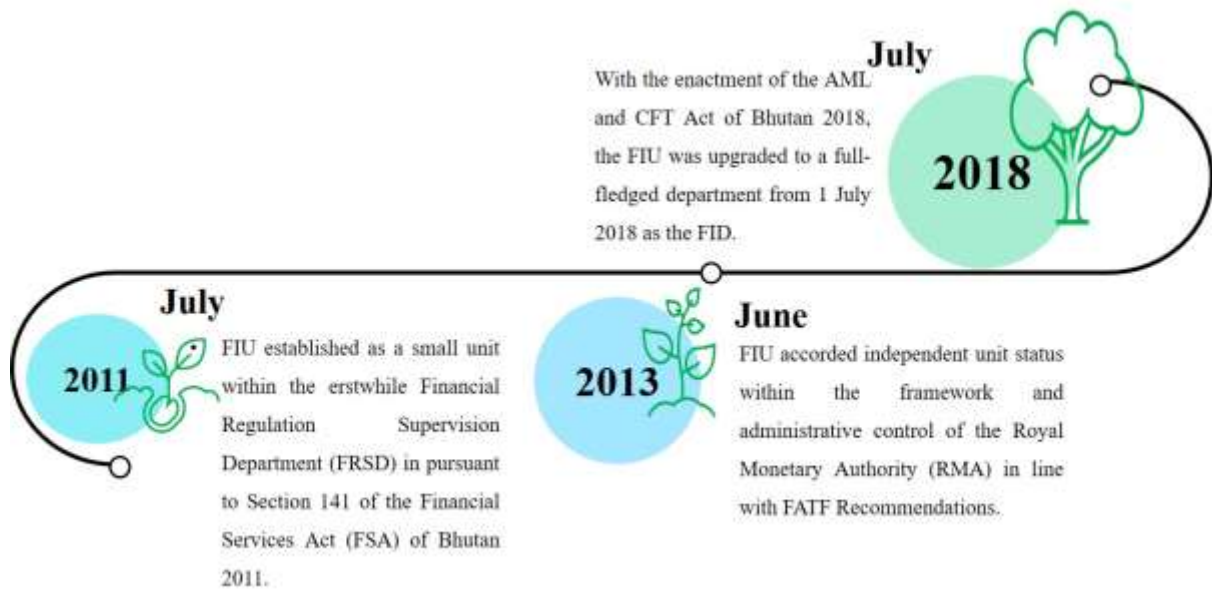
The money laundering (ML) and terrorist financing (TF) are serious offences which can take years to investigate and prosecute successfully. It is for such reasons that criminals will take any means necessary to obscure the money trail leading back to the underlying crime so that they may avoid detection,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



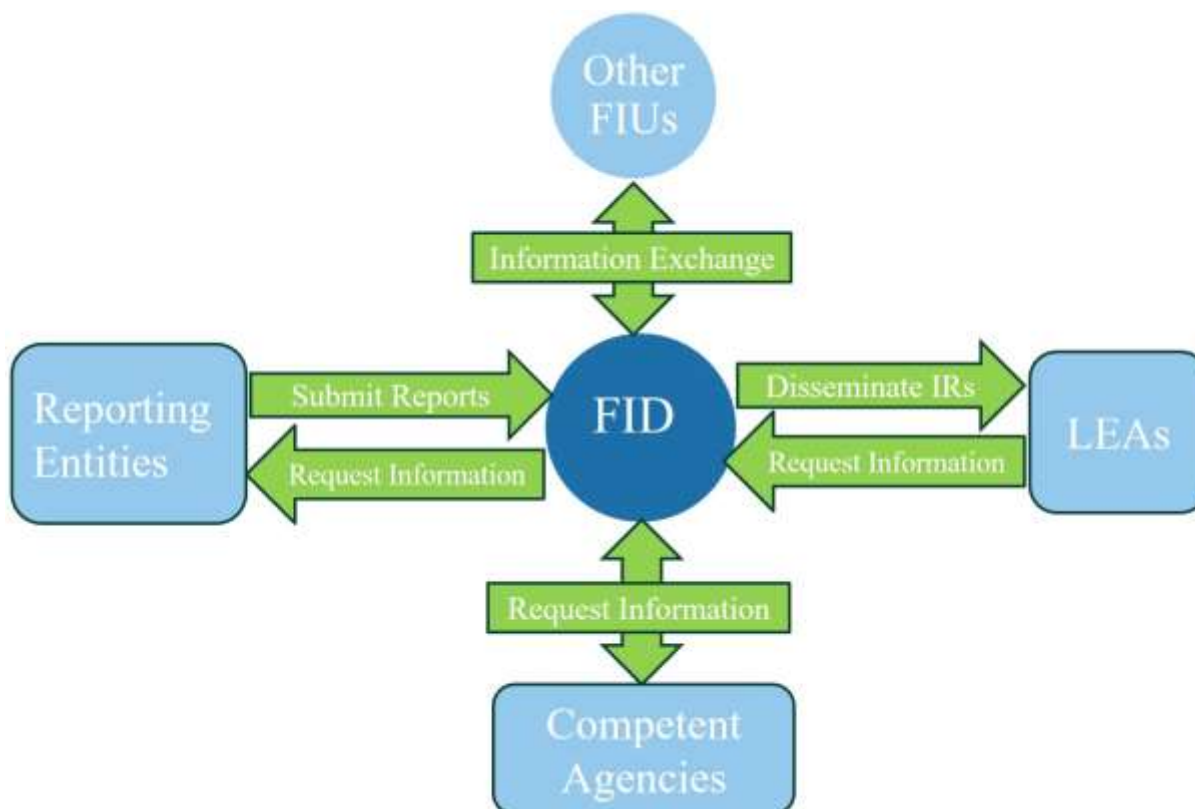
**Figure 1.5 (b): The Evolution of Financial Intelligence Department in Bhutan**



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. 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. 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 2022 is provided in the table 1.6 below.

**Table 1.6: Reporting Entities in 2022**

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, 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 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 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 12<sup>th</sup> NCC meeting was held on 7<sup>th</sup> December, 2022.

**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

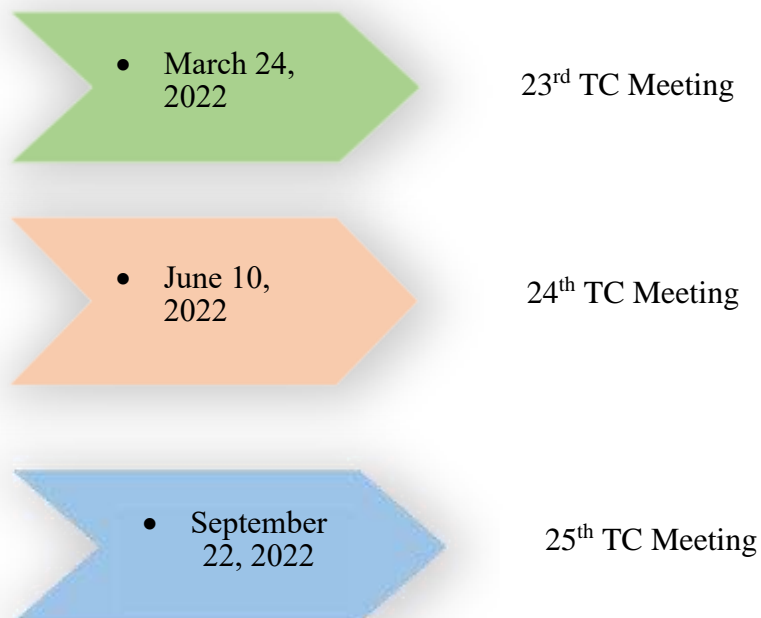


Mrs. Leki Wangmo  
Acting Secretary  
MoF

### 1.8 Technical Committee (TC)

The Section 17 of the AML and CFT Act 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 I 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 and the section 5 of AML and CFT Rules and Regulations 2018.

**Figure 1.8: Number of Technical Committee Meetings held during 2022**





## 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 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.

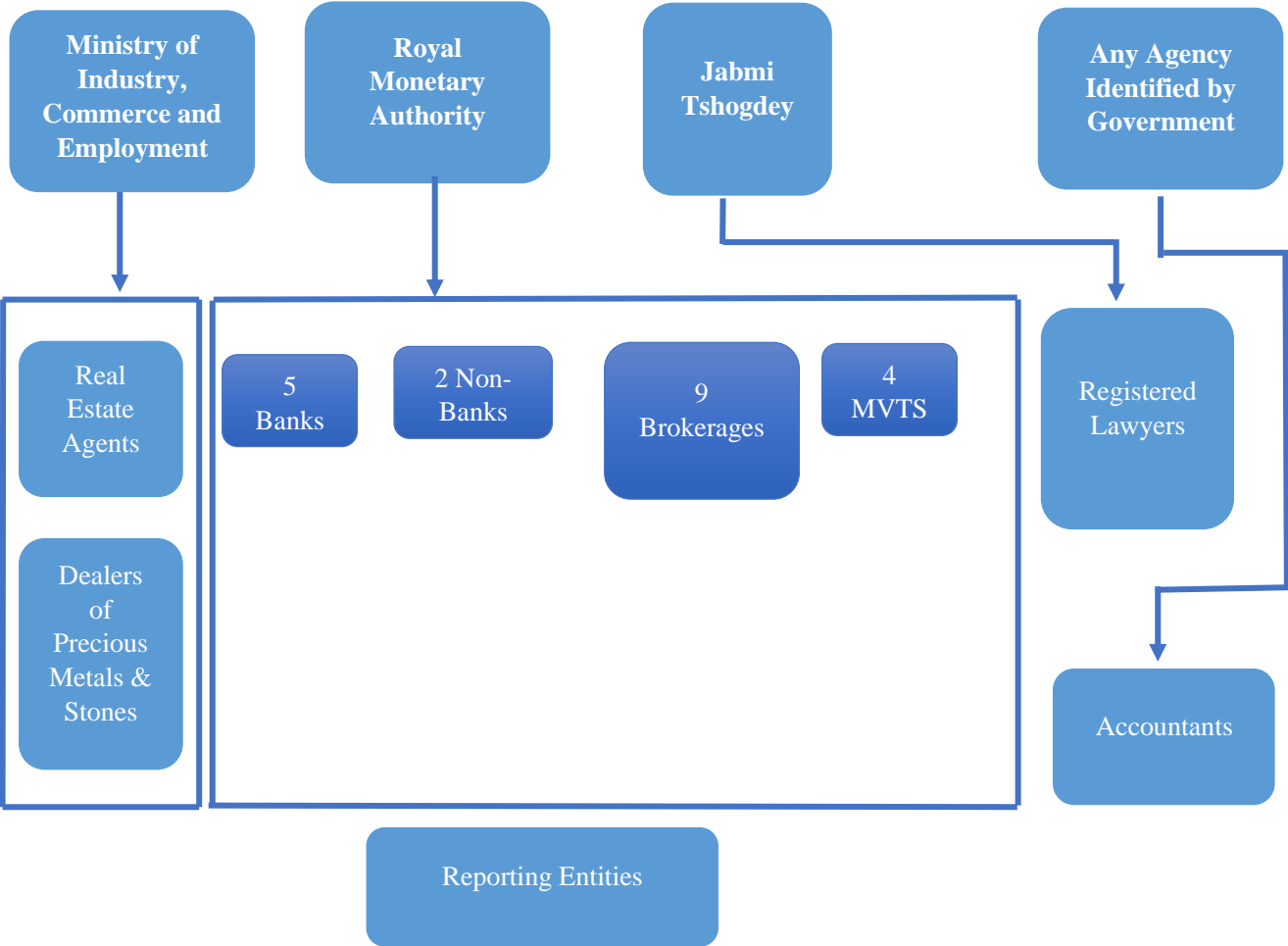
Predicate offences have been explicitly elaborated in section 160 and 161 of the AML and CFT Act.

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

The Section 50 of the AML and CFT Act 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 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 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 55 STRs, of which 33 were accepted, which is a decrease of 10.8 percent as compared to previous year. While four 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)**

<b>REs</b>	<b>2021 (Count)</b>	<b>2022 (Count)</b>
BoBL	37	19
BNBL	6	12
BDBL	6	2
DPNBL	1	0
TBL	0	0
Others	2	4
<b>Total</b>	<b>52</b>	<b>37</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 (2021-2022) Nu in Million**

REs	2021				2022			
	Credit		Debit		Credit		Debit	
	Count	Amount	Count	Amount	Count	Amount	Count	Amount
BoBL	126,152	29,432.14	93,344	25,391.53	736,052	949,676.28	14,793,254	1,488,257.76
BNBL	10,799	7,718.50	9,527	6,827.64	12,416	10,769.25	12,384	9,014.41
BDBL	19,142	3,605.32	9,882	3,619.51	17,672	7,564.31	15,106	7,119.64
DPNBL	8,301	5,558.68	4,070	3,211.20	5,565	4,523.21	3,826	3,016.49
TBL	4,925	13,986.85	3,337	12,787.58	830448	56,425.11	109,040	57,097.94
<b>Total</b>	<b>169,319</b>	<b>60,301.49</b>	<b>120,160</b>	<b>51,837.46</b>	<b>1,602,153</b>	<b>1,028,958.16</b>	<b>14,933,610</b>	<b>1,564,506.25</b>

During the reporting period 2022, the FID received a total of 16,535,763 CTRs from the banks. As compared to previous reporting period of 2021, the department has recorded a drastic increase of CTRs submitted to the tune of 16,246,284. 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 starting 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 15,309,810 during the review period followed by T Bank Limited with 931,226.

### 3.1.3 Wire Transfer Reports (WTR)

Wire transfer reports as stipulated under the Section 75 of the AML and CFT Act 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 (2021-2022) Nu in Million**

Banks	2021				2022			
	Inflow		Outflow		Inflow		Outflow	
	Count	Amount	Count	Amount	Count	Amount	Count	Amount
BoBL	17,596	24,607.60	124,275	93,939.77	12,575	16,398.44	140,173	71,257.71
BNBL	8,101	8,271.22	24,052	15,957.26	13,517	16,608.53	46,890	26,282.67
DPNBL	4,887	25,391.51	56,904	13,136.12	4,370	19,671.55	36,630	14,546.03
TBL	1,439	4,265.74	25,543	8,580.93	1,308	5,039.19	26,031	12,965.41
BDBL	-	-	850	268.87	-	-	1,805	453.39
<b>Total</b>	<b>32,023</b>	<b>62,536.06</b>	<b>231,624</b>	<b>131,882.96</b>	<b>31,770</b>	<b>57,717.72</b>	<b>251,529</b>	<b>125,505.21</b>

During the reporting period, the FID received a total of 283,299 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 7.45 percent.

### 3.1.4 Other Transaction Reports (OTRs)

Other transaction reports includes the 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 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)**

MVTs	2021		2022		Difference	
	Count	Amount	Count	Amount	Count	Amount
Money Gram	7,250	255.90	5,884	252.37	(1,366)	(3.53)
Western Union	36,395	1,051.57	28,974	912.22	(7,421)	(139.35)
RIA Money Transfer	11,364	578.23	18,031	798.44	6,667	220.21
Prabhu Money Transfer	31,470	5,280.30	18,754	2,044.04	(12,716)	(3,236.26)
<b>Total</b>	<b>86,479</b>	<b>7,166.00</b>	<b>71,643</b>	<b>4,007.07</b>	<b>(14,836)</b>	<b>(3,158.93)</b>

During the reporting period, the FID received a total of 71,643 MVTS transaction reports from the banks. All three MVTS saw a substantive decrease during the reporting period except RIA money transfer service. The FID witnessed an overall decrease of MVTS reports submitted 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. 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	2021		2022		Difference	
	Count	Amount	Count	Amount	Count	Amount
BoBL Securities	1,230	266	1,564	60.90	334	(205.10)
BNBL Securities	8,185	181	8,122	282.17	(63)	101.17
BDBL Securities	14	1	0	0	(14)	(1)
RICBL Securities			2,959	3,167.89	2,959	3,167.89
<b>Total</b>	<b>9,429</b>	<b>448</b>	<b>12,645</b>	<b>3,510.96</b>	<b>3,216</b>	<b>3,062.96</b>

During the reporting period 2022, the FID received a total of 12,645 SBs transaction reports from the SBs as compared to previous reporting period 2021, the department has witnessed an overall increase of SBs report submitted, by 34.11 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	2021		2022		Difference	
	Count	Amount	Count	Amount	Count	Amount
<b>RICBL</b>	2179	573.78	3291	1,110.35	1,112	536.57
<b>BIL</b>	939	244.00	78	26.42	(861)	(217.58)
<b>Total</b>	<b>3,118</b>	<b>817.78</b>	<b>3,369</b>	<b>1,136.77</b>	<b>251</b>	<b>318.99</b>

During the reporting period, the FID received a total of 3,369 INS transaction reports from the insurance companies. As compared to previous reporting period 2021, the department witnessed an increase of INS reports submitted, by 8.05 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 143 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.

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<sup>3</sup> 5 STRs clubbed in 1 IR relating to illegal repatriation of INR in collusion/deceptively with Bhutanese students in India.

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

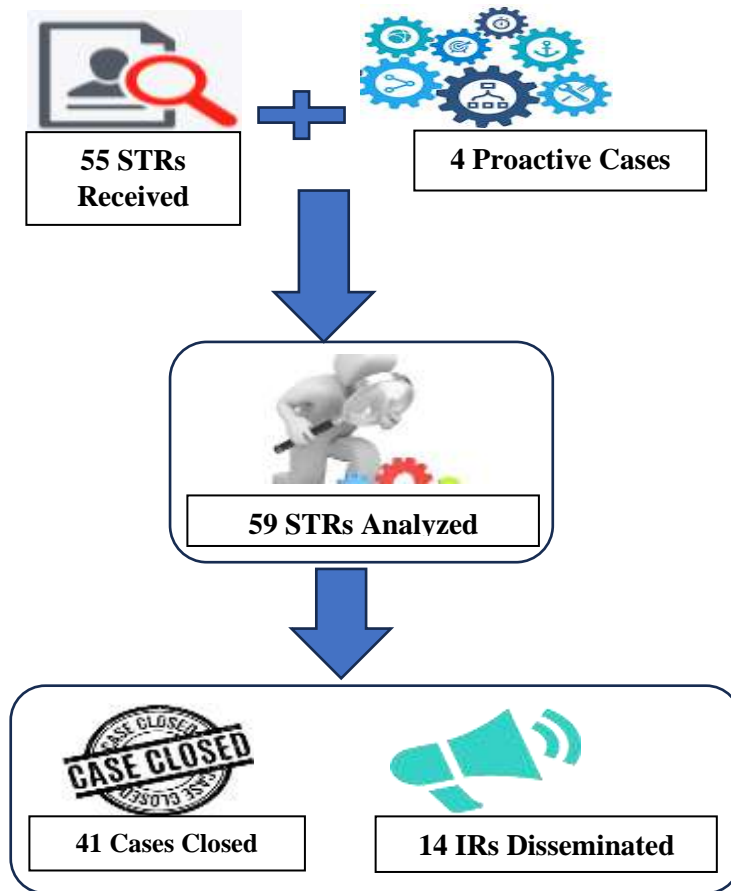
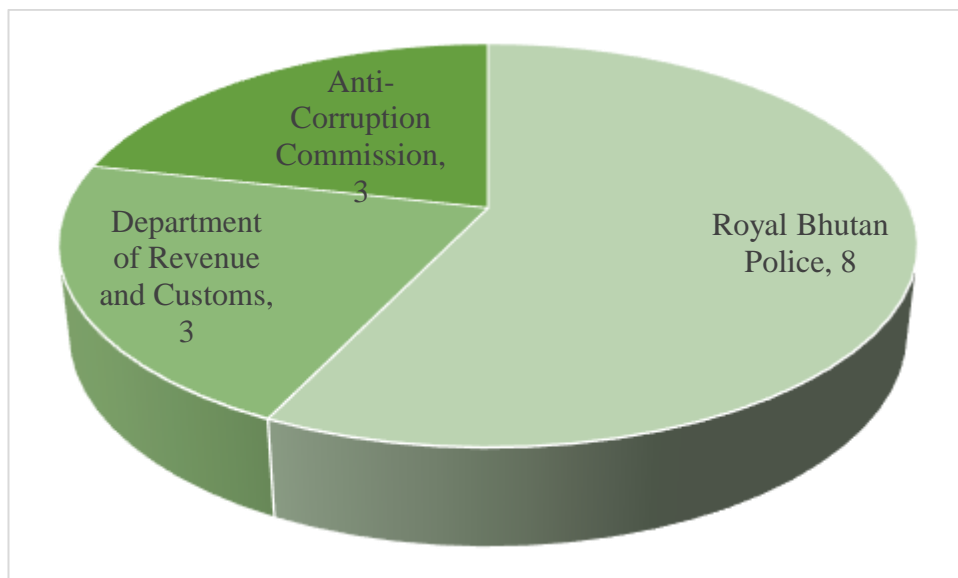


Figure 3.2(b): Number of IRs shared to different LEAs.





Out of 55 STRs and four proactive cases, only ten STRs constituting 30.30percent and all four proactive cases were shared with LEAs for an appropriate action. Out of 55 STRs received, 41 STRs 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 (2021 and 2022)**

Particulars	2021	2022
Requests from LEAs	14	32
Requests Responded by FID	14	32
Requests to LEAs	1	0
Requests Responded by LEAs	1	0

### 3.4 Monitoring and Supervision

Section 38 (2) of the AML and CFT Act mandates the supervisors to undertake the AML and CFT supervision of the REs. 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 monitoring and supervision more efficient and effective, the FID has been conducting onsite inspection to verify whether the banks:

- ❖ Are compliant with AML/CFT laws, regulations, and international best practices;
- ❖ Have adequate and robust CDD measures in place;
- ❖ Have effective systems for identifying and reporting suspicious transactions and activities to the appropriate authorities;
- ❖ Maintain accurate and up-to-date records of transactions, CDD information, and other relevant AML/CFT documentations;
- ❖ Provide adequate AML/CFT training to employees and raises awareness about the risks and responsibilities related to money laundering and terrorist financing;

- ❖ Manages oversight and governance related to AML/CFT to ensure that there is a strong commitment to compliance from the top level of management;
- ❖ Identify areas for improvement and to provide guidance and recommendations to enhance the institution's AML/CFT program continuously;
- ❖ Evaluate the effectiveness of the institution's internal controls and monitoring systems;
- ❖ Evaluate the institution's risk assessment processes, ensuring that they identify and understand the money laundering and terrorist financing risks associated with their products, services, customers, and geographic locations.

During the reporting period, the FID conducted onsite inspection of two banks as follows:

- |                                                                                       |
|---------------------------------------------------------------------------------------|
| 1. Druk PNB Bank Limited from 8 <sup>th</sup> – 16 <sup>th</sup> August 2022.         |
| 2. Bhutan National Bank Limited from 17 <sup>th</sup> – 26 <sup>th</sup> August 2022. |

## 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 FIUs of Australia and Japan. The total number of MoUs signed with foreign FIUs as of 2022 stands at 14.

**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

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 with Department of Trade, Ministry of Economic Affairs, and Department of Land Administration and Management, National Land Commission Secretariat for collection of information to facilitate its intelligence development. As of the reporting period, the FID has signed 12 MoUs with domestic agencies.

2014	<ul style="list-style-type: none"><li>• Anti-Corruption Commission (9<sup>th</sup> July)</li></ul>
2017	<ul style="list-style-type: none"><li>• Bhutan Narcotic Control Authority (7<sup>th</sup> July)</li></ul>
2018	<ul style="list-style-type: none"><li>• Royal Bhutan Police (20<sup>th</sup> February)</li><li>• Royal Civil Society Organizations Authority (20<sup>th</sup> February)</li><li>• Department of Revenue &amp; Customs (23<sup>rd</sup> November)</li></ul>
2019	<ul style="list-style-type: none"><li>• Tourism Council of Bhutan (12<sup>th</sup> June)</li><li>• Department of Immigration (12<sup>th</sup> June)</li></ul>
2020	<ul style="list-style-type: none"><li>• Department of Census and Civil Registration (3<sup>rd</sup> March)</li><li>• Road Safety &amp; Transport Authority (3<sup>rd</sup> March)</li></ul>
2021	<ul style="list-style-type: none"><li>• Department of Cottage and Small Industries (14<sup>th</sup> May)</li></ul>
2022	<ul style="list-style-type: none"><li>• Department of Trade, MoEA (31<sup>st</sup> March)</li><li>• Department of Land Administration and Management, NLCS (29<sup>th</sup> March)</li></ul>

## **SECTION V: CAPACITY BUILDING/STAFF TRAINING**

### **5.1 Professional Development of FID Officials**

In order to keep pace with global advancements in addressing increasing AML/CFT risks and effectively managing them, it is crucial to prioritize the professional development of staff knowledge and skills through timely training sessions and workshops. Capacity building is crucial for the employees to minimize over reliance on the outside expertise or Technical Assistance (TA). During the reporting period, the FID officials participated in conference and webinars as shown below:

1. International webinar on Virtual Assets Supervision and Investigation, 6-7 September, 2022
2. BNM-AFI virtual Member Training on Inclusive Financial Integrity, 15-17 November 2022
3. International conference dedicated to the co-operation between National Customs Authorities and FIU, 12-13 October 2022, Budapest, Hungary (In-Person).

The FID benefited from capacity development programs initiated by international organizations in line with new developments on ML, TF risk, and countermeasures through meetings, trainings, and workshops.

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

The success of FIU largely depends on the reporting entity's ability to effectively identify and report transactions. Regular AML & CFT related awareness and capacity-building programs enhance employees' observance about the latest ML, TF & PF risks and mitigate those risks. FID has been persistently and vastly trying to enhance the awareness of the REs on AML & CFT issues. All of these efforts ensure better compliance of the REs with applicable laws and rules & regulations thereunder. In line with such initiatives, FID organizes meetings and awareness programs for the REs from time to time in collaboration with the Financial Institution Training Institute in the country. However, in the midst of pandemic restrictions during the reporting period, the FID conducted the following awareness sessions, workshops, and trainings.

- |                                                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. A consultation workshop on AML & CFT Rules and Regulations was held on 7 <sup>th</sup> January 2022 with relevant participants from the REs. |
| 2. An awareness session on AML & CFT to the employees of RENEW Microfinance, June 2022.                                                         |
| 3. The 2 <sup>nd</sup> Financial Intelligence Annual Forum held on 27 <sup>th</sup> May 2022                                                    |

## **SECTION VI: IMMEDIATE PRIORITIES**

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

Ever since the adoption of MER in 2016, Bhutan is consistently 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 process will pave the 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 an elapse of considerable span of time, there has been numerous technology and financial system advancement. As such, this has necessitated an evaluation of new risks and vulnerabilities.

Following this, 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 April 6-16, 2023. The NRA is a pivotal component of FATF Recommendation 1 that will facilitate Bhutan's implementation of the Risk-Based Approach (RBA).

## 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>4</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>4</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.		