

ANNUAL REPORT 2018



Financial Intelligence Department
Royal Monetary Authority

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Acronyms

ACC	Anti-Corruption Commission
ADB	Asian Development Bank
AMC	Authorized Money Changer
AML and CFT	Anti-Money Laundering and Countering of Financing of Terrorism
BDBL	Bhutan Development Bank Ltd
BIL	Bhutan Insurance Ltd
BNBL	Bhutan National Bank Ltd
BNCA	Bhutan Narcotics and Control Authority
BOBL	Bank of Bhutan Ltd
CDD	Customer Due Diligence
CSOA	Civil Society Organization Authority
CTR	Cash Transaction Report
DIT	Department of Information Technology
DPNBL	Druk Punjab National Bank Ltd
DRC	Department of Revenue and Customs
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FID	Financial Intelligence Department
FUR	Follow-up Report
IR	Intelligence Report
LEA	Law Enforcement Agency
MER	Mutual Evaluation Report
MFA	Ministry of Foreign Affairs
ML	Money Laundering
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MoHCA	Ministry of Home and Culture Affairs
MoU	Memorandum of Understanding
MSB	Money Service Business
MVTS	Money Value Transfer Services
NCC	National Coordination Committee
NRA	National Risk Assessment
OAG	Office of the Attorney General

OTC	Over the Counter
OTR	Other Transaction Report
PF	Proliferation Financing
RBP	Royal Bhutan Police
RE	Reporting Entity
RICBL	Royal Insurance Corporation of Bhutan Ltd
RMA	Royal Monetary Authority
STR	suspicious Transaction Report
TF	Terrorist Financing
WTR	Wire Transfer Report

Message from the Chairman of National Coordination Committee



I am pleased to present the first ever Annual Report (AR) 2018 of the Financial Intelligence Department pursuant to Section 37 (10) of the Anti-Money Laundering and Countering of Financing of Terrorism (AML and CFT) Act of Bhutan 2018.

The FID, while serving as the Secretariat for the National Coordination Committee (NCC), the National level Committee responsible for coordinating the implementation of the National AML & CFT Strategy of

Bhutan, is responsible for combating money laundering (ML), countering terrorism financing (TF), and other predicate offences in line with international standards and recommendations.

Bhutan's commitment to preventing ML and countering of TF is evident from the fact that the AML & CFT Act of Bhutan 2018 not only upgraded FIU to an independent and autonomous Financial Intelligence Department within the RMA but also re-constituted the National Coordination Committee to comprise of the Governor of the Royal Monetary Authority of Bhutan (as Chairman), Chairperson of Anti-Corruption Commission, Secretary of Ministry of Home & Cultural Affairs, Secretary of Ministry of Foreign Affairs, Secretary of Ministry of Finance, Secretary of Ministry of Economic Affairs and Chief of Royal Bhutan Police as members.

Financial crime is a global threat and left unattended, it could erode the strength and credibility of a vibrant financial system that Bhutan has steadily built over the years. Rapid developments in technology and the emergence of newer payment methods/systems have rendered transfer of financial resources so easy and at such speed that monitoring and detection of financial crimes have not only become a complex task but also calls for ever increasing deployment of state resources for its suppression.

With the increased pace in the integration of global financial system, preventing financial crimes also calls for forging stronger and closer ties with both regional and international bodies responsible for combating and suppression of money laundering and terrorist financing through sharing of lessons/intelligence on ML, TF, PF and associated predicate crimes. The FID must ensure that financial intelligence disseminated to both domestic law enforcement agencies (LEAs) and foreign FIUs are relevant and actionable. The FID must take Bhutan's AML and CFT mandate seriously and be committed to protect Bhutan's reputation as a transparent and vibrant financial market without any compromise.

I take this opportunity to remind the FID staff to reaffirm their dedication in the service of *Tsa-Wa-Sum* and wish them success in their endeavours.

A handwritten signature in black ink, appearing to be 'Dasho Penjore', written in a cursive style.

Dasho Penjore

Governor

Royal Monetary Authority of Bhutan

Chairman - National Coordination Committee

Message from Head of FID Bhutan



The Annual Report 2018 is the first annual report being published by the Financial Intelligence Department (FID) of Royal Monetary Authority of Bhutan and its publication coincides with my first year as the Executive Director of the Department. FID, which is synonymous with what is commonly known as FIU (Financial Intelligence Units) in other countries/jurisdictions, is an independent and autonomous department established within the Royal Monetary Authority of Bhutan. It is the competent authority responsible for receiving (requesting), analyzing and disseminating information concerning suspected proceeds of crime and terrorist property, under the Anti-Money Laundering and Countering of Financing of Terrorism (AML and CFT) Act of Bhutan, 2018.

The Department hopes that the readers find the report informative in terms of providing an understanding of the key mandates of FID - its roles and responsibilities, its linkages with both domestic and international bodies responsible for combating ML and TF and essentially, as to how FID fits into the overall scheme of the AML and CFT agenda, both at the national and international level. The Annual Report 2018 is an attempt by the Department to highlight and present to the readers major developments that have taken place in 2018 on the AML and CFT front.

Some of the important developments that merit highlighting in this report may be summarized as follows:

AML Analytics System: FID being the repository for vast amounts of data received from reporting entities and to enhance the Department's capacity to analyze and transform these data into actionable financial intelligence, the RMA initiated the development of an IT analytical system with technical assistance from the ADB. Work relating to system requirement specification (SRS) has been completed and the Department is expected to have in place a robust IT system by the end of March 2020.

Membership to Egmont Group of FIUs: As a member of Asia Pacific Group (APG) on Money Laundering, one of the obligations that FID-Bhutan have to comply with is to apply for membership in the Egmont Group of FIUs in line with FATF Recommendation 29. The Egmont Group which currently comprises of 159 FIU member countries provide platform for secured and unhindered exchange of financial intelligence between members to combat ML and TF. With the technical guidance and expertise provided by the FIUs of Bangladesh and South Korea, FID made considerable progress in terms of strengthening its internal systems and procedures that are essential to meeting the various eligibility criteria for becoming a member of the Egmont Group.

Recruitment of an Expert: Recognizing the important need for an Expert in conducting operational and strategic analysis in order to chalk out a clear way-forward for the Department, the RMA took the initiative of recruiting an Expert who had worked in Anti-Corruption

Commission as a senior investigator. In addition, the RMA Management has also approved the Department's proposal to recruit 2 Analysts and 1 database Assistant.

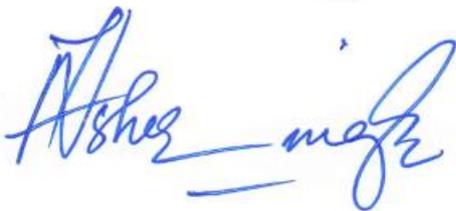
Improved Compliance level: With the Reporting Entities (banks) increasingly gaining better understanding of the risks and the associated adverse impacts of ML and TF resulting from weak implementation or compliance with AML and CFT requirements, the banks have now started to invest in and adopt AML IT solutions that are capable of providing effective and efficient monitoring and detection of suspicious transactions.

Suspicious Transaction Reports: FID received a total of 9 nos. of Suspicious Transaction Reports (STR) in 2018 from Reporting Entities and FID also disseminated a total of 4 intelligence reports to the Department of Revenue and Customs (DRC). The increase in the number of STR could be attributed to the increased awareness brought about by awareness trainings/workshops conducted for the Compliance personnel of the banks by both RMA and the banks themselves.

MoUs signed for information exchange: Given that an unimpeded and timely exchange of ML and TF related information with both domestic as well as foreign Law Enforcement Agencies is vital to the efficiency and effectiveness of the Department, the FID has signed MoU with Financial Intelligence Units of 6 APG member countries - Korea, Bangladesh, Sri Lanka, Myanmar, Cambodia, India, and 5 Domestic Agencies - ACC, DRC, RBP, BNCA, & CSOA.

The FIU remains ever vigilant of the challenges posed by new method of payment systems brought about by the emerging technologies that could present opportunities for those criminals seeking to commit financial crimes undetected. The Department looks forward to making FID's ecosystem more effective and efficient in combating ML and TF in Bhutan thus being able to protect the Bhutanese financial system from the menace of ML and TF.

Finally, I take this opportunity to thank RMA management and other relevant stakeholders/partners who work closely with FID on a day to day basis for rendering their unwavering support and cooperation in taking forward Bhutan's AML and CFT regime to measure up to the international standards.



(Namgay Tshering)
Executive Director
Financial Intelligence Department
Head of FID Bhutan

CHAPTER I: INTRODUCTION

1.1 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 Financial Action Task Force (FATF) sets the international standards (Recommendation 29), which the national FIUs have to confirm (text reproduced below).

“Countries should establish a financial intelligence unit (FIU) that serves as a national centre 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”

1.2 Financial Action Task Force



The Financial Action Task Force (FATF), also known by its French name Groupe d'action financière (GAFI), is an inter-governmental organization established in 1989 at the G-7 Summit in Paris to generate political will to combat money laundering. In 2001, it extended its mandate to include terrorism financing. The FATF reviews its member's progress in implementing the FATF's Recommendations¹ through peer review by mutual evaluation.

As of 2018, the FATF consists of 36 countries and 2 regional organisations. Bhutan is not a member of the FATF. There are 8 FATF- Style Regional Bodies (FATF-FSRs) which constitute a global network to combat ML, TF and proliferation financing (PF) of weapons of mass destruction (WMD).

¹ FATF Recommendations: In 1990, there were 40 Recommendations to combat ML. In 2003, the FATF issued 8 Special Recommendations to fight against TF, which by October 2004, consisted of 9 Special Recommendations. In February 2012, the FATF revised 40 R + 9 SR and issued 40 Recommendations to combat ML and TF.

The mandate of the FATF is to set standards and to promote effective implementation of legal, regulatory and operational measures for combating ML, TF and 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.

1.3 Asia/Pacific Group on Money Laundering



In February 1997 in Bangkok, Thailand; the Asia/Pacific Group on Money Laundering (APG) was founded by 13 countries as a FSRB. Bhutan became the member of APG in 2011 and APG’s current members’ strength is 41. The APG reviews its members through a process called mutual evaluation and it is a peer review. The mutual evaluation of its members is conducted to determine whether they comply, or to what extent they comply, with their obligations to implement the global AML and CFT standard.

Mutual evaluation consists of two ratings:

1. Technical Compliance; and
2. Effective Compliance.

The technical compliance evaluation addresses the specific requirements of the FATF Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. These represent the fundamental building blocks of an AML and CFT system. The technical compliance evaluation is rated based on the FATF 40 Recommendations. The five ratings of technical compliance evaluation are:

1	Compliant	C	There are no shortcomings.
2	Largely Compliant	LC	There are minor shortcomings.
3	Partially Compliant	PC	There are moderate shortcomings.
4	Non-Compliant	NC	There are major shortcomings.

The effective compliance evaluation seeks to assess the adequacy of the implementation of the FATF Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML and CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected result. The effective compliance evaluation is rated based on the 11 Immediate Outcomes (IOs). The four ratings of effective compliance evaluation are:

1	High level of effectiveness	The IO is achieved to a very large extent. Minor improvements needed.
2	Substantial level of effectiveness	The IO is achieved to a large extent. Moderate improvements needed.
3	Moderate level of effectiveness	The IO is achieved to some extent. Major improvements needed.
4	Low level of effectiveness	The IO is not achieved or achieved to a negligible extent. Fundamental improvements needed.

The Mutual Evaluation Report (MER) provides the ratings on TC and EC, based on which a jurisdiction is placed under the follow-up process as follows:

1. Regular Follow-up, and
2. Enhanced Follow-up:
 - a) Enhanced Follow-up; and
 - b) Enhanced Follow-up (Expedited).

Regular Follow-up	Default monitoring system and biennial reporting to APG.
Enhanced Follow-up	A jurisdiction is placed in this category if: <ol style="list-style-type: none"> a) it has eight or more NC/PC ratings for technical compliance; or b) it is rated NC/PC on any one or more of 3, 5, 10, 11 and 20; or c) it has a low or moderate level of effectiveness for seven or more of the 11 effectiveness outcomes; or d) it has a low level of effectiveness for five or more of the 11 effectiveness outcomes.
Enhanced Follow-up (Expedited)	A jurisdiction is placed in this category if; <ol style="list-style-type: none"> a) it has 10 or more of the following 13 Recommendations rated NC/PC for technical compliance (40 R): 3, 5, 10, 11, 20; and 1, 4, 6, 26, 29, 36, 37, 40; or b) it has a low or moderate level of effectiveness for nine or more of the 11 effective outcomes (11 IOs).

1.3.1. Bhutan Mutual Evaluation Report Ratings

Bhutan’s first Mutual Evaluation Report (MER) was discussed and rated at the APG plenary in 2016. Bhutan was then rated as follows:

Technical Compliance (40 Recommendations)	Effective Compliance (11 IOs)
<ol style="list-style-type: none"> a) Compliant (C) on 7 Recommendations; b) Largely Compliant (LC) on 7 Recommendations; c) Partially Compliant (PC) on 17 Recommendations; and 	<ol style="list-style-type: none"> a. Moderate level of effectiveness on 2 IOs; and b. Low level of effectiveness on 9 IOs.

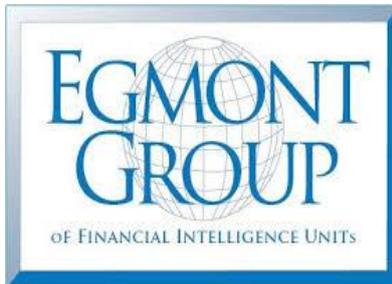
- d) Non-Compliant (NC) on 9 Recommendations.

Bhutan was placed under Enhanced Follow-up (Expedited) and remained in that category until 2018. Following request for re-ratings on 25 Recommendations in 2018 Follow-up Report (FUR) [no request for re-ratings on EC can be made until the next MER], Bhutan made progress as follows:

- a. C on 8 Recommendations;
- b. LC on 16 Recommendations;
- c. PC on 15 Recommendations;
- d. NC on 1 Recommendation.

Following the significant progress made, Bhutan exited from the category of Enhanced Follow-up (Expedited) to the Enhanced Follow-up. One of the criteria that a jurisdiction may move off enhanced follow-up (expedited) onto enhanced follow-up at any time during the enhanced follow-up process when the plenary decides that it is satisfied that the member has made significant progress against the priority actions in its MER, or has taken satisfactory action to address its deficiencies (after the re-rating process).

1.4 Egmont Group



The Egmont Group, founded in 1995, consists of 159 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 the development of effective FIUs and to foster implementation of domestic programs in this field.

The eight steps of Egmont Group Membership are:

1. Step 1: Submit Application
2. Step 2: Identify Sponsor FIUs
3. Step 3: Monitoring Phase
4. Step 4: Preparation for the Onsite Visit
5. Step 5: Final Onsite Visit
6. Step 6: After the Final Onsite Visit:
7. Step 7: Invitation to attend the Egmont Plenary
8. Step 8: Acceptance by the Heads of FIUs

Bhutan has applied for Egmont Group membership in 2013 and the two identified sponsors are Bangladesh FIU and Korea FIU. Bhutan is in the fourth step and waiting for two identified sponsor FIUs to prepare for their onsite visit.

1.5 Financial Intelligence Department (FID)

July 2011	<ul style="list-style-type: none"> •FIU established as a small unit within the erstwhile Financial Regulation and Supervision Division (FRSD) pursuant to Section 141 of the Financial Services Act (FSA) of Bhutan 2011.
June 2013	<ul style="list-style-type: none"> •FIU accorded independent unit status within the framework and administrative control of the Royal Monetary Authority (RMA) in line with the FATF Recommendation.
1 July 2018	<ul style="list-style-type: none"> •With the enactment of the AML and CFT Act of Bhutan 2018, the FIU was upgraded to a full-fledged department from 1 July 2018 as the FID.

The FID is an independent and autonomous department established within the RMA (§ 19 of the AML and CFT Act of Bhutan 2018). The FID Head shall be responsible for the day-to-day operations and management of the department and discharge functions and duties provided under the AML and CFT Act 2018 (§ 26 of the AML and CFT Act of Bhutan 2018). The FID shall consist of a Head and other staff [Refer *Appendix A*] either assigned from RMA or seconded from other agencies (§§ 27 and 28 of the AML and CFT Act of Bhutan 2018). The FID Head shall report to the Governor or the Deputy Governor relating to policy or resources matter for the operation of the department. The FID is an administrative type FIU and does not investigate cases.

The FID’s ecosystem consists of the reporting entities (REs) and the law enforcement agencies (LEAs). The FID is the buffer between the REs and the LEAs.

Reporting Entities (REs)	Transaction Reports	Intelligence Report (IR)	Law Enforcement Agencies (LEAs)
Financial Institutions (FIs)	STR	 FID	
Designated Non-Financial Businesses and Persons (DNFBPs)	CTR		
	OTR		

The FIs and DNFBPs are designated as REs pursuant to § 50 of the AML and CFT Act of Bhutan 2018. The REs is mandated to submit suspicious transaction reports (STRs), cash

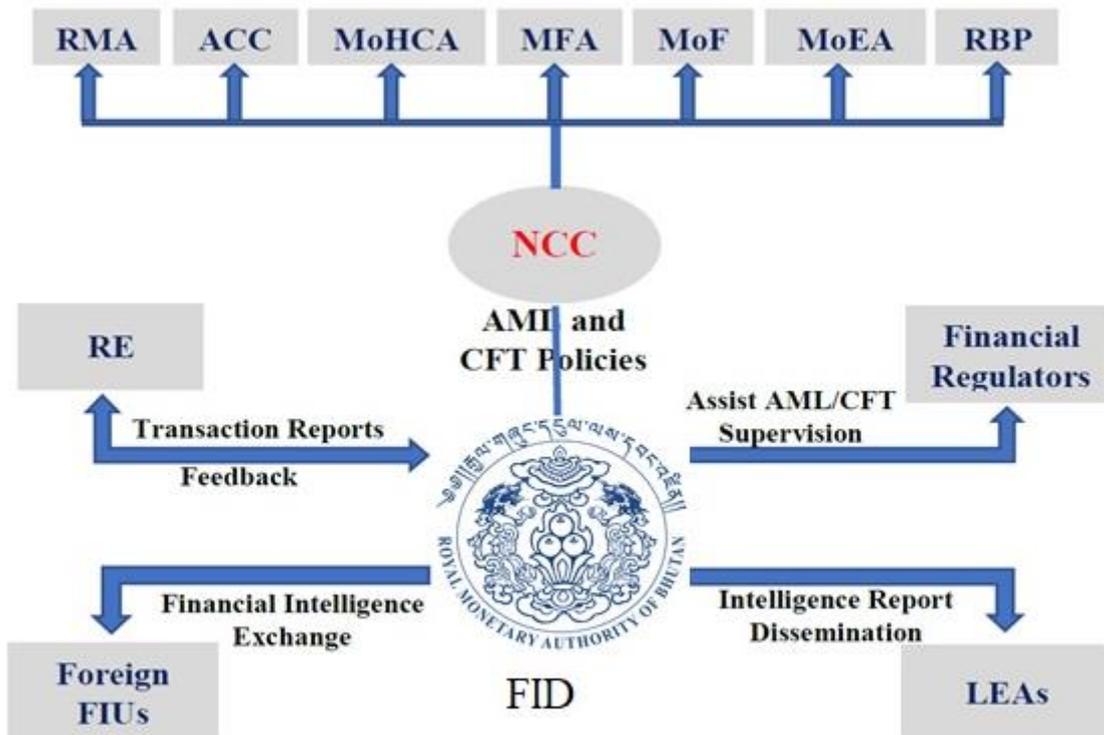
transaction reports (CTRs) and other transaction reports (OTRs) to the FID in line with the AML and CFT Act of Bhutan 2018. The FID, pursuant to § 37 of the AML and CFT Act of Bhutan 2018, shall analyze transaction reports and produce actionable Intelligence Report (IR). Based on the predicate offence identified in the IR, the FID shall forward it to the relevant LEAs.

1.6 National Coordination Committee (NCC)

The AML and CFT Act of Bhutan 2018 provides that there shall be a National Coordination Committee (NCC) and the predefined members are:

1. Governor, Royal Monetary Authority (Chairman);
2. Chairperson, Anti-Corruption Commission;
3. Secretary, Ministry of Home and Cultural Affairs,
4. Secretary, Ministry of Foreign Affairs;
5. Secretary, Ministry of Finance;
6. Secretary, Ministry of Economic Affairs; and
7. Chief of Police.

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, RMA and the NCC shall meet minimum of twice a year. The FID is the Secretariat for the NCC. The FATF Recommendation 2 suggests that countries should 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.



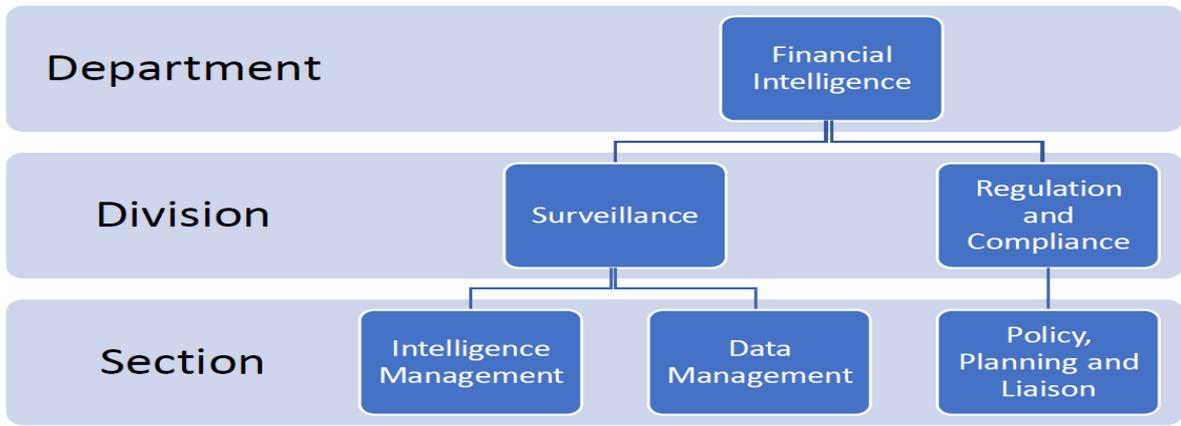
1.7 Technical Committee (TC)

The AML and CFT Act of Bhutan 2018 provides that there shall be Technical Committee (TC), constituted by the NCC on the recommendation of the FID, to provide advice on technical and other relevant matters. The members, role and responsibilities of the TC is stated in Chapter 18 under §§ 148 to 260 of the AML and CFT Rules and Regulations 2018.

The FATF Recommendation 2 suggests that countries should ensure that policy-makers, the financial intelligence unit (FIU), law enforcement authorities, supervisors and other relevant competent authorities, at the policymaking and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate and exchange information domestically with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

1.8 Organogram

The FID consists of two divisions (Surveillance, and Regulation and Compliance) and three sections (Intelligence Management, Data Management and Policy, Planning and Liaison).



As of the reporting period, the FID has a total strength of seven staff. The seven staff comprises of an Executive Director (Head of FID), one expert, one senior analyst, two analysts and two assistant analysts. To be fully operational, the FID would require two chief analysts, two senior analysts, and six assistant/analysts.

1.9 Vision, Mission and Values

VISION

To be the premier esteemed agency, fully committed to protect Bhutan’s financial systems being abused by grounding effective anti-money laundering and countering financing of terrorism framework.

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

MISSION

VALUES

TRICEP: T: Team Work;
R: Respect;
I: Innovation;
C: Confidentiality;
E: Excellence; and
P: Partnership.

1.10 Money Laundering

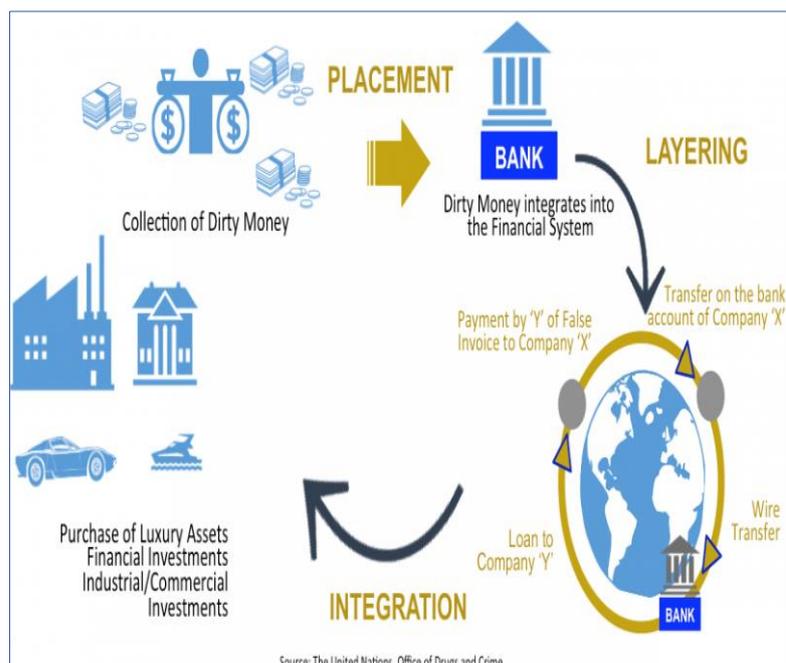
Money laundering is defined in § 159 of the AML and CFT Act of Bhutan 2018 as specific conduct, committed by a person (either natural or legal). The AML and CFT Act of Bhutan 2018 states that a person commits an offence of money laundering if:

- (1) A person converts or transfers, exchanges or gives away property knowing that it is proceeds of a crime, for the purpose of concealing or disguising the illicit origin of such property or of assisting any person who is involved in the commission of a predicate offence to evade the legal consequences of his or her action;
- (2) A person conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to property knowing that such property is proceeds of a crime; or
- (3) A person acquires, uses or possesses property knowing that such property is proceeds of a crime.

The offender is liable for value-based sentencing subject to maximum for felony of third degree (9 years imprisonment maximum) and payment of fines.

In simpler term, money laundering is a process which involves three distinct phases, which are:

- (1) **Placement**, the phase at which criminally derived funds are introduced in the financial system.
- (2) **Layering**, the substantive phase of the process in which the property is ‘washed’ and its ownership and source is disguised.
- (3) **Integration**, the final phase at which the ‘laundered’ property is re-introduced into the legitimate economy.

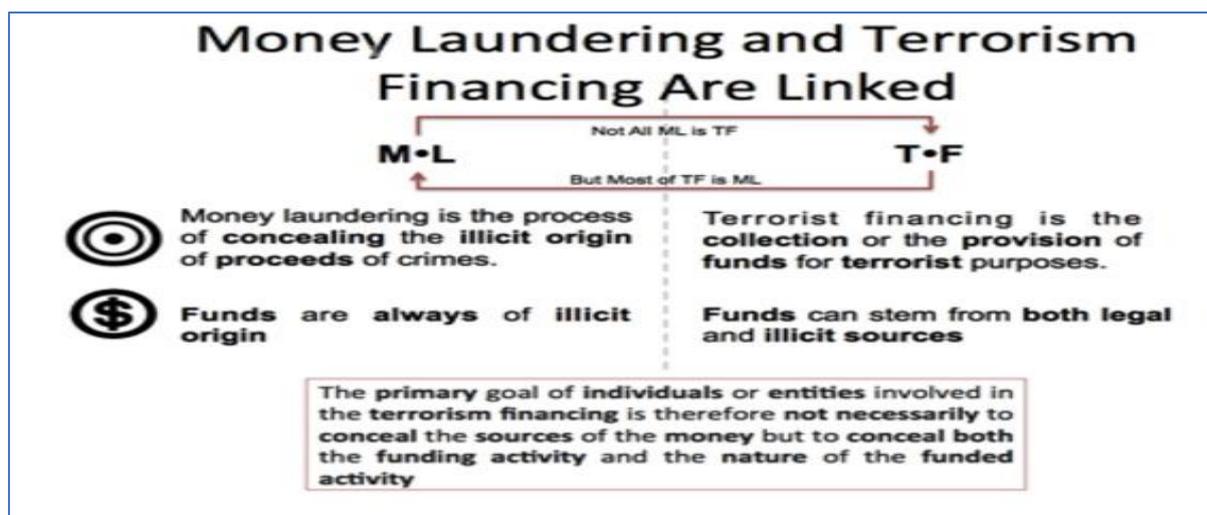


1.11 Terrorist Financing

Terrorist financing is defined in § 165 of the AML and CFT Act of Bhutan 2018 as a certain conduct committed by a person (either natural or legal). The AML and CFT Act of Bhutan 2018 states that a person commits an offence, if the person intentionally or knowingly by any means, directly or indirectly, provides or collects funds with the intention or knowledge that such funds are to be used in whole or in part:

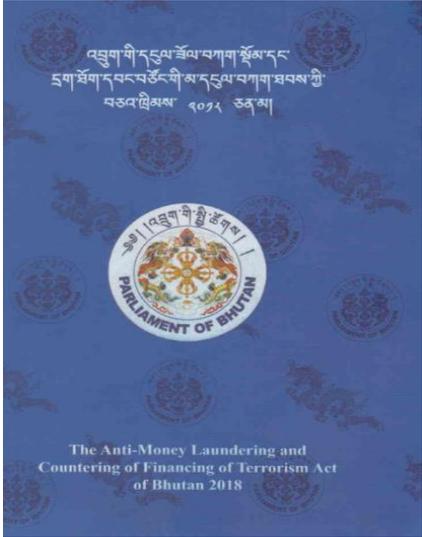
- (1) To carry out a terrorist act; or
- (2) To finance the travel of a terrorist or any person to a State, other than their State of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the provision or receiving of training directly or indirectly related to terrorism; or
- (3) By a terrorist; or
- (4) By a terrorist organization.

The offender is liable on conviction to felony of first degree (minimum of 15 years imprisonment up to life).



CHAPTER 2: LEGISLATIVE FRAMEWORK

2.1 Anti-Money Laundering and Countering of Financing of Terrorism Act of Bhutan 2018



The AML and CFT Act of Bhutan 2018 is the legislation for combating money laundering and countering terrorism financing in Bhutan. The Act was enacted in 2018 and brought into force from 8 January 2018. The Act criminalizes money laundering and financing of terrorism.

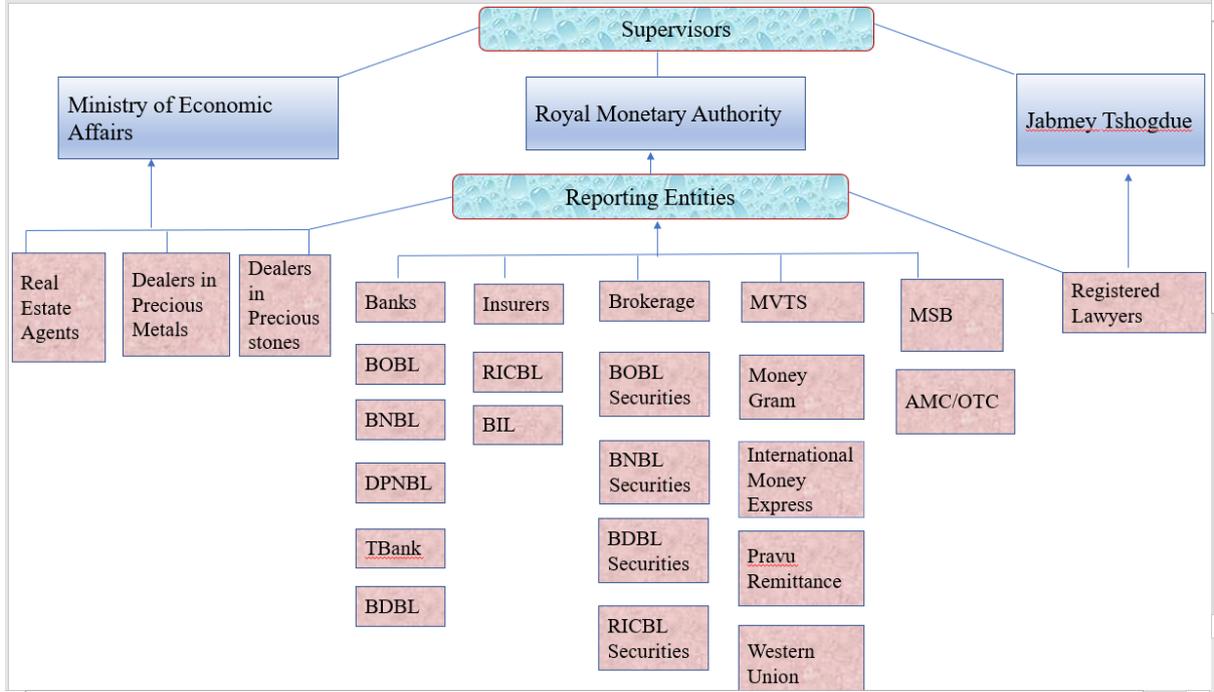
The Act defines ML and TF and has designated the Anti-Corruption Commission (ACC) and the Royal Bhutan Police (RBP) as the competent and relevant investigating authority.

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

2.2 AML and CFT Act of Bhutan 2018 and the FID

§ 50 of the AML and CFT Act of Bhutan 2018 provides designation of RE by the FID. The designated RE shall submit suspicious transaction (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.

The RE is categorized as follows pursuant to the AML and CFT Act 2018:



CHAPTER 3: ANALYSIS AND INTELLIGENCE

3.1 Receipt of STR, CTR, WTR and OTR

The AML and CFT Act of Bhutan 2018 mandates FID to gather STRs, CTRs, and OTRs from REs.

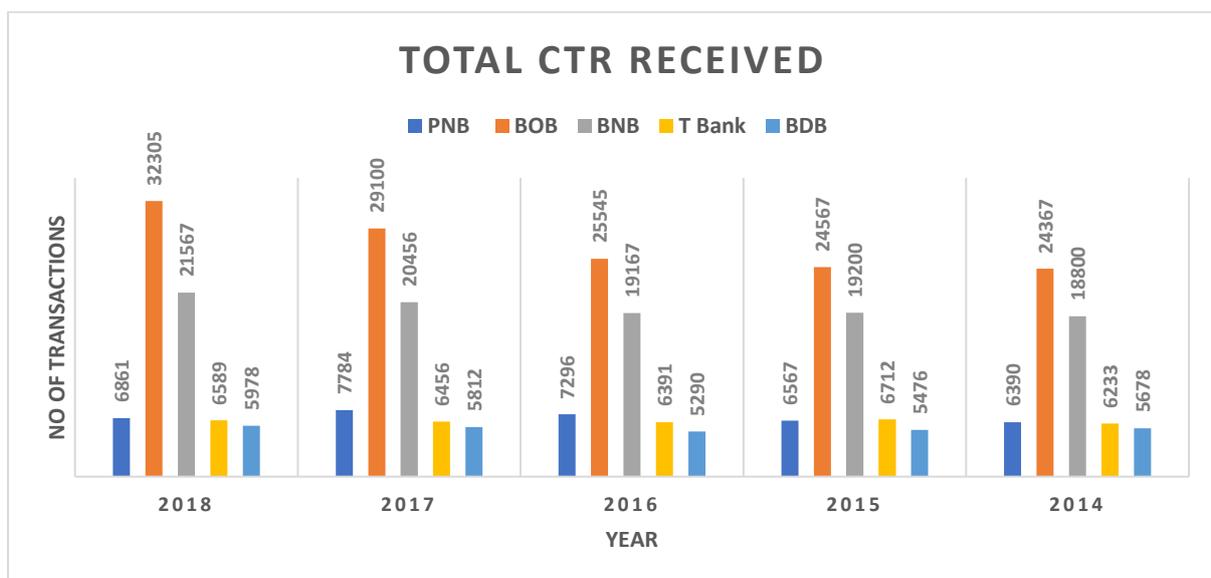
3.2 Cash Transaction Reports (CTRs)

The CTRs are those transaction reports that the REs are mandated to submit to the FID in accordance with § 74 of the AML and CFT Act of Bhutan and it includes cash transactions of the value which equals to or exceeds the amount prescribed in the rules and regulations.

The following table shows the Number of CTRs submitted by the REs to the FID from 2014 to 2018.

REs	2018	2017	2016	2015	2014
Druk PNB	6,861	7,784	7,296	6,567	6,390
BoBL	32,305	29,100	25,545	24,567	24,367
BNBL	21,567	20,456	19,167	19,200	18,800
T Bank Ltd.	6,589	6,456	6,391	6,712	6,233
BDBL	5,978	5,812	5,290	5,476	5,678
Total	73,300	69,608	63,689	62,522	61,468

During the reporting period, the FID received 73,300 CTRs from the REs. Compared to previous reporting period (2017), the FID has seen an increase of 3,698 CTRs (increase of 5.30%).



The figures below show the amount of CTRs reported to the FID by the REs from 2014 to 2018.

(Nu. in Million)

REs	2018	2017	2016	2015	2014
Druk PNB	7,890.88	7,995.99	6,996.20	7,602.74	7,615.23
BoBL	33,091.64	29,793.42	31,839.15	31,567.30	24,182.37
BNBL	21,689.94	19,946.03	27,970.44	20,654.99	13,544.04
T Bank	15,874.58	14,654.47	13,787.97	9,800.65	13,091.69
BDBL	1,567.10	1,476.58	1,376.88	1,094.11	1,216.73
Total	80,114.14	73,866.49	81,970.64	70,719.79	59,650.06

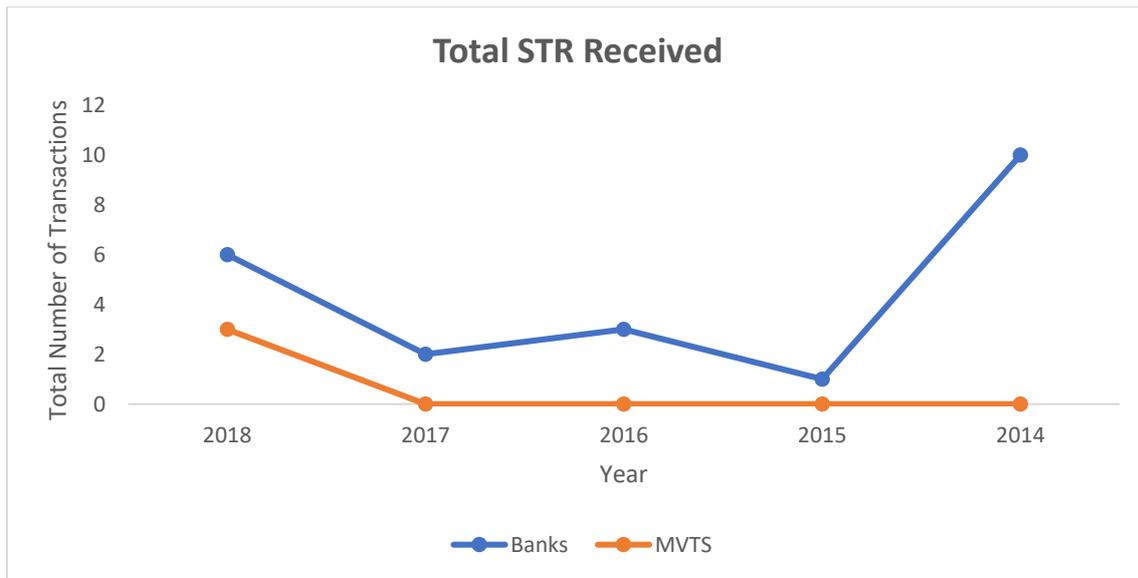
3.3 Suspicious Transaction Reports (STRs)

The STRs are those transaction reports that the RE is mandated to submit to the FID in accordance with §§ 69 to 73 of the AML and CFT Act of Bhutan. This report is lodged if the RE has a reasonable ground to suspect that any property, the subject of transaction with which it is involved is proceeds of crime from some criminal activity related, linked to, or is to be used for, terrorist acts or by a terrorist or a terrorist organization or by a person who finances terrorist acts.

The following table shows the details of STRs submitted by the REs to the FID from 2014 to 2018.

REs	2018	2017	2016	2015	2014
Banks	6	2	3	1	10
MVTS	3	0	0	0	0
Total	9	2	3	1	10

During the reporting period, the FID received 9 STRs from the REs. Compared to the previous reporting period (2017), the FID has seen an increase of 7 STRs (increase of 350%).



3.4 Dissemination of Intelligence Reports

The IRs are those reports that the FID has shared, either on their own or upon request by any LEA where there is a suspicion that ML, TF, or other predicate offence has taken or is about to take place.

The following table shows the details of IRs shared to relevant LEAs by the FID from 2014 to 2018.

Sl. No.	LEA	2018	2017	2016	2015	2014
1	ACC	0	0	0	0	4
2	DRC	3	0	0	0	0
Total		3	0	0	0	4

The following shows the number of STRs received, analyzed and disseminated to relevant LEAs



25 STRs Received



10 Analyzed



7 IRs Disseminated

3.5 Requests from Relevant LEAs

The FID receives numerous requests from relevant domestic LEAs and is also empowered to receive requests from foreign FIUs. Similarly, the FID is also empowered to request for information from foreign FIUs.

The following table shows the details of STRs submitted by the REs to the FID from 2014 to 2018.

Year	2018	2017	2016	2015	2014
Requests from LEAs	218	191	123	0	0
Requests Responded	218	191	123	0	0

During the reporting period, the FID received 218 requests from domestic LEAs. Compared to the previous reporting period (2017), the FID has seen an increase of 27 requests (increase of 14.14%).

3.6 Requests from Foreign FIUs

The FID till date from its establishment has only received one request from foreign FIUs, i.e., the Anti-Money Laundering Office (AMLO), Thailand in 2017.

The following table shows the details of request sent by foreign FIUs to the FID from 2014 to 2018.

Year	2018	2017	2016	2015	2014
Request from AMLO, Thailand	0	1	0	0	0
Requests Responded	0	1	0	0	0

3.7 Request to Foreign FIU

Year	2018	2017	2016	2015	2014
Request to other FIUs	1	2	1	0	0
Request Received	1	2	1	0	0

CHAPTER 4: FORGING COOPERATION AND ALLIANCES

4.1 International Cooperation

The AML and CFT Act of Bhutan 2018 mandates FID to enter into arrangements with foreign counterparts that perform similar functions, and subject to similar secrecy obligations to facilitate the exchange of financial intelligence.

Towards facilitation of exchange of financial intelligence, the FID has signed six Memoranda of Understanding with the foreign FIUs. The details of MoU that FID has signed are:

Date	Signing of MoU
17 July 2014	
<p>FID- Bhutan and Korea- FIU signed the MoU at the sidelines of the APG Annual Meeting 2014 at Macau, China</p>	
18 July 2014	
<p>FID- Bhutan and FIU- Bangladesh signed the MoU at the sidelines of the APG Annual Meeting 2014 at Macau, China.</p>	
16 July 2017	
<p>FID- Bhutan and FIU- Sri Lanka signed the MoU at the sidelines of the APG Annual Meeting 2017 at Sri Lanka.</p>	

19 July 2017



FID- Bhutan and FIU- Cambodia signed the MoU at the sidelines of the APG Annual Meeting 2017 at Sri Lanka.

3 October 2017



FID- Bhutan and FIU- Myanmar signed the MoU at the RMA Board Room, Thimphu.

26 July 2018



FID- Bhutan and FIU- India signed the MoU at the sidelines of the APG Annual Meeting 2018 at Nepal

During the reporting period, the FID signed a MoU with the FIU- India. With this signing, the FID has signed MoUs with six foreign FIUs.

4.2 Domestic Cooperation

The AML and CFT Act of Bhutan 2018 mandates FID to frame modalities for entering into arrangements and sharing information with domestic LEAs and relevant stakeholders.

To bring in greater synergy and collaboration amongst relevant stakeholders in the fight against ML, TF, PF and other associated predicate offences; the FID has signed the following MoUs.

Date

Signing of MoU

9 July 2014



FID and ACC signed the MoU at the RMA Board Room, Thimphu

23 November 2016



FID and DRC signed the MoU at the RMA Board Room, Thimphu

17 July 2017



FID and BNCA signed the MoU at the RMA Board Room, Thimphu.

20 February 2018



FID and RBP signed the MoU at the RMA Board Room, Thimphu.

20 February 2018



FID and CSOA signed the MoU at the RMA Board Room, Thimphu.

During the reporting period, the FID signed MoU with the RBP and CSOA. With this signing, the FID has signed MoUs with five relevant domestic stakeholders.

CHAPTER 5: CAPACITY BUILDING

For successful prevention and detection of AML and CFT offences, it is important to build capacity and raise awareness of all relevant players in an FIU ecosystem. FID's ability to analyse and generate actionable intelligence lies on the ability of the REs to detect STRs in a timely manner and the ability of LEAs and judiciary for carrying out effective investigations and successful prosecutions. So, the FID is constantly keeping tab on building capacity and creating awareness, and without which, Bhutan's AML and CFT regime would be redundant.

5.1 The AML and CFT Act of Bhutan 2018 mandates FID to provide training on ML and TF related issues to its staff, the staff of LEAs and supervisors.

5.1 a. FID's Staff

To keep abreast with changing and developing AML and CFT regime, the FID staff attended the following trainings, workshops, conferences, study tour, etc. from 2014 to 2018.

Sl. No.	Country	Date	Workshops/Trainings/ Meeting etc.
1	Kuala Lumpur Malaysia	12-16 Nov 2018	Balancing AML and CFT and Financial Inclusion
2	New Delhi, India	12-14 Nov 2018	UNODC Regional Workshop Financial Investigation
3	Novosibirsk, Russia	3-5 Oct 2018	2018 EAG/APG Joint Typologies Workshop
4	India and Bangladesh	7-15 May 2018	Study tour on GoAML and FINnet system
5	Busan, Korea	1-4 May 2018	FATF Joint Experts Meeting and Risk Assessment workshop
6	Malaysia, Kuala Lumpur	2-6 Oct 2017	AML and CFT Considerations and Approaches for Financial Inclusion
7	Seoul, Korea,	22-24 Apr 2016	Partnership Enhancement Workshop on AML and CFT.
8	Delhi, India	14-18 Dec 2015	APG Assessor Training Workshop
9	Nepal	16-20 Nov 2015	APG Typologies Workshop
10	Seoul, Korea	27-30 May 2015	APG Pre-ME and NRA Training Workshop
11	Thailand, Bangkok	23-28 Nov 2014	2014 APG Typologies Workshop
12	Singapore	6-10 Oct 2014	Workshop on Enhancing AML and CFT Framework

5.1 b. FID's Ecosystem

The following trainings, workshops, conferences, etc. were conducted for REs, staff of LEAs and supervisors coordinated by FID:

Sl. No.	Workshops/Trainings etc.	Date	Target Participant (No.)	Organizer
1	Awareness Program on New STR Format and Red Flag Indicators	24 Dec 2018	Banks (10)	FID
2	Training on AML and CFT (AML and CFT Act, Rules and Regulations, Onsite Manual and CDD Guidebook)	22-23 Nov 2018	RE (16)	FID
3	Presentation on AML and CFT System by Quantum Data Engine (QDE)	25 Jun 2018	Banks (14)	QDE
4	Consultation Meeting on Draft AML and CFT Rules and Regulations 2018	1 Jun 2018	RE (13)	FID
5	AML and CFT System Consultation Meeting	31 May 2018	Banks (10)	FID/DIT
6	Financial Investigation and Asset Recovery	13-17 Nov 2017	FIU/LEA/RE (35)	ACC
7	AML and CFT Policies and Procedures- Risk Based Customer Due Diligence	13-14 Nov 2017	Supervisors (9)	ADB/RMA
8	Workshop on Analysis of Intelligence	24-25 Oct 2017	FIU/LEA (10)	ACC/FBI
9	AML and CFT Workshop for Parliamentarians	4 Mar 2015	Parliamentarians (10)	IMF



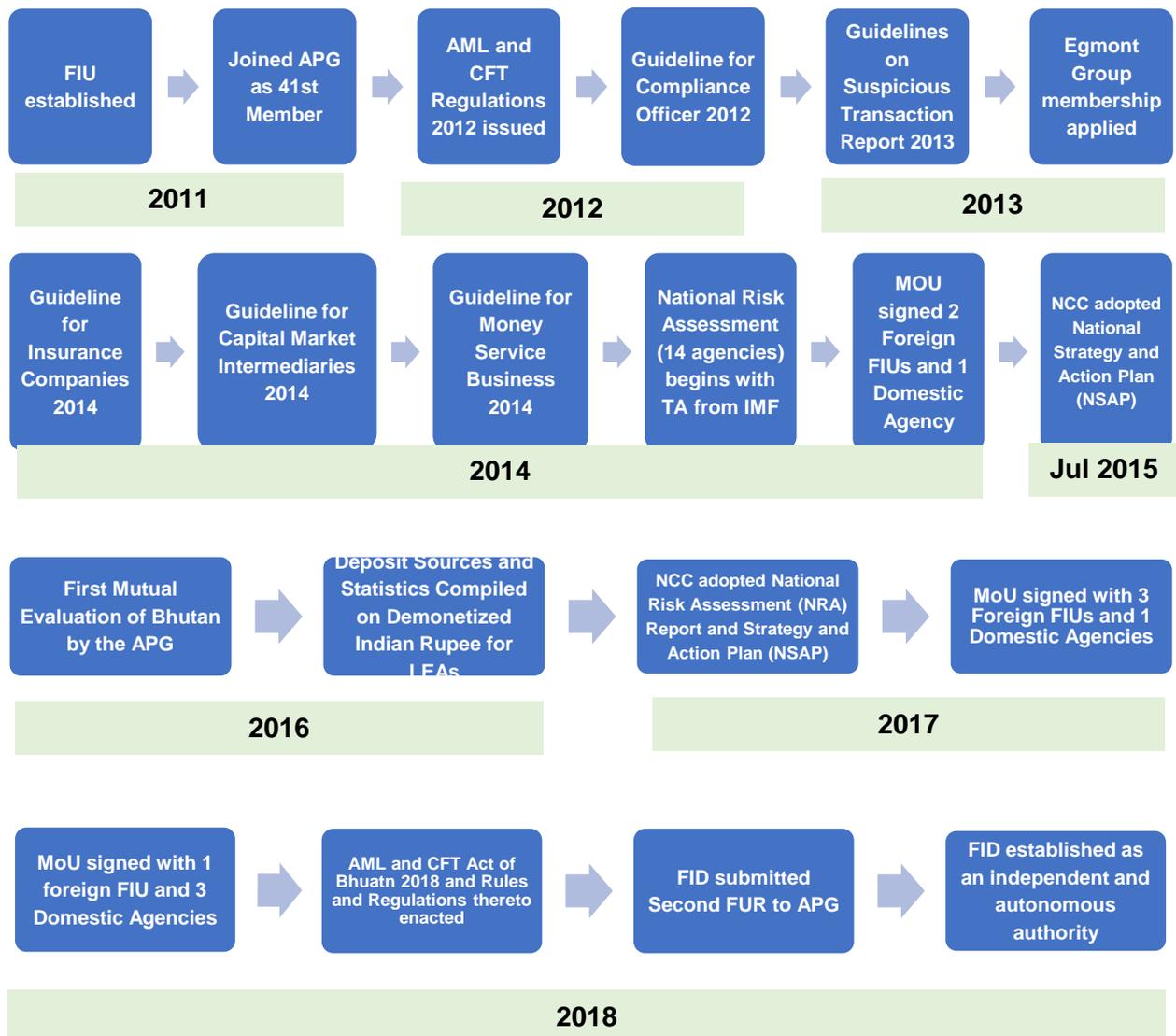
AML and CFT Training to Supervisors with Technical Assistance from the ADB on AML and CFT Policies and Procedures- Risk Based Customer Due Diligence (13-14 Nov 2017)

5.2 Issuance of Guidelines

The AML and CFT Act of Bhutan 2018 mandates FID to provide guidance from time-to-time to assist the RE to fulfill their obligations under the Act. In line with this provision, the FID had issued the following Guidelines:

1. Guideline for appointment of AML and CFT Compliance Officer (AMLCO);
2. Guideline on Suspicious Transaction for REs 2014;
3. Guideline on AML and CFT for Insurance Companies 2014;
4. Guideline on AML and CFT for Capital Market Intermediaries 2014;
5. Guideline on AML and CFT for Money Service Business 2014; and

CHAPTER 6: MILESTONES



Appendix A

Sl. No.	Name	Designation	Date of Joining FID
1	Namgay Tshering	Executive Director	1 July 2018
2	Tshering Penjor	Expert	2 December 2018
3	Thinley Cheki	Senior Analyst	1 July 2012
4	Yeshey Nidup	Analyst	1 July 2018
5	Tshering Tobzang	Analyst	15 April 2016
6	Kinzang Dema	Assistant Analyst	15 April 2016
7	Namgay Tshering	Assistant Analyst	15 August 2016

Sl. No.	Position	Approved	Current	Vacant
1	Head (Executive Director/Director)	1	1	0
2	Chief Analyst	3	1	2
3	Senior Analyst	3	1	2
4	Analyst	3	2	1
5	Assistant Analyst	6	2	4