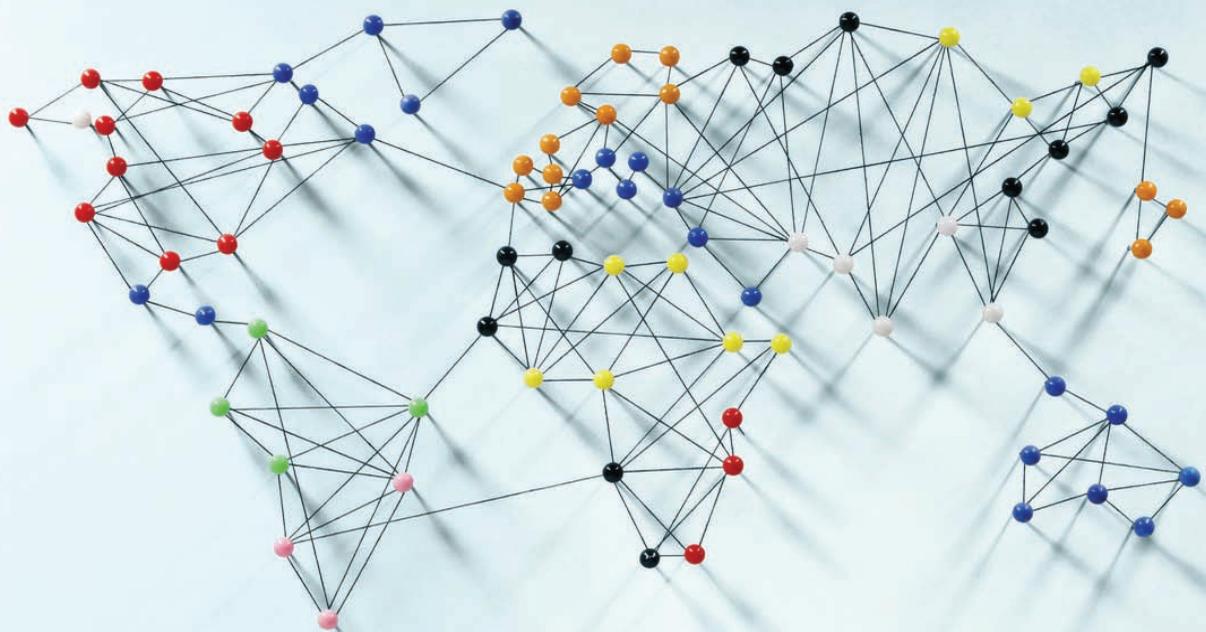




# ANNUAL REPORT

## 2020-21



**Bangladesh Financial Intelligence Unit**

# Annual Report 2020-21



Bangladesh Financial Intelligence Unit

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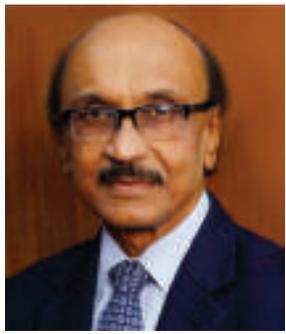
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# Message from the Governor



The FY 2020-21 was a challenging period for the world economy as it fell into the gyre of negative economic growth in 2020 in the history of the last few decades on account of COVID-19 pandemic. Due to the governments' restriction on movement, recurrent lockdowns, various containment measures and border closure during the COVID-19 pandemic, the economic activity both domestic and international slows down. The United Nations states that the world economy is "on a cliffhanger" which is still reeling from the effects of the pandemic. It is a pleasant phenomenon that despite the drastic contraction of the global economy in 2020 due to COVID-19, Bangladesh economy remained reasonably resilient and stable with impressive economic growth compared to its peer countries; real GDP growth stood at 5.2 percent in 2020 and it's projected to be 6.1 percent in 2021.

The Government and also Bangladesh Bank have taken all possible measures to revive economic activity and contain the adverse impact of the pandemic. The Government has declared various stimulus packages which are being implemented by Bangladesh Bank very prudently. Moreover, Bangladesh Bank has promptly responded to the pandemic by introducing several refinance schemes, enhancing the size of Export Development Fund to support manufacturer and exporter, extending foreign exchange policy support to facilitate urgent import of life saving drugs and medical equipments and by taking other supportive policy measures. On the other hand, to make up the high demand of liquidity in the market and to absorb the shock of the COVID-19 in public life, Bangladesh Bank reduced different policy rates. Because of the prudential decisions of the Government in implementing various stimulus packages and rapid coverage of vaccination, the economic activity is gaining its life as normalcy coming back.

With the new phenomenon of challenges in ensuring and maintaining resilience and sustainability in the financial sector due to the COVID-19 pandemic, it has also posed unprecedented challenges and threats to the AML & CFT regime. With the advent of this new challenge, the trend and typologies of financial crimes (e.g. corruption in procurement, counterfeit medicines, vaccines and personal protective equipment, exploitation of stimulus measures by fraudulent activities, corruption in aid delivery, cybercrime etc.) have also changed. E-commerce and digital platform related fraud has also been on the rise in recent times. Bangladesh Bank has chosen to maintain the highest state of vigilance to keep our financial system safe and prevent the abuse of stimulus packages and necessary directives have been issued in this regard. I am very pleased that BFIU has been quite vigilant in handling the issues quite firmly.

As a proactive intelligence agency, BFIU has also done a commendable job in addressing the new challenges by providing time-befitting guidance for the reporting organizations. These measures thus has helped to manage the new risks and ensured stability of the financial sector. It is altogether encouraging that, apart from accomplishing mandated tasks of regulating and supervising reporting organizations and ensuring a good number of intelligence dissemination in FY 2020-21, the Unit has also been able to publish its annual report of its activities. Bangladesh Bank looks forward to continuing its human resources, financial, technical and logistical support to BFIU as the key ML & TF watchdog over the financial system of Bangladesh.

This year, Bangladesh is celebrating the golden jubilee of its Independence and the 100th birth centenary of the Father of the Nation, Bangabandhu Sheikh Mujibur Rahman. In this auspicious year, we expect more resilient economy and sustainable economic growth in line with the vision of the Government to enlist the country in the top twenty five economies by 2030. The upcoming policy decisions and cabalistic activities of both Bangladesh Bank and the BFIU will be very crucial in this regard, I believe.

Finally, I'd like to take the privilege of extending my heartfelt thanks to the BFIU team for publishing this comprehensive but succinct overview of their activities in the past year and commend the officials of BFIU and all relevant agencies that have devoted themselves for securing a compliant AML & CFT regime and upholding the country's image in the international arena.

A handwritten signature in black ink, appearing to read 'Fazle Kabir'. The signature is fluid and cursive.

(Fazle Kabir)  
Governor, Bangladesh Bank

## Foreward



The present world especially the financial sectors are experiencing a drastic process of digitalization where the concept of cashless payment is becoming popular globally day by day. COVID-19 pandemic is amplifying the process as the government imposed and imposing several restrictions in physical movement. This digital transformation in financial sector enables control to get easy access into the financial services which may pose some underlying threats, vulnerabilities and risk of money laundering, terrorist financing and related criminal offences abusing financial institutions and their services. As the country's central agency to combat money laundering and terrorist financing, BFIU is relentlessly working to address such risks and challenges.

Criminals are more astute and tech-savvy than the regulators. They are constantly evolving and adapting their methods to commit crime to gain their ends with the advancement of technology. During the COVID-19 pandemic, Bangladesh economy as like the world economies has also experienced a significant expansion of digital platforms and the e-commerce industry. Surfacing the name of e-commerce, multi-level marketing (MLM) and microcredit businesses, allegations of embezzlement and financial fraud has also expanded inimically. BFIU has successfully conducted several in-depth analyses on financial transactions of such alleged companies, whether they are involved in money laundering or not. On the recommendation of BFIU's intelligence report, the government has taken various steps to discipline this sector. The government has formed a committee to bring all e-commerce firms under one umbrella and safeguard the interests of the consumers and merchants.

Empowered by Money Laundering Prevention Act, 2012 and Anti-Terrorism Act, 2009, and the rules thereon BFIU issues necessary directives through circular, circular letter, guidance etc. for Reporting Organizations (ROs) in accordance with the updated guidance of FATF and relevant UN resolutions and conventions. In FY 2020-21, BFIU issued a circular letter on the extension of time to implement guidelines for the prevention of Trade-Based Money Laundering. Earlier, considering trade based money laundering as one of the major methods by which criminal organizations and terrorist financiers move money for the purpose of disguising its origins and integrating it back into the formal economy, BFIU issued the Guidelines for Prevention of Trade-Based Money Laundering on December 10, 2019.

Receiving and analyzing Suspicious Transaction/Activity Reports (STRs/SARs), Cash Transaction Reports (CTRs) & information related to money laundering (ML) and terrorist financing from reporting agencies & other sources are one of the fundamental responsibilities of BFIU. In the financial year 2020-21, the Unit has received a remarkable number of STRs/SARs and CTRs from the ROs and information exchange requests from the LEAs and other sources. Applying operational and strategic analysis, BFIU disseminated substantial number of intelligence reports and exchanged information with the respective Law Enforcement Agencies. In FY 2020-21, BFIU has received 2696 STRs & 2584 SARs (Total 5280) from ROs and general people, while it had received 3675 STRs and SARs in FY 2019-20. In FY 2020-21, Banks have submitted 20.57 million transactions (value BDT 14436.21 billion) in CTR, whereas NBFIs have submitted 1267 transactions (value BDT 2.08 billion). The Unit has received 1414 information exchange request in FY 2020-21 from LEAs and other sources which is almost double in respect to previous FY.

To sustain a stable and effective AML & CFT regime in Bangladesh, BFIU is firmly committed to work closely with all relevant agencies and stakeholders. To this end, BFIU and Insurance Development and Regulatory Authority (IDRA) have signed a memorandum of understanding on 31 March, 2021 to increase mutual cooperation and coordination. This MoU will facilitate bilateral cooperation in exchanging information, identifying and overcoming hindrances to effective implementation of AML & CFT issues.

Despite various challenges, BFIU has continued its duties with dedication to serve the nation. I really feel privileged to work with the dedicated and passionate officials of BFIU as well as other relevant agencies whose contributions are indispensable to ensure an effective AML & CFT regime. I would like to extend my appreciation and thanks to the agencies both domestic and abroad who are consistently supporting BFIU to discharge its duties successfully. Finally, I feel honored to present you this Annual Report 2020-21 where you can find a glimpse of the achievements and activities of BFIU during this period.

A handwritten signature in black ink, appearing to read 'Md. Masud Biswas'.

**(Md. Masud Biswas)**  
Head of BFIU

## Message from Former Head of BFIU



It has been an honor and glory for me to work as the Head of Bangladesh Financial Intelligence Unit (BFIU) and former Deputy Governor of Bangladesh Bank (The Central Bank of Bangladesh) from January 23, 2012 till September 9, 2021.

As the Head of BFIU I tried my level best to develop a sound and effective anti-money laundering and combating financing of terrorism (AML & CFT) regime in Bangladesh. As part of my responsibilities, I worked as member secretary of National Coordination committee on AML & CFT and member of Working Committee on AML & CFT and Anti-Militancy and De-Radicalization committee. I was also the convener of Central Task Force for Prevention of Money Laundering and Terrorist Financing. During my tenure at BFIU, I had the opportunity to contribute to ensure the exit of Bangladesh from FATF ICRG Process and secure Egmont Group membership. Coordinating the national efforts

for the successful completion of 3rd round APG Mutual Evaluation process of Bangladesh was one of the challenging tasks and I was happy to find my enthusiastic hard working colleagues toiling days and nights with a smile. As a Member of APG Governance Committee I completed as rotating Co-chair term 2018-2020. I will bear the sweet memories of leading Bangladesh delegation on various occasions in APG, FATF, Egmont and other international events on AML & CFT in the journey of my life.

During the 40 years of my central banking and FIU career I was fortunate to receive incredible support and outstanding cooperation from my colleagues at home and abroad. I express my gratitude to honorable Prime Minister, Finance Minister, Governor and all the senior officials of the government whose kind support made my job easy and enabled me to reach Bangladesh's AML & CFT regime to this height. Finally, I thank all my BFIU colleagues for their endeavors in their respective arena.

A handwritten signature in black ink, appearing to read 'Abu Hena'.

**(Abu Hena Mohd. Razee Hassan)\***  
**Former Head of BFIU**

\* Mr. Hassan has retired from the post of Head of BFIU on 9 September 2021.

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# BFIU in FY 2020-21

# BFIU in FY 2020-21

1

## Receipt of STRs/SARs & CTRs

5280 STRs/SARs\* from ROs and other sources  
1414 information exchange request from LEAs and other sources  
20,569,365 CTRs from Banks & NBFIs

2

## Signing of MoU with

IDRA  
MoU signed with 05 domestic stakeholders till June 2021  
UAE FIU  
MoU signed with 78 foreign FIUs till June 2021

3

## International Cooperation

22 requests received from the FIU of different countries/jurisdictions  
191 requests made to the FIU of different countries/jurisdictions

4

## Intelligence Sharing with the LEAs and other relevant Agencies

73 intelligence report  
1414 information exchange

5

## Monitoring and Supervision of ROs

111 system check inspections  
56 special inspections

6

## New Regulation

Circular letter on extension of time to implement guidelines for prevention of Trade Based Money Laundering

7

## Capacity Building Initiatives for ROs and Stakeholders

3 Compliance Programs  
BFIU resource provided in 78 training programs

8

## Participation of BFIU Officials in

46 local training programs

9

## Mutual Evaluation of Bangladesh

Technical Compliance	Effectiveness
8 Compliant	3 Substantial
27 Largely Compliant	4 Moderate
5 Partially Compliant	4 Low

\* Number of STRs/SARs includes STRs or SARs received from ROs and Complaints received from individuals or other sources.



**BFIU**  
at a glance

# Chapter 1

## Background

With the authority of the relevant provisions of Money Laundering Prevention Act, 2012, Anti-Terrorism Act, 2009 and the Rules thereon, BFIU is acting as the central agency of Bangladesh to combat money laundering (ML), terrorist financing (TF) and the proliferation financing of weapons of mass destruction (PF). In materializing its vision of establishing a robust financial system in Bangladesh effectively deterring ML, TF & PF and other related offences, BFIU works in close coordination with all the relevant national as well as international stakeholders. In fact, as a founding member of the Asia/Pacific Group on Money Laundering (APG), an FATF style regional body that enforces FATF standards on AML & CFT in Asia/Pacific region, Bangladesh has been participating in APG's annual plenary meetings since 1997, worked as a rotating Co-Chair of APG for the period of 2018-2020 and on behalf of the Government of Bangladesh, Head of BFIU has performed the role. BFIU also represented Bangladesh in the APG's highest policy making body called Steering Committee/Governance Committee in several times as a representative of south asian countries.

As a member of APG, Bangladesh is committed to implement FATF Recommendations. To combat ML, TF & PF and deliver maximum accomplishments, BFIU makes all out efforts to fully discharge its responsibilities as the National Analysis Center to receive, analyze and disseminate financial intelligence as well as regulator and supervisor as entrusted with it by Money Laundering Prevention Act, 2012, Anti-Terrorism Act, 2009 and relevant rules thereunder. The journey of BFIU started with the establishment of the then Anti-Money Laundering Department at Bangladesh Bank in 2002. Afterwards, the Anti-Money Laundering Department was transformed into BFIU on 25 January 2012 under the provision of Money Laundering Prevention Act, 2012. With the amendment in the Money Laundering Prevention Act, 2012 in the year 2015, the Unit achieved full operational independence.

In fulfilling its mission, the Unit renders cooperation and assistance to a number of members and jurisdictions, and receives cooperation and assistance from a number of agencies, donors and providers. For effective analysis and as part of international cooperation BFIU obtained Egmont Group membership in July 2013 and signed MoU with 78 FIUs till June 2021.

On the domestic front Bangladesh has established a strong legal and institutional framework to usher in an effective AML & CFT regime in the country. National Coordination Committee (NCC) with Finance Minister as the Convener is the apex forum for formulation and implementation of AML & CFT related policies in line with international requirements. There is also a Working Committee to execute and implement decisions of the NCC and United Nations Security Council Resolutions (UNSCRs) implementation committee to ensure implementation of UNSCRs. BFIU plays an important role in all these committees.

The activities of BFIU encompass analyzing Suspicious Transaction/Activity Reports (STRs/SARs), Cash Transaction Reports (CTRs) and information related to ML, TF & PF received from reporting agencies & other sources and disseminating information/intelligence thereon to relevant law enforcement and investigative agencies, exchanging information related to money laundering and terrorist financing with its foreign counterparts, participating and contributing to various domestic and international AML & CFT initiatives and performing everything relevant to fulfill the objectives of combating these crimes. This Annual Report like the previous ones presents all such activities and initiatives undertaken during FY 2020-21.

# VISION

A robust financial system in Bangladesh effectively deterring money laundering, terrorist financing and proliferation financing and other related offences.

# MISSION

---

Putting in place effective legal, administrative and judicial arrangements for prevention of money laundering, terrorist & proliferation financing and other related offences; through-

- Continual upgrading of AML & CFT legal and regulatory frameworks in line with the needs of evolving circumstances;
- Maintaining broad based awareness of AML & CFT issues amongst regulators, law enforcers, reporting organizations and the general people through workshops, seminars, public campaigns and so forth;
- Developing human resources and required infrastructures of BFIU for effective intelligence management;
- Building as well as bolstering detecting and reporting capacities of the reporting entities in different sectors to ensure better compliance;
- Deepening liaisons among BFIU, law enforcement agencies and judiciary to expedite investigation, trial and adjudication of ML & TF offences; and
- Strengthening contact and liaison with foreign FIUs for better information exchange in ML & TF offences; with regional and global bodies for sharing relevant experiences and upgrading AML & CFT best practices and standards.

# Objectives

To establish an effective and operational FIU;

To play a vital role in ensuring an effective AML & CFT regime in Bangladesh;

To adopt latest technologies and develop IT infrastructure and software to ensure strong reporting environment;

To ensure seamless flow of information and ensure participation of all stakeholders in AML & CFT initiatives;

To play an active role in the global AML & CFT initiatives and ensure utmost cooperation at international level;

To identify and address emerging threats, methods and techniques of money laundering, terrorist financing & proliferation financing of weapons of mass destructions; and

To create awareness regarding money laundering and terrorist financing across the country.

# Functions of BFIU

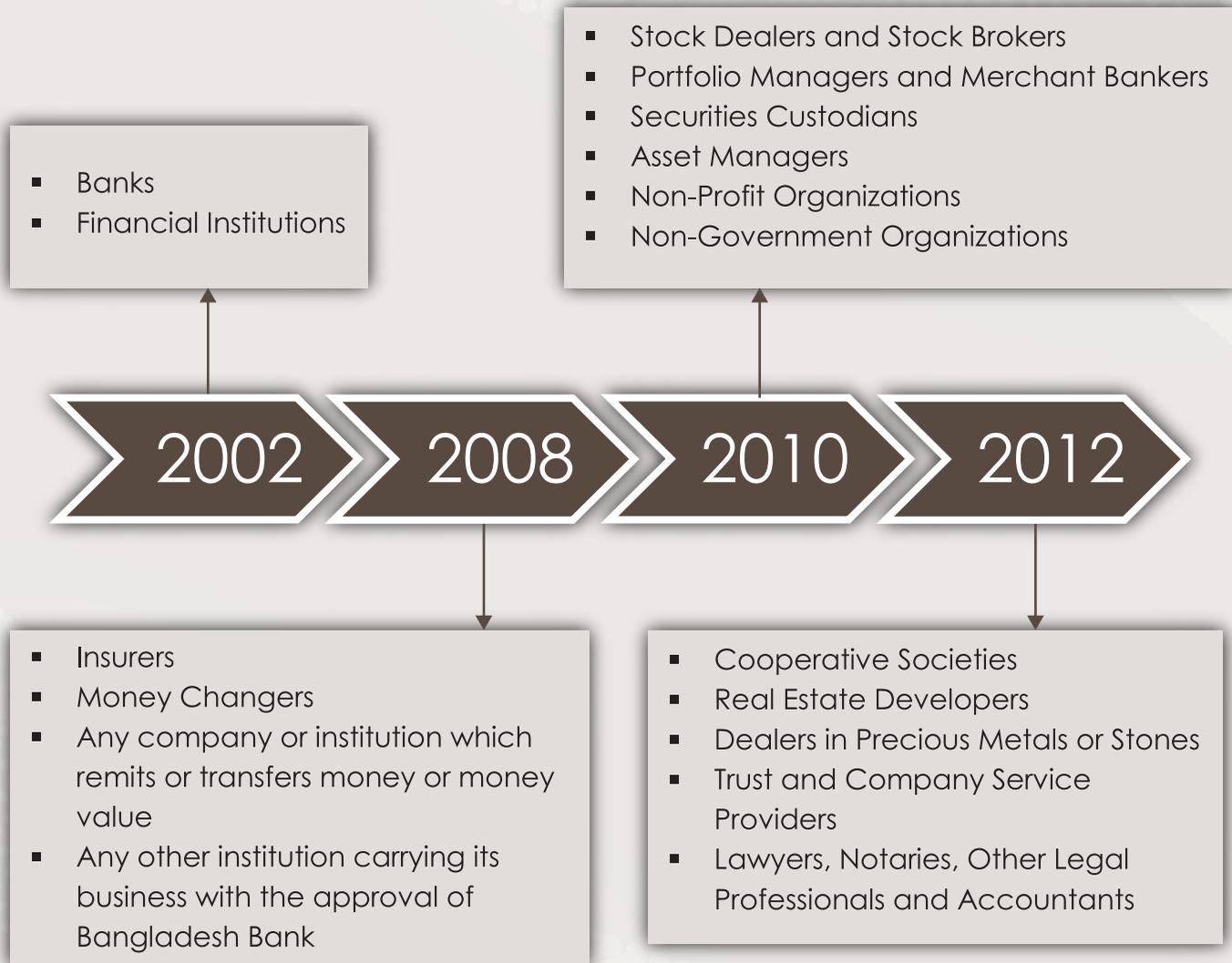
- Receive Suspicious Transaction/Activity Reports (STRs/SARs) from the reporting organizations and Cash Transaction Reports (CTRs) from banks, financial institutions and DNFBPs and receive the complaints regarding ML & TF from different sources.
- Analyze the received STRs/SARs from Reporting Organizations (ROs) and CTRs from banks, financial institutions and DNFBPs and the complaints received from different sources.
- Produce financial intelligence reports and disseminate those to investigating agencies for further action.
- Maintain a database of all received STRs/SARs, CTRs and complaints received related information.
- Issue necessary directives and guidance notes from time to time to reporting organizations to prevent money laundering (ML), terrorist financing (TF) and proliferation financing (PF) activities.
- Ensure compliance of the respective Acts, Rules/Regulations and Directives through on-site and off-site supervision of the reporting organizations.
- Monitor the implementation of UNSC Resolutions including UNSCR 1267 and its successors, UNSCR 1373 and UN Security Council Resolutions related to proliferation financing of weapons of mass destruction.
- Impart training to the officials of the reporting organizations, investigating authorities, prosecutors, regulatory agencies and other related organizations or institutions.
- Sign Memorandum of Understanding (MoU) with local organizations to exchange financial intelligence on ML, TF & PF.
- Sign Memorandum of Understanding (MoU) with foreign FIUs to exchange financial intelligence on ML, TF & PF.
- Provide and collect information to/from other FIUs under bilateral arrangements.
- Cooperate and work together with various international organizations including FATF, APG, EGMONT Group, World Bank, IMF, ADB, and UNODC regarding AML & CFT issues.
- Perform secretarial job for UN bodies, National Coordination Committee (NCC) and Working Committee on AML & CFT (NCC) and take necessary steps to implement the decisions taken by the committees.
- Work as the secretariat of inter-agency Task Force for Stolen Asset Recovery (StAR).
- Perform activities related to the Central Task Force for preventing illegal hundi activities, illicit flow of fund and money laundering and monitor implementation of the decisions of the meetings.
- Arrange regular meeting with Anti-Corruption Commission (ACC), Bangladesh Police and other relevant agencies and monitor the implementation of the decisions of the meeting.
- Arrange regular meeting with various regulators like BSEC, IDRA, MRA, NGOAB and different Self-Regulatory Bodies (SRBs).
- Carry out other related functions to prevent and combat money laundering, terrorist financing and proliferation financing activities respectively.
- Create public awareness against ML, TF & PF.

# Regulatory Framework

BFIU works under the provisions of Money Laundering Prevention Act, 2012 and Money Laundering Prevention Rules, 2019; Anti-Terrorism Act, 2009 and Anti-Terrorism Rules, 2013.



## Reporting Organizations of BFIU





**Major Activities in  
FY 2020-21**

## Chapter 2

### Major Activities in FY 2020-21

BFIU as the national central agency on combating money laundering (ML), terrorist financing (TF) and proliferation financing of weapons of mass destruction (PF) renders its duties both as regulator and supervisor. Considering international standards, directives and policy recommendations on AML & CFT issues and considering country's ML, TF & PF risks dynamics, typologies, BFIU regularly reforms its policy directives by updating AML & CFT circulars, circular letters and renders directives through various guidelines on timely issues and provides directions to the ROs to ensure an effective AML & CFT regime.

On the other hand, BFIU is actively engaged with various regulatory bodies, law enforcement agencies (LEAs), intelligence agencies and other counterparts (domestically and internationally) for information and intelligence sharing. BFIU proactively provides intelligence to various LEAs after analyzing STRs, SARs submitted by various reporting organizations, government bodies and general public to bring offenders to book. The financial year 2020-21 was challenging to accomplish responsibilities and to carry out regular office activities due to the various types of injunctions and directives of the government to ensure social distancing and health safety during the COVID-19 pandemic. Still, BFIU has carried out its regular activities and provided directives to the ROs relating to ensure vigilance and compliance to fight the new challenges emerged. Presented below are some of the key works carried out by BFIU during FY 2020-21.

#### 2.1 Issuance of Circular Letter to Reporting Organizations

With the empowerment of the provisions of Money Laundering Prevention Act (MLPA), 2012 and Anti-Terrorism Act (ATA), 2009; BFIU issues necessary directives (circular, circular letter, guidance, etc.) from time to time to the Reporting Organizations (ROs) of Bangladesh. In FY 2020-21, BFIU issued a circular letter on the extension of time to implement Guidelines for Prevention of Trade Based Money Laundering considering the COVID-19 situation.

Recognizing Trade Based Money Laundering (TBML) as the riskiest area in money laundering, BFIU issued guidelines for Prevention of Trade Based Money Laundering for banks through BFIU Circular no. 24 on 10 December 2019. The guideline covers both TBML risk assessment and risk mitigation. TBML risk identification, required infrastructure, responsibilities of employees of different tiers, the ways to comply with the instructions, probable red flags, case studies, etc., have been outlined in this guideline. The timeline set for implementation of the guidelines was 01 June, 2020. The widespread global pandemic COVID-19 slowed the implementation process. Multiple lockdowns, movement restriction, lessen working hours and workforce in office impacted negatively in the implementation of the guidelines. Several banks failed to implement the guidelines properly. Considering the pandemic situation due to COVID-19 and several banks' appeal in AML & CFT compliance meeting (virtual), BFIU extends the implementation timeline to 30 June, 2021.

#### 2.2 Intelligence Management

As an intelligence agency, the main functions of BFIU are to receive different types of reports (STR, SAR and CTR) submitted by ROs and complaints from individual or any organization both public and private, produce financial intelligence report analyzing those if there any element of ML, TF & PF and disseminate intelligence report to the respective Law Enforcement Agencies (LEAs) and other stakeholders for further course of action.

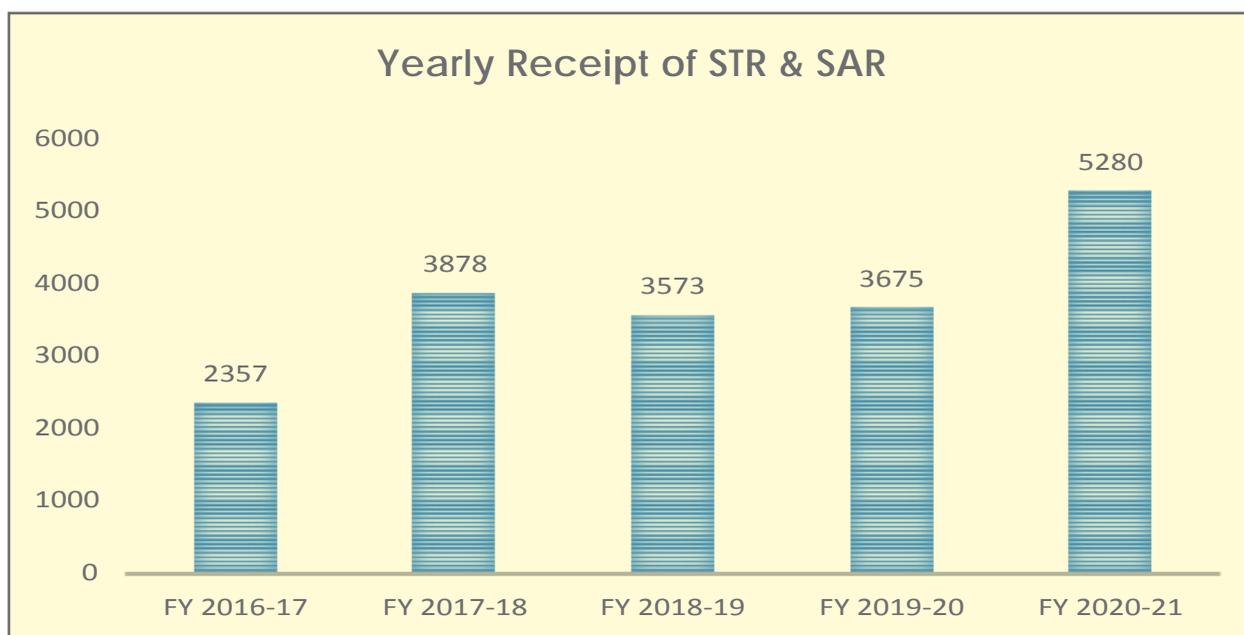
The main sources of data and intelligence of BFIU are STR & SAR submitted by Reporting Organizations (ROs), CTR submitted by Banks and NBFIs, media reports/news related to ML, TF & PF and information exchange request made by different government agencies as well as foreign FIU. BFIU also entertains complaints and information from individuals or any organizations very sincerely. Any individual or organization can lodge complaints or provide information regarding ML, TF & PF to BFIU. Moreover, the information provided by the regulatory authorities and supervisory bodies, intelligence shared by the intelligence agencies and LEAs, and information provided by the foreign FIUs or other foreign counterparts add value to the intelligence development of BFIU.

After receiving STR, SAR, CTR or information related to ML, TF & PF, BFIU deploys both tactical and strategic analysis using its own database, and information from databases of other agencies like CIB, world check, BB dashboard for export-import information, NID, and MIS. On the other hand, for the sake of analysis, additional information is collected from the ROs, other government database like company registration, real estate information, immigration related information etc. and in some cases from the foreign FIUs. Then, if there found any element of ML, TF or PF, produced intelligence report is being sent to the respective LEAs for further course of action under the provisions of MLPA, 2012 and ATA, 2009. BFIU provides intelligence to the LEAs or other intelligence agencies spontaneously and also on request.

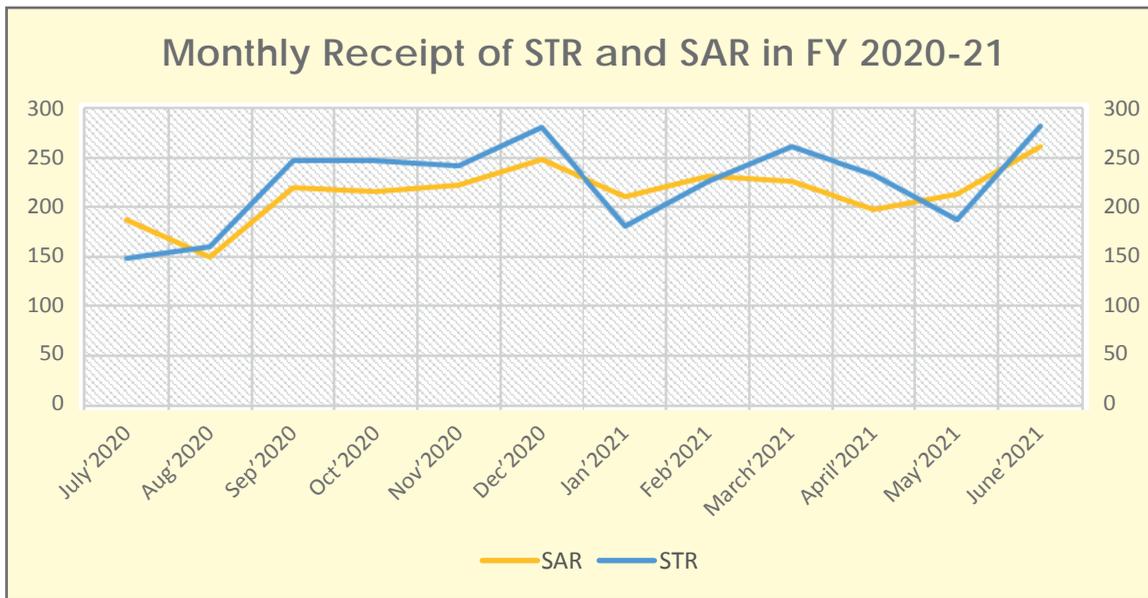
In fulfilling the core financial intelligence mandate and following international best practices, BFIU believes in the confidentiality of information derived from ROs and shared intelligence of the LEAs and foreign counterparts.

### 2.2.1 Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR)

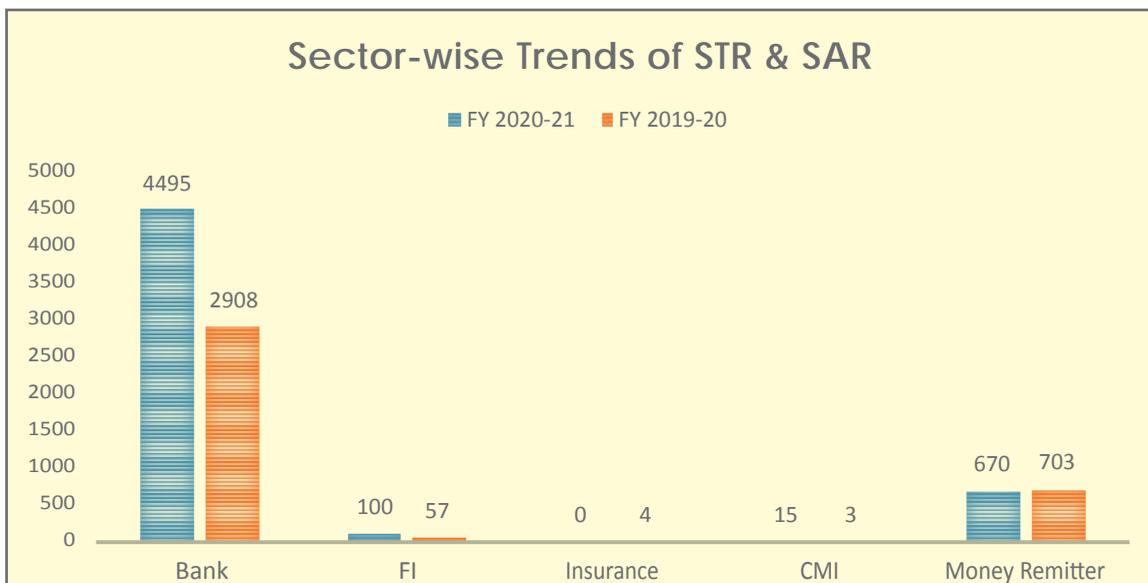
Submission of STR and SAR is a legal obligation for the reporting organizations under the provisions of section 25(1)(d) of the MLPA, 2012 and section 16(1) of the ATA, 2009. Reporting organizations submitted STR and SAR spontaneously based on their knowledge and understanding of AML & CFT risk. The number of STR & SAR is one of the critical indicators of the existence of a strengthened AML & CFT regime. Along with other variables, a good number of STR & SAR indicates a jurisdiction has a comparative better AML & CFT regime. Suspicious transaction or activity reporting system has been introduced to protect the reporting organizations from being exploited by the money launderers and terrorist financiers, and to ensure the soundness of the national AML & CFT program. BFIU has received 5280 STR & SARs (2696 STRs & 2584 SARs) In FY 2020-21.



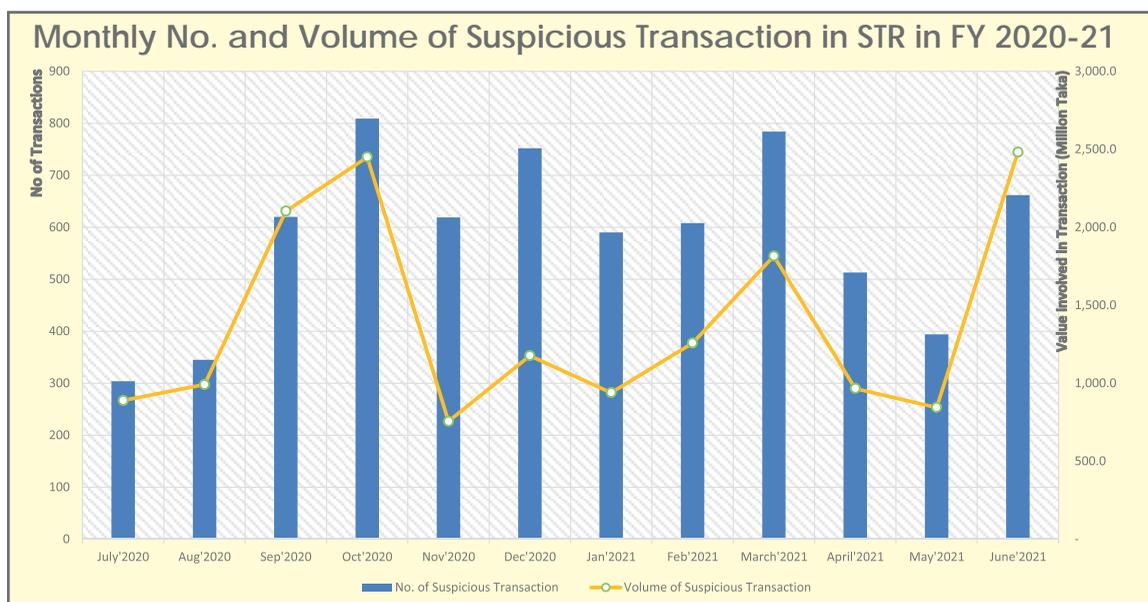
The above chart shows a comparative study of the STR & SAR received over the past 5 (five) years. It shows that BFIU has been receiving STR & SAR from the reporting organizations and other sources in an increasing trend over the years. FY 2020-21 shows a sharp increase in the number of STR & SAR. The number of STR & SAR has increased in FY 2020-21 around 43.67 percent compared to that of FY 2019-20. Although COVID-19 situation existed during FY 2020-21, the number of STR & SAR has increased for several reasons including capacity development and increased awareness of the reporting organizations, increased fraudulent activities in e-commerce and MLM business, government's stance on zero tolerance policy against corruption etc. are other reasons for such frisk of the STR/SAR submission.



The above graph shows month wise number of STR and SAR separately received by BFIU in the FY 2020-21. It depicts that the number of both STR and SAR increases slowly and reaches peak in the month of December 2020, falls down in January 2021 and then again reaches at peak in June 2021. The highest number of receipt of both STR and SAR was in June 2021 whereas the lowest number of STR and SAR was in August 2020. The government restriction on communication and movement due to the COVID-19 pandemic is the main reason of the lowest number of the receipt of STR/SAR during August 2020. On the other side, it has been figured that the month wise average number of STR was 225 and SAR was 215 in FY 2020-21 while the figure was 158 and 148 respectively in the previous financial year.



Banks constitute the largest part of the financial system of Bangladesh. The 2nd National Risk Assessment on ML & TF reveals that the banking sector is more vulnerable to ML & TF for its wide range of products, services and networks. The majority of STR/SARs received from the banking sector commensurate the findings of NRA. In FY 2020-21, BFIU received 4,495 STRs & SARs (85.13% of the total STRs & SARs) from the scheduled banks. However, Money remitters were the 2nd highest reporting organizations who have lodged 670 STRs & SARs (12.69% of the total STRs & SARs) to BFIU in FY 2020-21.



It is mentionable that, in FY 2020-21, the reporting organizations have lodged a total of 2,696 STRs out of total number of STR & SAR that is 5,280. In those suspicious transaction reports, the ROs indicated 7,000 suspicious transactions the value of which was BDT 16,670.66 million while the number of reported suspicious transactions was 4,535 (value BDT 9,547.97 million) in the previous year.

### 2.2.2 Receipt of Information Exchange Request

The regular information exchange from LEAs and intelligence agencies in FY 2020-21 increases by 79.67% compared to those of in FY 2019-20. Due to e-commerce scams, fraudulent activities during the COVID-19 pandemic, Bangladesh government's strong stances against corruption, the number of information request has been increased significantly. Over the years, Bangladesh Police, Anti-Corruption Commission and Intelligence Agencies constitute the major user of financial information.

**Table 1: Sources and Number of Receipt of Information Exchange Request**

Source/ Sender Org.		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
ACC		186	58	114	114
Bangladesh Police	CID	217	214	218	334
	Other Units (DMP, CMP RAB, DB, SB, ATU, CTSB, PBI etc.)	16	13	73	44
NBR		*	73	17	175
Others (Intelligence Agencies, BB, Ministries, etc.)		78	183	382	922
<b>Total</b>		<b>490</b>	<b>561</b>	<b>787</b>	<b>1,414</b>

The above table shows that the total number of requests from the government agencies for financial information has been increasing every financial year. Request from ACC and CID of Bangladesh Police are generally stable, though the number of request jumped 218 to 334 in FY 2020-21 due to scam in e-commerce sector. Table shows the steadily increased request from intelligence agencies but request from NBR is not steady.

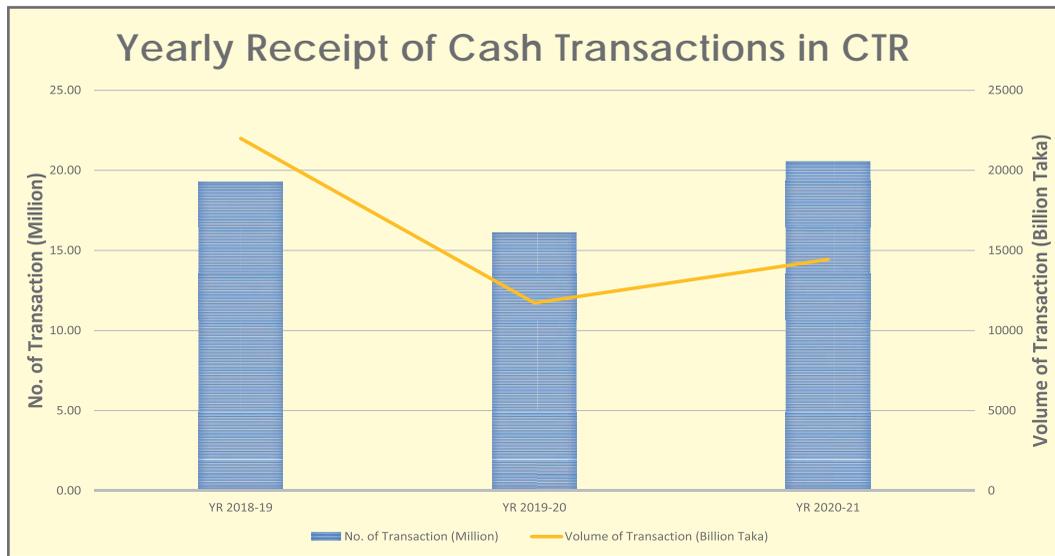
BFIU's engagement with other government agencies such as Intelligence Agencies, National Board of Revenue, different ministries, and other agencies has also been increased significantly.

\* Separate data of NBR was not collected in FY 2017-18

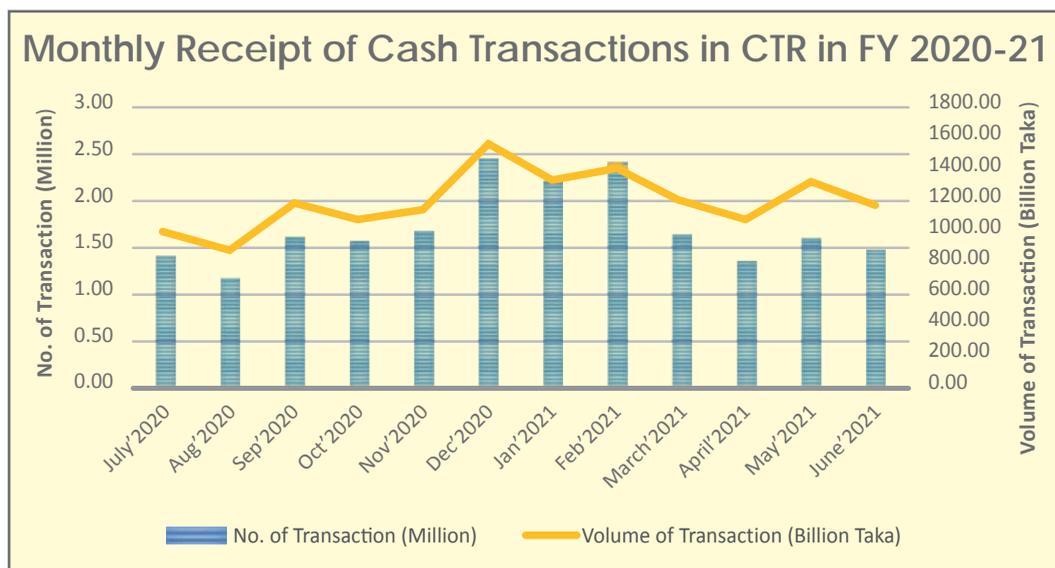
### 2.2.3 Cash Transaction Report (CTR)

BFIU has defined CTR as any kind of cash deposit or withdrawal valued BDT 1.00 million or more (or of equivalent foreign currency) through one or more transactions in an account in a single day. Regarding the cash savvy transaction scenario and other risk factors, this volume (for CTR) is being redefined by BFIU time to time. Section 23(1) (a) of the MLPA, 2012 has empowered BFIU to obtain Cash Transaction Report (CTR) from the reporting organizations and analyze the same. At present, Banks and NBFIs submit CTR to BFIU on a monthly basis as per the directive of BFIU circulars issued under section 23(1)(d) of the MLPA, 2012 and section 15(1)(d) of the ATA, 2009. The information contained in the CTR is used for the analysis of STR/SAR, off-site supervision and strategic analysis.

Banks and NBFIs submit CTRs of a month by the 21st day of the succeeding month using goAML web incorporating all the transaction as per the definition of BFIU. In FY 2020-21, Banks have submitted 20.57 million transactions (value BDT 14,436.21 billion) in CTR whereas NBFIs have submitted 1,267 transactions (value BDT 2.08 billion).



Due to COVID-19 situation, the number and volume of cash transactions decreased in the last FY 2019-20. As the COVID-19 situation improves during FY 2020-21, the number and volume of cash transactions have been increased significantly.



In FY 2020-21, on an average 1.71 million cash transactions valuing BDT 1,203.19 billion have been received in each month. The highest number and volume of transactions both were in December, 2020. On the other hand, the number and volume of transactions were lowest in August, 2020 due to Government restrictions in communication and movement.

### 2.3 Dissemination of Intelligence

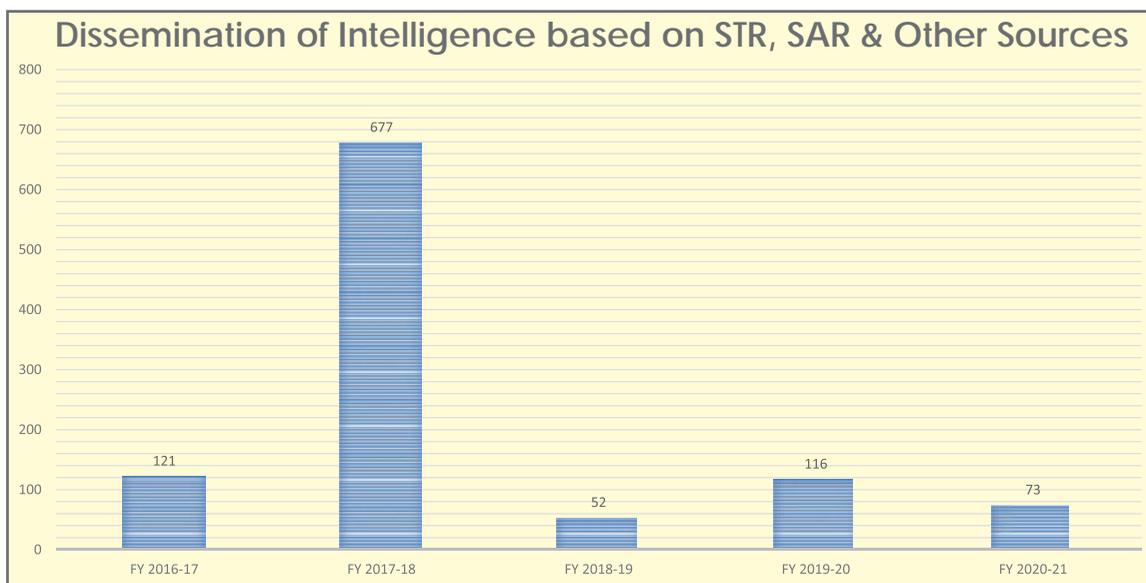
Section 23(1) (a) of the MLPA, 2012 and section 15(1) (a) of the ATA, 2009 have empowered BFIU to analyze STR/SAR/other information received from reporting organizations and other sources, collect additional information for the purpose of analysis and provide financial intelligence/information on the same relating ML & TF to the investigating or law enforcement agencies for taking necessary action under the provisions of the said acts.

Furthermore, upon request of any investigating agency, BFIU provides ML or suspicious transaction related information under the provision of section 23(2) of the MLPA, 2012. BFIU also provides, on request or spontaneously, information relating to ML & TF to other government agencies as per section 24(3) of the MLPA, 2012. Besides, BFIU, as per section 15(2) of the ATA, 2009, provides information regarding TF or suspicious transactions related to TF to appropriate law enforcement agencies, as well as extends its cooperation to them for the investigation of such cases.

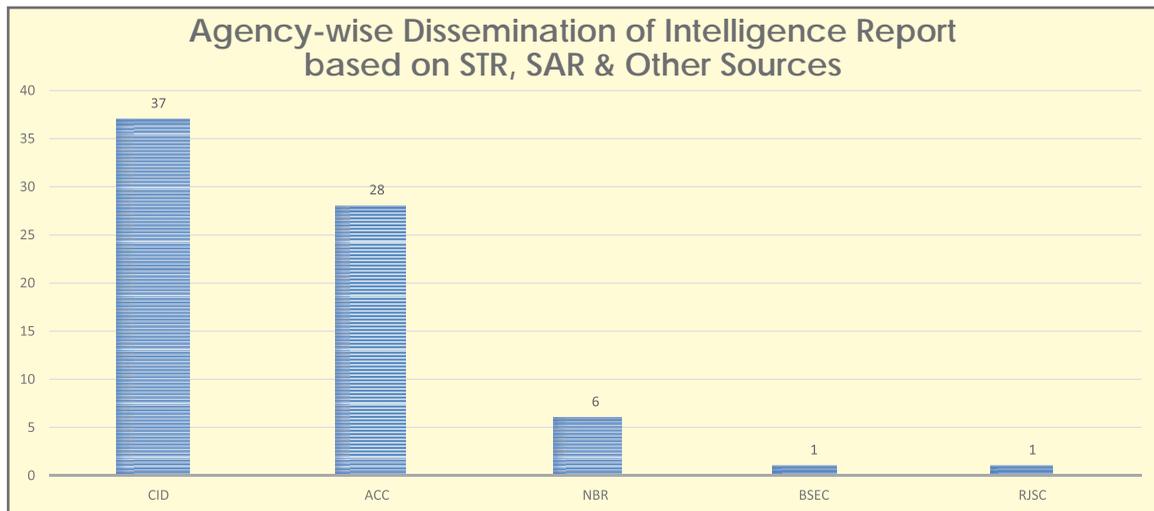
Upon receipt of STR and SAR, BFIU prioritizes the cases based on predefined indicators and then a competent analyst is assigned to analyze the case. The analysts collect additional information, as required, from different sources including reporting organizations, regulatory bodies, investigating agencies and other government agencies and prepare intelligence report. If the case is related to ML, then it is disseminated to ACC, CID, NRB, DNC, BSEC and Department of Environmental for investigation and further course of action as per MLPA, 2012 or ATA, 2009. If the case seems or appeared to be related to Terrorism, TF or PF then the case is disseminated to Bangladesh Police.

#### 2.3.1 Dissemination of Intelligence based on STR, SAR & Other Sources

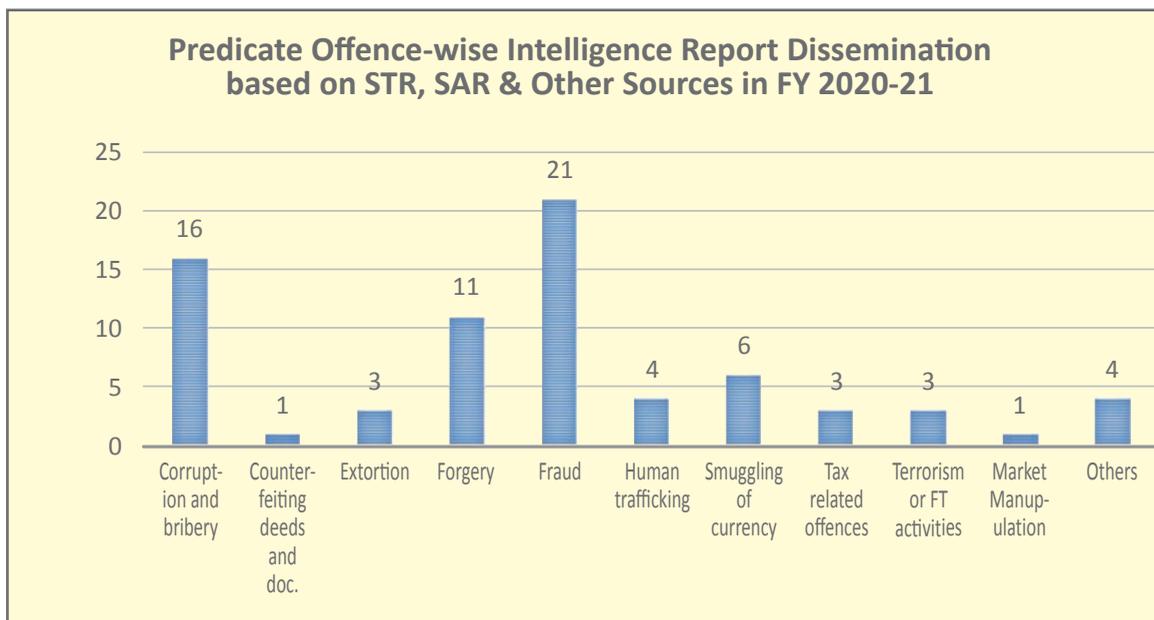
In FY 2020-21, BFIU has disseminated 73 intelligence reports based on STRs and SARs. The number of dissemination of intelligence reports is lower than that of the previous year due to COVID-19 situation all over the financial year. The government has to restrict communication, lessen working hours, and all other measures that impacted the dissemination of intelligence reports.



Furthermore, agency-wise dissemination statistics (graph as follows) of FY 2020-21 highlights that CID of Bangladesh Police and ACC topped the list in terms of highest number of intelligence dissemination as usual.



On the other hand, the below presented predicate offence-wise intelligence dissemination graph of FY 2020-21 shows that the top predicate offences were fraud, corruption and bribery, forgery etc. which more or less reflects the nature of offences, and thus the vulnerabilities of the findings of National Risk Assessment in 2015.



### 2.3.2 Information Exchange

Effective information sharing is one of the cornerstones of a well-functioning AML & CFT framework. BFIU always fosters the spirit of rendering cooperation with other stakeholders engaged in fighting ML, TF & PF by sharing financial information promptly.

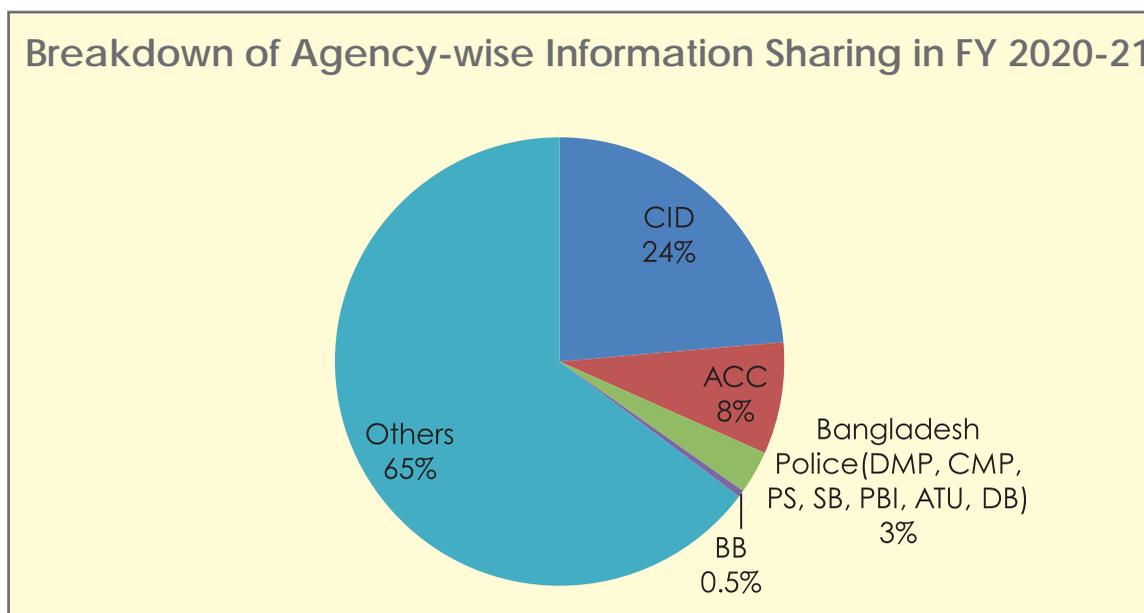
In FY 2020-21, BFIU has responded 1,414 information exchange requests in the form of financial information to the law enforcement/investigative agencies. The number of information exchange has been increased significantly due to recent e-commerce related fraudulent activities and Government's zero tolerance stances on corruption.

The following table 2 shows the prime recipients of such shared information are CID and several other units including Dhaka Metropolitan Police, Special Branch, Police Bureau of Investigation, Anti-terrorist Unit, Detective Branch of Bangladesh Police; Anti Corruption Commission, NBR (Central Intelligence Cell and Customs Intelligence and Investigation Department) and different Intelligence Agencies. Over the year information exchange with different law enforcement agencies indicates greater cooperation among these organizations.

**Table 2: Agency wise information exchange**

Agency Name		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
	ACC	191	50	114	114
Bangladesh Police	CID	217	214	218	334
	Other units including DMP, CMP, PS, SB, PBI, ATU, DB	16	13	73	44
	BB	8	23	39	7
	NBR	*	61	17	175
	Others	82	41	326	740
<b>Total</b>		<b>498</b>	<b>491</b>	<b>787</b>	<b>1414</b>

### Breakdown of Agency-wise Information Sharing in FY 2020-21



### 2.3.3 Dissemination related to Terrorism and Terrorist Financing Cases

Mandated under Anti-Terrorism Act, 2009 BFIU collects information on Terrorism and terrorist financing related cases. Collected information is analyzed and disseminated to different law enforcement agencies.

In FY 2020-21, BFIU disseminated 3 intelligence reports and exchanged information on 14 cases related to terrorist financing reflecting the rise profile of the country.

\* Separate data of NBR was not collected in FY 2017-18

## 2.4 Monitoring and Supervision

Section 23(1)(e) of the MLPA, 2012 and section 15(1)(c) and (e) of the ATA, 2009 have empowered BFIU to supervise the activities of the reporting organizations and carry out on-site inspections on them. Hence, BFIU is functioning simultaneously as the national analysis center and supervisory authority in AML & CFT matters. To make the monitoring mechanism efficient and effective, Monitoring and Supervision wing of BFIU has been divided into following sub-wings:

- a) Bank Monitoring
- b) Non-Bank Financial Institutions Monitoring
- c) NGO/NPO Monitoring
- d) Money Changers & Money Remitter Monitoring
- e) Capital Market Intermediaries Monitoring
- f) Insurance Monitoring
- g) DNFBPs Monitoring
- h) Co-operatives Monitoring

As part of an effective monitoring system, in line with the FATF recommendation 1, BFIU has adopted Risk-Based Approach (RBA) to supervise the reporting organizations. In line with the approach, the supervisory activities of BFIU are focused on the sectors and entities that are most vulnerable to ML, TF & PF and are at high risk of regulatory non-compliance. Furthermore, while implementing RBA, BFIU has taken a number of risk factors into account faced by ROs including sectoral, client, geographic and delivery channel or service/product risks. In order to identify the potential risks and mitigate those risks, to address the compliance deficiencies and to plan and prioritize supervisory programs, BFIU has considered three different levels of risk assessments: National Risk Assessment, Sectoral Risk Assessment and Enterprise Level Risk Assessment.

In the Risk-Based Supervision, BFIU has established a framework to allocate its supervisory resources. Resources can be focused on reporting organizations that bear higher risks relative to their peers and allocated to particular higher risk areas within individual entities. Under this supervision system there is a process of continuous updating risk assessments through on-site inspections findings, off-site reviews and BFIU's intelligence that create an "early warning" or "AML rating" system for the reporting organizations to anticipate and deal with the emerging issues.

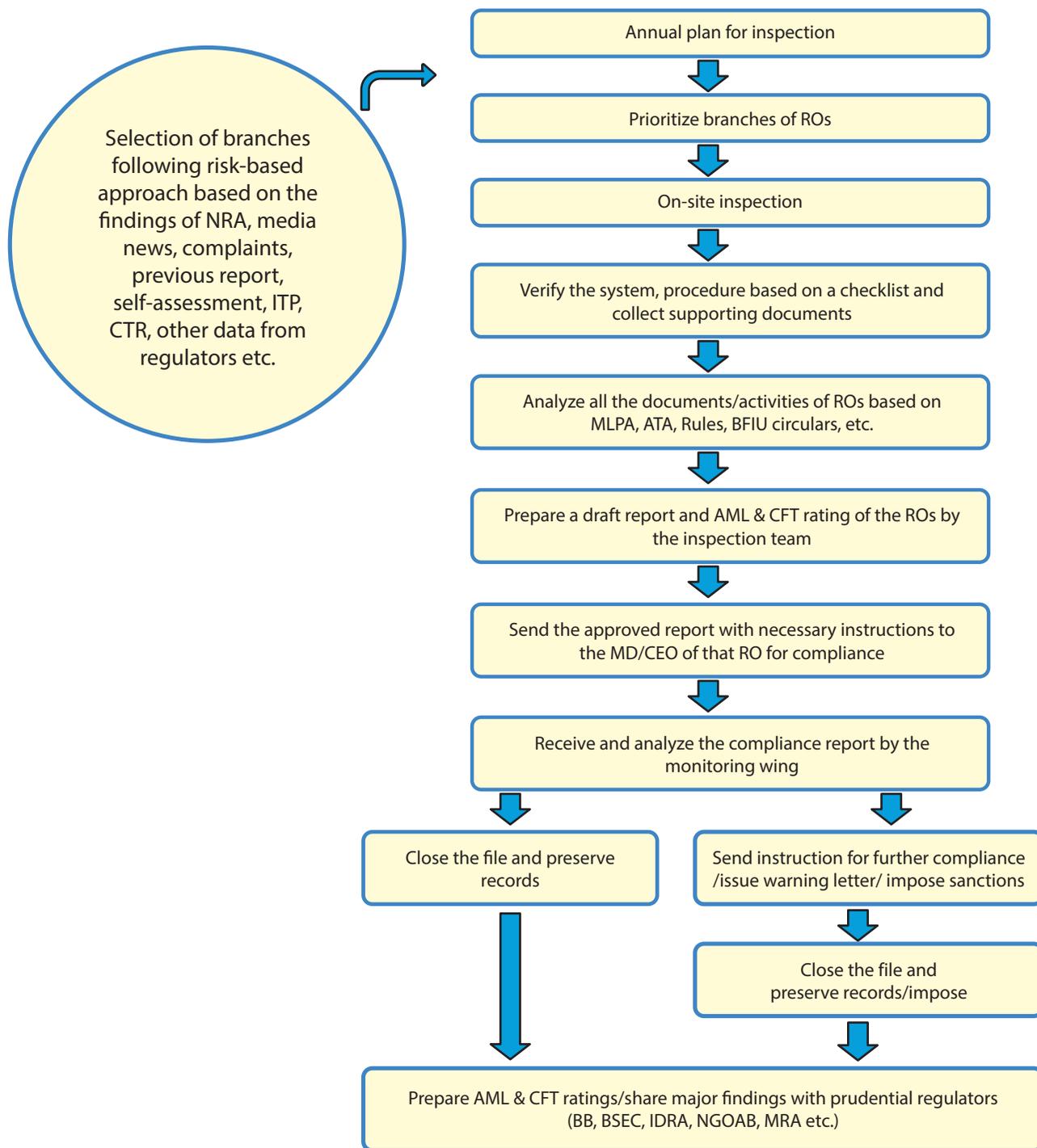
BFIU has also observed how the risk profile of both individual reporting organizations and the industry changes over time. These observations are useful, from the perspectives of BFIU, to look into the adequacy of its legislation and reviewing existing policy for accommodating relevant issues.

The AML & CFT supervisory program of BFIU is a continuous process divided into four steps. At each step, more information is collected about the reporting organizations and its potential risks of ML, TF & PF related non-compliance. These four steps are:



The following diagram depicts the monitoring and supervision mechanism of BFIU:

### Monitoring & Supervision Mechanism



### **2.4.1 Off-site Supervision**

Off-site supervision aims at regular monitoring, analyzing and reviewing the periodic reports submitted by reporting organizations (ROs) in compliance with BFIU requirements. The findings from off-site supervision play a significant role in making/updating policy issues and decisions of on-site supervision including risk based supervision. BFIU's off-site supervision employs various methods and activities at the desk-level including–

- Assessing the Self-Assessment Reports and the results of Independent Testing Procedure (ITP) submitted by the ROs biannually;
- Preparing sectoral and individual risk assessment of the ROs and their non-compliance risks;
- Ensuring compliance of the ROs with submission of STR/SAR and CTR and information obtained from the same;
- Analyzing the information, both quantitative and qualitative, collected from regulatory/supervisory authority and obtained from open sources;
- Assessing compliance questionnaires, documents prepared by the ROs etc.

#### **2.4.1.1 Off-site Supervision of Banks**

As per instruction of BFIU circular, each branch of the banks is obliged to prepare a Self-Assessment Report based on a predefined checklist twice in a year and submit the same to the Internal Audit Department and AML & CFT Division or Department of its Head Office. Internal Audit Department has to analyze those reports and arrange for branch inspection, if necessary, informing the AML Division or Department of the bank. Furthermore, the said department, while inspecting a branch as part of its regular program, is required to prepare a report on the status of the AML & CFT system of the branches through the checklist of Independent Testing Procedure (ITP) and award rating based on their findings. In addition to that, Internal Audit Department conducts a separate AML & CFT inspection in at least 10% branches according to their annual plan.

The Internal Audit Department has to send the report of those inspections based on ITP, called ITP report, to the AML & CFT Division or Department. Then the Central Compliance Committee (CCC) has to evaluate the two reports (self-assessment and ITP) to prepare a biannual evaluation report. This report is submitted to the highest level of bank management for their opinion and necessary direction. Furthermore, the banks are required to submit the summary of the two reports, Self-Assessment Report and ITP to BFIU on half yearly basis.

All the off-site supervision reports submitted by banks are consulted by BFIU while developing annual on-site inspection plan.

#### **2.4.1.2 Off-site Supervision of NBFIs and other Reporting Organizations**

NBFIs also submit the summary of self-assessment report and independent testing procedure report on half yearly basis following the similar procedures of the banks. Other reporting organizations like Insurance Companies and Capital Market Intermediaries submit the summary of self-assessment report to BFIU in the same manner.

### **2.4.2 On-site Supervision**

In addition to National Risk Assessment (NRA), BFIU prepares an annual on-site inspection plan based on the entity level risk assessment report of the ROs, and BFIU's own assessment (considering the previous inspections findings, self-assessment report and independent testing report results). Reporting organizations which fall under 'High Risk' category are subject to more frequent onsite supervision. Findings of BFIU and AML & CFT risk rating are shared with the relevant regulators for their review and necessary actions. Basically, two types of onsite supervision- system check inspection and special inspection—are carried out by BFIU.

### 2.4.2.1 System Check Inspection

AML & CFT system check inspection is conducted on a six-month cycle to oversee the compliance level of the reporting organizations with respect to the provisions under MLPA, 2012, ATA, 2009 and BFIU circulars and guidelines. AML & CFT risk management procedures of the ROs are also examined in the inspections. A system check inspection is basically conducted to review the following areas:

- Comprehensiveness of AML & CFT policy and procedures with senior management's commitment
- Evaluation of the competency of the Compliance Officer
- KYC & CDD procedure
- Transaction monitoring
- CTR submission and analysis
- STR identification and submission
- Report submission by branch to AML & CFT Division or Department/CCU
- Self-Assessment
- Knowledge and awareness of the employees on AML & CFT
- Record keeping
- Compliance of the recommendations of the previous audit/inspection report

Based on the findings of the system check inspection, the reporting organization's head office and branches are awarded a rating (Unsatisfactory, Marginal, Fair, Satisfactory or Strong) and a report is sent for their compliance with AML & CFT related rules, regulations, acts and BFIU circulars.

#### 2.4.2.1.1 System Check Inspection of Banks

In FY 2020-21, BFIU has conducted 52 system check inspections on the Banks of which 23 were on head offices and 29 were on the branches of the banks. The number of inspections has decreased to some extent as compared to that of the previous year due to COVID-19 pandemic.

Table 4: System Check Inspection of Banks

Bank	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Head Offices	57	26	23	24	23
Branches	57	54	49	40	29
Total	114	80	72	64	52

#### 2.4.2.1.2 System Check Inspection of NBFIs

BFIU has conducted system check inspection on 3 head offices and 1 branch of NBFIs in FY 2020-21. However, due to COVID-19 pandemic, the number of inspections has decreased to some extent as compared to that of the previous financial year.

Table 5: System Check Inspection of NBFIs

NBFI	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Head Offices	5*	20	2	10	3
Branches	5*	10	0	10	1
Total	10	30	2	20	4

\* In FY 2016-17 regular system check inspection was not conducted. All of these inspections were special inspections.

### 2.4.2.1.3 System Check Inspection of other Reporting Organizations

#### A) Insurance Companies:

To monitor and supervise the AML & CFT activities of the insurance companies of Bangladesh, BFIU coordinates with Insurance Development and Regulatory Authority (IDRA), prudential regulator of the sector. In FY 2020-21, BFIU has conducted onsite inspection on head offices of 23 insurance companies (11 Nonlife and 12 Life) considering insurance as low risk sector and COVID-19 situation. All of these system check inspections were conducted in Dhaka.

Table 6: System Check Inspection of Insurance Companies

NBFI		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Nonlife Insurance	Head Offices	19	8	15	5	11
	Branches	11	6	10	4	0
	<b>Total</b>	<b>30</b>	<b>14</b>	<b>25</b>	<b>9</b>	<b>11</b>
Life Insurance	Head Offices	15	15	10	4	12
	Branches	10	8	5	2	0
	<b>Total</b>	<b>25</b>	<b>23</b>	<b>15</b>	<b>6</b>	<b>12</b>

#### B) NGOs/NPOs

To monitor the AML & CFT compliance level of the NGOs/NPOs, BFIU has conducted 16 system check inspections of NGO/NPO on their head offices in FY 2020-21. Out of 16 system check inspections, 14 system check inspections were in Dhaka.

Table 7: System Check Inspection of NGOs/NPOs

NGOs/NPOs	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Head Offices	10	16	14	16
Branches	0	0	0	0
<b>Total</b>	<b>10</b>	<b>16</b>	<b>14</b>	<b>16</b>

#### C) Capital Market Intermediaries

BFIU closely works with Bangladesh Securities and Exchange Commission (BSEC) to monitor the AML & CFT compliance level of the capital market intermediaries. In FY 2020-21, BFIU has conducted 16 system check inspections of capital market intermediaries on their head office. All of these system check inspections conducted in Dhaka.

### 2.4.2.2 Special Inspection

Besides the regular system check inspection, BFIU also conducts special inspection of the ROs if it gets lower rating repeatedly in the system check inspection, any non-compliance issue detected in the system check inspection or if there is any adverse media report. Some special inspections are also carried out to monitor the reporting organizations' compliance level of STR & SAR submission and to examine whether banks and NBFIs are submitting CTR correctly and properly. In this case, branches are selected based on the transaction volume, operational importance, location, risk level etc. In addition to this, BFIU conducts special inspection for further analysis of STRs & SARs, complaints and other information as and when required.

**Table 8: Number of Special Inspection**

Reporting Organization	Head Offices	Branches
Bank	9	44
NBFI	2	0
Others	1	0
<b>Total</b>	<b>12</b>	<b>44</b>

In FY 2020-21, BFIU has conducted a total of 56 special inspections of which 12 were on head offices and 44 were on branch offices.

## **2.5 Signing SLA with UNODC to Install goAML Version 5.0**

BFIU has signed a Service Level Agreement (SLA) with UNODC on 27 May 2021 for updating the goAML software in version 5.0 with a view to facilitating online reporting of CTR, STR and other reports, and optimize its use of sophisticated analytical capabilities to conduct both operational and strategic analysis.

The goAML application is one of the most effective solutions developed by UNODC to combat the global financial crime including money laundering and terrorist financing. Recently, UNODC has released goAML version 5.0. It is a milestone release as it includes the new XML Schema and the key features of the Automation Service and ESS. The main features of the new version are as follows:

- Includes Entity-to-Entity relations, Crypto-currency support and Hybrid reports including associated end-to-end functionality: the entity to entity relationship, and integrated activity node in transactions reports which will enable to report suspicious activity along with suspicious transaction in STR reporting.
- Supports Egmont Request Schema version 7.0 for the exchange of Requests for Information and Spontaneous Disclosures between the FIUs using Egmont Secure Web.
- Version 5.0 supports XML Schema Definition (XSD) 1.1 standard for the XML schema which allows the usage of the XSD 1.1 assertions which enable FIUs to implement complex validation rules directly in the schema.
- Includes new Open API interface using ESS whereby reports can be submitted/loaded directly to the Client database and can include instructions to perform actions automatically such as moving the report workflow to a particular state, escalating the report to a case, finding other related reports and shielding reports and cases.
- Supports Optical Character Reader (OCR) in free text searches as well as Natural Language Processing.
- Message-board enhancements.

Currently 60 Banks, 36 Non-bank Financial Institutions, 78 Insurance Companies, 266 Capital Market Intermediaries, 162 Money Changer, 36 NGO and 18 Money Remitters are registered in goAML. Submission of CTR and STR/SAR only through goAML is mandatory for banks and Non-bank Financial Institutions. Other reporting organizations can submit STR/SAR through goAML and/or also manually. BFIU makes all the day to day communications with the reporting organizations through goAML message board.

## 2.6 National Money Laundering and Terrorist Financing Risk Assessment

Bangladesh has reviewed 2nd National Risk Assessment (NRA) in 2018 and suggested to conduct 3rd NRA in a comprehensive manner taking into consideration of findings of Bangladesh Mutual Evaluation Report 2016. The review committee also suggested conducting separate risk assessment report for money laundering and terrorist financing. Bangladesh conducted its 1st ML & TF NRA in 2011, subsequently, completed its second NRA in 2015. A core committee, comprising members from Anti-Corruption Commission (ACC), Bangladesh Financial Intelligence Unit (BFIU) and Criminal Investigation Department (CID), and a working committee, comprising members from all relevant stakeholders, formulated this NRA Report.

Based on the decision of the working committee for prevention of money laundering and terrorist financing, a core committee has been formed consisting ACC, BFIU, CID, and National Board of Revenue (NBR) to conduct 3rd national money laundering risk assessment and another committee has been formed under the leadership of ministry of home affairs to conduct terrorist financing risk assessment.

In the process of preparing this NRA document, both qualitative and quantitative approaches are adopted and subsequently, information and statistics from relevant agencies, opinion from outreach programs, various reviews and papers have been collected. A separate methodology has been adopted which is customized based on the methodologies used by World Bank and other international organization. Current version of NRA will includes 13 (thirteen) modules. List of the modules are-

1. Money Laundering Threat Analysis
2. National Money Laundering Vulnerability Assessment
3. State Owned Banking Sector Vulnerability
4. Commercial Banking Sector Vulnerability
5. Security Sector Vulnerability
6. Insurance Sector Vulnerability
7. Public Procurement Related Vulnerability
8. State Owned Enterprise Sector Vulnerabilities
9. DNFBPs Sector Vulnerability
10. Financial Inclusion Vulnerability
11. Non-Bank Financial Institution Sector Vulnerability
12. DFS Sector Vulnerability
13. Other Sector (Postal, Money Remitter/Money Changer, NGO/NPO) Vulnerability

Separate working groups have been assigned to complete each of the modules. The initial draft of most of the modules of the NRA has already been completed and handed over to the core committee and the core committee is now proceeding for next course of actions. Hopefully, the NRA will be completed by next June of 2022.

## 2.7 Initiatives of Bangladesh on FATF Recommendation 15

In the third round Mutual Evaluation conducted by APG, Bangladesh received Compliant rating on the Rec. 15 related to new technology. However, with the rapid development, increasing functionality, growing adoption, and global, cross-border nature of Virtual Assets the ML & TF risks presented by VA activities and VASPs have become a key concern of AML & CFT community. In October 2018, the FATF adopted two new Glossary definitions-“virtual asset” (VA) and “virtual asset service provider” (VASP) and updated Recommendation 15. To address the requirements of revised Recommendation 15, the Foreign Exchange Policy Department of Bangladesh Bank, the Central Bank of Bangladesh issued Circular Letter No. 26 dated 14 November 2019 and Circular Letter No. 30 dated

24 November 2019 instructing Authorized Dealer (AD) branches of the banks to refrain from making payments of purchase of crypto currency, participation in online casino etc. through international cards. To fulfill requirements of assessing and mitigating ML & TF risks from VA and VASPs in line with the revised standards BFIU did a full range of strategic analysis especially on crypto assets including crypto currency. The analysis revealed that money laundering and terrorism financing risk of crypto currency and related assets in Bangladesh is 'Low' due to strict foreign exchange control regime, non-existence of any exchange for crypto assets and formal institutional engagement offering crypto related transaction. The analysis suggested some measures such as: sharing STRs/SARs indicators/typologies for Banks and MFS, training and capacity building for the stakeholders, frequent issuance of public awareness notice, reducing abuse of freelancers' retention quota, social media/Web content monitoring to detect crypto related issues, capacity building of law enforcement agencies, transaction monitoring and reporting of SARs/STRs related to possible crypto currency related transactions. BFIU has also formed an expert committee to review existing legal and institutional framework to tackle the risk arises from VA & VASPs activities and devises the suitable framework for it.

## **2.8 Challenges, Risks and Strategies relating to Health Sector, Capital Market Intermediaries, New Technology and Financial Inclusion during COVID-19**

COVID-19 not only impacted the economy and financial system of the country but also had a visible influence over ML & TF trends particularly during the peak periods of population confinements and lock-downs across the country. COVID-19 related ML and TF trends are as follows:

- The overall level of sophisticated economic criminality remained stable or slightly decreased but with a surge in certain crimes, especially with transnational elements, such as fraud (through electronic means) and cybercrime creating new sources of proceeds for money laundering purposes.
- Emergency economic relief measures such as incentive package of financial aid to support the businesses and vulnerable population created opportunities for abuse.

### **Impact on Health Sector:**

- Due to the overwhelming global demand the need for specific medical equipment and supplies swiftly skyrocketed. To avoid an administrative blockage, temporary suspension on complex controls in public procurement procedures to avoid disruptions. This created vulnerability for fraud, corruption and subsequent money laundering.
- Transparency International Bangladesh (TIB) said that corruption in purchases of medical supplies and lack of transparency in procurement processes were going on during the COVID-19 crisis. According to the study, substandard medical supplies were issued 5 to 10 times higher prices cashing in on the corona virus crisis. The TIB study found that there was a lack of transparency in procurement processes as no people other than a few senior officials know anything about the procurements. There was excessive control by a syndicate over all kinds of procurement in the names of different firms and there were allegations of involvement of some officials of the ministry of health.
- The recent incidence of false and illegal certification about COVID-19 reports has become a new crisis for this pandemic situation in Bangladesh. Some Dhaka-based private hospitals and criminal syndicates were selling fake corona virus test certificates to profit from the COVID-19 pandemic.

### **Impact on AML & CFT Regulation, Supervision, Information Exchange etc.:**

- With a shift in private sectors' way of working, with limits imposed to physical meetings and a significant increase in non face-to-face business relationships and remote operations criminals got added advantage as full application of customer due diligence (CDD) measures suffered significantly.

- Suspicious transactions and activity reporting from the ROs to BFIU remained steady.
- With challenges in conducting on-site supervisory controls off-site and desk-based reviews have been conducted instead, without a significant impact on the volume of the supervisory actions.
- To effectively complete the off-site monitoring BFIU and regulators adopted innovative ways to exchange sensitive information using secure electronic means, or reviewing these documents remotely.
- Law enforcement authorities have encountered some difficulties in pursuing ML & TF related criminal activities. Sporadic delays due to the limitation on physical meetings have been kept to a minimal. Courts had to postpone some trials, this being a general situation, rather than ML & TF related.
- Domestic information exchange has been minimally disrupted and no difficulties in obtaining financial information were experienced.
- International cooperation has not suffered that much and cooperation with other FIUs has proven to be particularly relevant on exchanging information on cross border cases related to fraudulent offerings of medical and sanitary equipment, counterfeited products, non-delivery scams and illegal over-pricing.

#### **Impact on Capital Market:**

Most of the time during COVID-19, the activities in the capital market were very limited and hence suspicious transaction reporting declined. However, even amidst the Pandemic attempts to abuse capital market to whiten criminal proceeds came to the notice of the Unit through adverse media reports. Sudden upward trend of stock price of certain companies without valid economic rationale triggered suspicions of insider trading and market manipulation, and BFIU, after analysis intelligence report has been disseminated to the relevant LEA for investigation and appropriate next course of actions.

#### **Abuse of Financial Inclusion Products:**

To facilitate financial service for the unbanked population Bangladesh Bank, the Central Bank of Bangladesh, approved agent banking initiatives of the Banks. However, taking advantage of the financial illiteracy of the uneducated people of the rural areas some agents were seen engaging in criminal activities. In some instances, it has been seen that even during the pandemic they lured people in the name of arranging job at the agent outlets and obtained money from the victims as security deposit. Accounts were opened in the name of the customers unaware of the incidence. While opening the accounts agents used their own finger prints instead of the customers' and to hide the illegal activities system generated payment receipts and SMS notifications were not sent to the customers. There were other forms of abuse of financial inclusion products as well.

#### **Abuse of Technology:**

During COVID-19 with increased reliance on technology abuse of technology got momentum. As physical movement was quite limited people in mass got addicted to online games of different types. Different websites advertised with links of the games. At certain point of playing the games instruction for payment of small amounts through mobile financial service providers were given. Small amounts from a number of participants equaled millions of taka. In one instance it was seen that BDT 2,200 million was deposited to a single account which was then transferred to different banks and withdrawn by different persons in cash. As a reward for playing games money was seen to be deposited into MFS accounts of some persons. Though game coin was imported from abroad, related Bangladeshi citizen was found to be financial consultant of the offshore game coin exporter. Hence, suspicion remains whether actual import was there or money was just siphoned off! Technology also afforded criminals to instantly entice huge number people of abnormally high returns and making a quick exit with the money in the end.

# Domestic Cooperation and Engagement



## Chapter 3

### Domestic Cooperation and Engagement

To comply with the FATF recommendation-2 it is imperative to establish an effective mechanism among the policymakers, the Financial Intelligence Unit (FIU), law enforcement authorities, supervisors and other relevant competent authorities which enables them to cooperate and, where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat money laundering, terrorist financing and proliferation financing of weapons of mass destruction. Working closely with all relevant agencies, ministries and departments BFIU, as the national central agency of the country, always foster a spirit of cooperation for effective combating ML, TF and PF. During FY 2020-21 BFIU has taken a number of initiatives to accelerate domestic cooperation and engagement with the various ministries, departments and relevant agencies in Bangladesh.

#### 3.1 Working Committee on AML & CFT

The Working Committee on AML & CFT is the second highest body for combating money laundering and terrorist financing in the country. Senior Secretary/Secretary of Financial Institutions Division, Ministry of Finance as the convener of the committee and the Head of BFIU as one of the members of the committee work together with other members of the committee for ensuring coordinated institutional effort to implement the policies for combating money laundering and terrorist financing. The committee met thrice in the financial year 2020-21 and made several important decisions and recommendations regarding-

- On-going national risk assessment;
- Implementation of the recommendation regarding IO-5;
- Inclusion of cyber, pornography and online gambling as predicate offence;
- Risk assessment of legal persons and legal entities;
- Guidelines on collaborative approach in stolen asset recovery and mutual legal assistance;
- Digitization of ML & TF cases filed, AML & CFT capacity building programs etc.

#### 3.2 Central and Regional Task Force on Prevention of Money Laundering and Terrorist Financing

A two-layered task force i.e. the Central Task Force and Divisional Task Force have been formed in 2017 to prevent money laundering and terrorist financing in Bangladesh restructuring Central and Regional Task Force established in 2002. The Head of BFIU is the convener of the Central Task Force whereas the General Manager of BFIU serves as its member secretary. The organizations having representative in the Central Task Force include National Board of Revenue (NBR), Anti-Corruption Commission (ACC), Bangladesh Securities and Exchange Commission (BSEC), Department of Cooperatives, Insurance Development and Regulatory Authority (IDRA), NGO Affairs Bureau (NGOAB), Department of Narcotics Control (DNC), Registrar of Joint Stock Companies and Firms (RJSC), Police Headquarters, Dhaka Metropolitan Police (DMP), Criminal Investigation Department (CID) and the supervision-related departments of Bangladesh Bank. In addition, 8 (eight) representatives from scheduled banks, 2 (two) representatives each from financial institutions, capital market intermediaries, non-government organizations (NGOs), insurance companies and cooperative societies are also members of the Task Force.

The Task Force works to coordinate the activities of different investigative agencies, law enforcement agencies, prudential regulators of reporting organizations and the BFIU. It is mandated to convene quarterly meetings to discuss the progress achieved in implementing its goals. In FY 2020-21 the Central Task Force met 03 (three) times. The major decisions taken at these meetings include drafting

a study paper on identifying the financing of terrorism for the law enforcement agencies, taking necessary steps to include representatives of mobile financial service providers in the Central Task Force, seeking statement from Microcredit Regulatory Authority (MRA) on using banking channel by NGOs in case of transactions amounting BDT 1.00 lac or above, incorporating bKash Limited as representative of mobile financial service providers in the Central Task Force and reviewing the activities of e-commerce service providers thoroughly whether there is any irregularity etc.

The Divisional Task Force met 05 (five) times in FY 2020-21 where some crucial recommendations have been made such as arranging AML training program for the officials of NGOs and DNC, publishing the list of registered NGOs on the website of NGOAB and arranging public awareness program regarding predicate offences etc.

### 3.3 Signing of Memorandum of Understanding (MoU) with Domestic Organizations

In order to curb and prevent money laundering, terrorism and terrorist financing, it is very important for all concerned agencies of the country to work together and exchange mutual information and experience. In this regard, a coordinated effort has been made by Bangladesh Financial Intelligence Unit (BFIU) and Insurance Development and Regulatory Authority (IDRA) by signing a memorandum of understanding on 31 March 2021. The Head of BFIU Mr. Abu Hena Mohd. Razee Hassan and Chairman of IDRA, Dr. M. Mosharraf Hossain have signed the MoU on behalf of the respective organization.

IDRA, which has been established for the purpose of supervising the insurance business, safeguarding the interest of policy holder controlling the institutions relating to insurance and re-insurance industry, to encourage the development of insurance industry by the Insurance Development and Regulatory Authority Act, 2010 has been a key partner of BFIU in the fight against ML & TF. Signing MoU between these two organizations laid out the basics of institutional cooperation and bolstered the ongoing cooperation. It is expected that BFIU and IDRA, by adhering closely to the MoU, will be able to work together seamlessly in safeguarding the country from the ML & TF threats.

With this BFIU has signed MOU with 05 domestic stakeholders till June 2021: BSEC, ACC, Bangladesh Police, NBR and IDRA.



High officials of BFIU and IDRA at the MOU signing ceremony

### **3.4 Engagement with Law Enforcement Agencies**

With a view to facilitating bilateral and multilateral cooperation between relevant authorities, BFIU arranges different meetings with the Law Enforcement Agencies (LEAs) and intelligence agencies on regular basis. These meetings generate great scope for exchanging information, help identifying hindrances and finding ways of overcoming such hindrances for effective implementation of AML & CFT issues of the country. In FY 2020-21 BFIU met two times with Anti-Corruption Commission (ACC), National Board of Revenue (NBR), Department of Narcotics Control (DNC) and Criminal Investigation Department (CID) of Bangladesh Police.

### **3.5 Capacity Building Programs for Law Enforcement Agencies and Other Relevant Stakeholders**

BFIU arranges regular capacity building programs for the officials of the law enforcement agencies in association with the relevant stakeholders in order to strengthen domestic cooperation in the fight against money laundering, terrorist financing and proliferation financing. Over the past years BFIU arranged such programs on AML & CFT issues where participants from Anti-Corruption Commission (ACC), Bangladesh Police, National Board of Revenue (NBR), Department of Narcotics Control (DNC), and Bangladesh Securities & Exchange Commission (BSEC) attended.

During FY 2020-21, BFIU arranged several training programs for different stakeholders to combat money laundering and terrorist financing. In those training programs investigation techniques of financial crimes were shared with the officials of respective stakeholders in order to enhance their capacity in investigating money laundering and terrorist financing related cases. BFIU arranged a capacity building program during the financial year for Correspondent Banking service providing banks/representative offices in Bangladesh. Moreover, in collaboration with BFIU, U.S. Department of Justice's Office of Overseas Prosecutorial Development, have organized 06 (six) Workshops where techniques and efficient strategies on combating money laundering and terrorist financing were shared with the participants.

# International Cooperation and Engagement



## Chapter 4

### International Cooperation and Engagement

International cooperation offers a good opportunity for unifying effort and acting jointly in order to tackle the global challenges and issues like money laundering and terrorist financing. It is quite impossible to ensure a stable AML & CFT regime without enhanced international cooperation in an age where money could be moved across borders at anytime and anywhere. Considering the emerging trends and technologies within financial system and the evolving nature of ML & TF offences, BFIU always fosters international cooperation and engagement with its counterpart to tackle the risk of ML & TF in the country. Moreover, FATF recommendation 40 requires countries to ensure clear and effective gateways to facilitate the prompt and constructive exchange directly between counterparts, either spontaneously or upon request, of information relating to both money laundering and the underlying predicate offences. BFIU always renders its assistance and cooperation with its counterparts by prompt response to all the requests received and also seeks cooperation respective jurisdictions in relevant cases.

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

The Asia/Pacific Group on Money Laundering (APG) is an inter-governmental task force consisting of 41 member jurisdictions regionally focused within the Asia/Pacific. As a founder member, Bangladesh has been participating in the different programs of APG and contributing actively being the central agency to combat ML, TF and PF in Bangladesh.

Being the APG Co-Chair for the term 2018-2020 Bangladesh was supposed to host The 23rd APG Annual Meeting in Dhaka in July 2020. Unfortunately due to the global health concerns and travel restrictions stemming from the COVID-19 pandemic the meeting was cancelled.

Nevertheless APG's Governance Committee convened a series of special meetings to carry forward the important business decisions on behalf of the membership. Mr. Abu Hena Mohd. Razeen Hassan, Head of BFIU being the Co-Chair along with Australia conducted the meetings and gave directions to the secretariat to implement important membership policy decisions approved by the Governance Committee as the annual meeting was cancelled. During the period governance committee met six times and took important decisions regarding APG budget, status of mutual evaluation of some jurisdictions, update of APG Terms of reference, revised FATF standards and methodology, virtual hybrid events policy etc. The 4th enhanced follow up report of Bangladesh was approved with a re-rating of largely compliant in FATF Recommendation-28 and Compliant in Recommendation-33.

Malaysia assumed the Co-Chair appointment in July 2020 as Bangladesh successfully completed the responsibility. Bangladesh remains on the Governance Committee as outgoing Co-Chair for one year until July 2021. The 24th Annual Meeting will be virtually hosted by Malaysia in July 2021.

#### 4.2 Financial Action Task Force (FATF)

FATF, an intergovernmental policy making and standard setter on combating ML, TF and PF continues to focus on ensuring that its standards provide strong and powerful tools to enable countries to protect the integrity of the financial system and contribute to safety and security of a country. To boost FATF's efforts in this regard Bangladesh always greets FATF's initiatives with warm appreciations and actively participates in its programs.

##### 4.2.1 FATF Plenary

The first Plenary of FATF in the year 2020-21 took place during 21-23 October 2020. The FATF President, Dr Marcus Pleyer, chaired his first plenary meeting of the two-year German Presidency of the FATF. The three-day plenary meeting took place virtually due to the COVID-19 pandemic and delegates

worked through a full agenda. The delegates representing 205 jurisdictions and international organizations attended the plenary on virtual platform. One official of BFIU attended the meeting virtually as representation from Bangladesh.

The 2nd FATF Plenary Meeting of 2020-21 was held during 22, 24-25 February 2021. The plenary met virtually due to ongoing COVID-19 pandemic around the world. In this plenary several important issues like guidance to help countries take an effective, risk-based approach to supervision, guidance on investigating and prosecuting terrorist financing and work on illicit arms trafficking and terrorist financing. Delegates also agreed to release for public consultation, the draft guidance to assist countries, financial institutions and DNFBPs in identifying, assessing and mitigating the risks of proliferation financing of weapons of mass destruction, and updated guidance on virtual assets and virtual asset service providers in this plenary. Apart from these, Mutual Evaluation of New Zealand, impact of COVID-19 on Mutual Evaluation process, jurisdiction under increased monitoring, strengthening the global network etc. issues were discussed.

The 3rd FATF Plenary Meeting of 2020-21 was held during 21-25 June 2021. Due to the Covid-19 pandemic and its unprecedented challenges, many countries are still dealing with the emergency response to this unprecedented health crisis, while other countries are gradually emerging from the pandemic-related restrictions. Considering the fact, this year's plenary took place in virtual platform. The delegates representing 205 jurisdictions and international organizations attended the plenary on virtual platform. One official of BFIU attended the meeting virtually as representation from Bangladesh.

The main focus of the 3rd plenary was on disrupting financial flows linked to crime and terrorism and discussing the ways out to contribute to global safety and security. The major strategic discussions and initiatives of the meeting were 'Exploring the Opportunities and Challenges of Digital Transformation of AML/CFT', 'Adoption of Second 12-Month Review of Implementation of FATF's revised Standards on virtual assets and VASPs' and adoption of 'Guidance on Proliferation Financing Risk Assessment and Mitigation', 'Strengthening Measures to Prevent the Financing of Proliferation of Weapons of Mass Destruction' and 'Strengthening the FATF Standards on Beneficial Ownership - public consultation'. Considering the risk of money laundering from environmental crime and ethnically or racially motivated terrorism financing, the plenary finalized two reports on the scale and money laundering techniques of environmental crimes and Ethnically or Racially Motivated Terrorism Financing respectively.

As part of regular activities, the Plenary discussed the joint FATF and Eastern and Southern Africa Anti-Money Laundering Group assessment of South Africa's measures to combat money laundering and terrorist financing in a virtual session and FATF and Asia/Pacific Group on Money Laundering (APG) assessment of Japan's measures to combat money laundering and terrorist financing

### **4.3 Egmont Group**

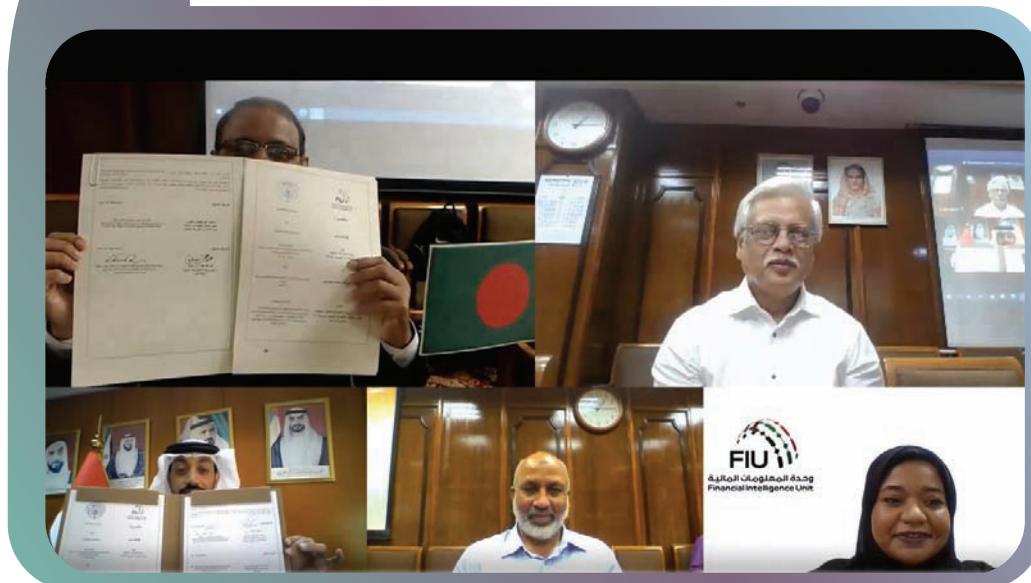
The Egmont Group, comprised of 167 Financial Intelligence Units, provides a platform for the secure exchange of expertise and financial intelligence on combating money laundering and terrorist financing and serves as a trusted gateway for sharing financial information domestically and internationally in accordance with global AML & CFT standards. BFIU achieved the membership of Egmont group in the Egmont plenary held during 01-05 July 2013 in Sun City, South Africa. Through its membership BFIU has achieved access to a wider global platform which facilitates relationship-building with other FIUs and exchanging views, experiences and information via Egmont secure web. As before, BFIU has continued to participate in different programs of the Egmont Group in FY 2020-21.

#### **4.3.1 Signing of Memorandum of Understanding**

Money laundering and the financing of terrorism offenses are global in nature. So, it's imperative for the Financial Intelligence Units (FIUs) to extend cooperation and exchange information relating to ML, TF and related offences with authorities in other jurisdictions for effective case investigations. Being a member of the Egmont Group, BFIU is authorized to exchange information with 167 member FIUs through Egmont Secure Web (ESW). Going beyond its requirements as an Egmont member, BFIU has

member of the Egmont Group, BFIU is authorized to exchange information with 167 member FIUs through Egmont Secure Web (ESW). Going beyond its requirements as an Egmont member, BFIU has taken initiative to sign MoU with the other FIUs, Egmont members and non-members alike, to facilitate the information exchange process and strengthen relationships with them. Till June 2021, BFIU has signed (78) seventy-eight MoUs with its counterparts. In FY 2020-21, BFIU has extended its cooperation in signing MOU with the FIU of United Arab Emirates (UAE).

### MoU with UAE FIU



The memorandum of Understanding between Bangladesh FIU and UAE FIU was signed in March 2021. Considering the travel restriction and health safety due to COVID-19, the MOU signing ceremony was held in virtual platform this year. The Head of Bangladesh FIU Mr. Abu Hena Mohd. Razee Hassan and the Head of UAE FIU signed for Bangladesh FIU and UAE FIU respectively. General Manager of BFIU and other officials of both organizations were present at the signing ceremony.

#### 4.3.2 Sponsoring Bhutan FIU and Maldives FIU in Securing Egmont Group membership

BFIU, along with Korea FIU and FIU Sri Lanka, is sponsoring Bhutan FIU and Maldives FIU in the process of getting the Egmont Group membership. BFIU, as 'Legal Sponsor' has made off-site assessment of all the documents related to the AML & CFT legal framework and operational status of Bhutan FIU. As per Egmont membership procedures, BFIU completed the 'Membership Criteria Template (MCT)' for Bhutan FIU and sent it to the Chair of 'Membership, Support and Compliance Working Group (MSCWG)' and Egmont Group Secretariat (EGS)' for consideration. Furthermore, BFIU along with Korea FIU conducted the on-site assessment on Bhutan FIU in 2019 and conducted series of meeting with National Coordination Committee, law enforcement agencies, relevant ministries, relevant departments of central bank, reporting entities and Bhutan FIU. After the visit, the team has completed the 'Onsite Assessment Report (OAR)' and sent it to MSCWG and EGS along with all relevant documents. During the Egmont Group Meetings held in Mauritius in January 2020, the OAR submitted by the team was discussed it was decided to recommend of Bhutan FIU's Egmont Group membership to the Head of FIUs forum. Finally, the Heads of FIUs of the Egmont group has approved Bhutan FIU's membership on 21 July 2020 in out of session consultation.

#### 4.4 Intelligence Exchange at International Level

As a member of the Egmont Group of FIUs, BFIU exchanges information with the member FIUs through Egmont Secure Web (ESW) as and when required. BFIU also exchanges information with the non-Egmont member FIUs. During FY 2020-21 BFIU has received 22 requests from the FIU of different countries/jurisdictions and provided information accordingly. BFIU has also made 191 requests to the FIU of different countries/jurisdictions. Among them 3 requests were sent to the non-Egmont member FIUs. The list of information exchange request received and made by BFIU in the last 5 years is given below:

Financial Year	Request Received	Request Made
2016-17	17	388
2017-18	28	57
2018-19	34	62
2019-20	18	103
2020-21	22	191



**Professional  
Development of  
BFIU Officials**

## Chapter 5

### Professional Development of BFIU Officials

Human resources are the most vital among all resources for any organization. The future of an organization mostly depends on the efficiency of its officials. Different professional courses, training programs and workshops enable officials to make appropriate decisions among several choices. From its beginning, BFIU has always sought to foster excellence in its workforce for achieving the best outcomes. Like previous years, BFIU took several initiatives for its employees' professional development in this financial year. Officials of BFIU have participated in several workshops and training programs in this year. The Unit has received cooperation from several international organizations and foreign agencies for training, workshops and seminars. Some of the Unit's officials have contributed to different AML & CFT forums globally with technical and expert assistance.

#### 5.1 FATF Webinars on the Impact of the COVID-19 on ML Investigations, Prosecutions and International Cooperation

As part of its continuing response to the COVID-19 pandemic, the Financial Action Task Force (FATF) arranged two separate webinars on FATF and Global Network Members' strategies for overcoming challenges in money laundering investigations and prosecutions, as well as in international cooperation, throughout the COVID-19 pandemic. The webinars took place on 14-15 September 2020. These webinars were open for the delegations of FATF and Global Network Members, as well as FATF Observers.

The September 14, 2020 webinar focused on strategies countries have adopted to overcome challenges in money laundering investigations and prosecutions during the COVID-19 pandemic. The Panelists from Bermuda, South Africa and the United States discussed these issues from both the investigatory and prosecutorial perspectives in their respective jurisdictions. At the September 15, 2020 webinar, the techniques countries have used to ensure international AML & CFT cooperation continues during this period are discussed. Panelists from Canada, Luxembourg and Russia discussed different aspects of formal and informal cooperation that have been relevant in this context.

#### 5.2 Online Workshop on Cryptocurrency and Countering Proliferation Finance

RUSI (the Royal United Services Institute) based in England, is an independent, donor-funded research institution focusing on defense and security studies. Since 2015, they have been conducting research and outreach activities on countering proliferation finance, building on our long-standing expertise in trends and tactics in proliferation and approaches to combating financial crime. UN Sanctions and FATF recommendations are a major focus of the program.

RUSI Centre for Financial Crime & Security Studies organized an online workshop on cryptocurrency and countering proliferation finance. The webinar took place online via Zoom platform on 15 September 2020. It was a two-hour-long workshop aiming at comprehensive analysis and facilitated discussion of how to combat cryptocurrency and proliferation financing threats. A total of 144 participants from schedule banks, BFIU, Bangladesh Bank, government organizations attended the webinar.

At the online workshop, three training videos focusing on typologies and trends of North Korea's proliferation financing efforts through cryptocurrencies were presented to the participants. The webinar also focused on comprehensive analysis and facilitated discussion of how to combat these threats, specifically by understanding regional cryptocurrency characteristics and challenges, the state of global cryptocurrency regulation, and key trends in public-private sector cooperation.

#### 5.3 Webinar on Combating Criminal Dark Web Marketplaces during the COVID-19 Pandemic

US Department of Justice (USDOJ) organized a series of webinars for BFIU, law enforcement agency and judicial officials of Bangladesh. The objective of these webinars is to assist the judicial sector of Bangladesh as well as the Bangladesh Financial Intelligence Unit in identifying and combating

criminal dark web marketplaces during the COVID-19 pandemic and to educate the officials on the function, use and tracing of Cryptocurrency.

The first session of the webinar was held on 07 July 2020. In this webinar, the concept of Dark Web Market was explained in a detailed manner. Due to COVID-19, the use of Dark Web Market expanded a lot. Emphasizing this matter, a presentation on investigating Dark Web Markets in the Era of COVID-19 was presented. A case study detailing step by step is shown in the webinar.

#### **5.4 Webinar on Introduction to Cryptocurrency and Block-Chain Technology**

The 2nd session of the webinar series organized by USDOJ was held on 14 July 2020. Based upon the knowledge of the first webinar, cryptocurrency and block-chain technology issues were introduced in this webinar. Criminals used cryptocurrency for purchasing illegal items from Dark Web Marketplace. Several issues like how bitcoin works, types of bitcoin, investigating a bitcoin transaction, how to follow the money – blockchain technology etc. were discussed in the webinar.

#### **5.5 Webinar on Advanced Cryptocurrency- Tracing Cryptocurrency to Make Cases**

The 3rd and final session of the webinar series organized by USDOJ was held on 21 July, 2020. In the previous webinar, the basic concept of cryptocurrency and blockchain technology was discussed. In this webinar, the advance level of cryptocurrency transactions and their tracing mechanism along with case-studies was presented.

#### **5.6 Training on Financial Institutions Countering the Financing of Terrorism**

US Department of Justice (USDOJ) organized a day-long virtual training program on 'Financial Institutions Countering the Financing of Terrorism' on 22 February 2021. Forty BFIU officials attended the daylong training program where different techniques and strategies to combat terrorism financing within the banking institutions specifically, relating to analytical methods in investigating complex money laundering and terrorist financing cases were highlighted.

#### **5.7 Training on Combating Money Laundering and Terrorist Financing for Bangladeshi Judges, Prosecutors and Law Enforcement Officials**

US Department of Justice (USDOJ) organized a virtual training program on 'Combating Money Laundering and Terrorist Financing for the Bangladeshi Judges, Prosecutors and Law Enforcement Officials on 10 and 17 April 2021. Fifteen BFIU officials attended in those training programs along with other officials from law enforcement and other relevant agencies of Bangladesh. At these programs, the efficient methods and best practices that lead to the disruption of money laundering and terrorist activity by tracing, intercepting, seizing, freezing and confiscating crime-related assets and financial proceeds of crime are discussed elaborately.

#### **5.8 FinCyber Conference on Cybersecurity and Financial Inclusion**

The World Bank, World Economic Forum and International Monetary Fund (IMF) jointly arranged a virtual 'FinCyber Conference on Cybersecurity and Financial Inclusion' on 10 December 2020. BFIU officials participated in the conference through virtual platform. Considering the emerging risk of Financial Institutions during the epidemic of Corona Virus and its impact on Financial Inclusion, the conference covers the topic related to COVID-19 pandemic and Financial Inclusion. At this complex landscape, the ways and the strategies that should be deployed by the countries to manage the risks and thus attain the goal of Financial Inclusion are discussed.

#### **5.9 Trade Based Money Laundering Webinar**

Trade Based Money Laundering (TBML) is one of the most complex and adaptive methods of money laundering. It has been widely used by many illicit actors to disguise and move the proceeds of crime alongside legitimate trade transactions. In December 2020, the FATF and Egmont Group of FIUs published a report on TBML that provides a detailed insight into emerging TBML risks and outlines a

number of best practices for authorities to mitigate this threat. In March 2021, this report was further supplemented with a list of risk indicators intended to increase the ability of private sector companies to detect TBML.

Further to these efforts, the FATF arranged a webinar on 'Trade Based Money Laundering' on 18 March 2021. The objective of the webinar was to discuss the most recent TBML trends and developments. During the webinar, experts with various professional backgrounds presented their experience in countering TBML and discussed challenges that public authorities and private sector companies face in countering this threat. BFIU officials along with the experts with practical experience in tackling TBML particularly the law enforcement officers, financial intelligence units analysts, customs service officers, compliance officers of financial institutions and non-financial professions and businesses attended the webinar.

### **5.10 APG regional Webinar Series on DNFBPs Supervision**

Asia/Pacific Group on Money Laundering (APG) in collaboration with the Bank Negara Malaysia hosted a virtual training program on 'Risk Assessment and DNFBPs: Regulatory and Supervisory Strategies to Address Risks' on 16 June 2021. The webinar was a part of APG's Regional Webinar Series on DNFBPs Supervision. At the webinar session, a brief discussion was held on the risk assessment related to DNFBPs and the findings and challenges identified in APG Mutual Evaluation. Furthermore, there were presentations and case studies on national risk assessment and its implications to regulatory and supervisory strategies of DNFBPs.

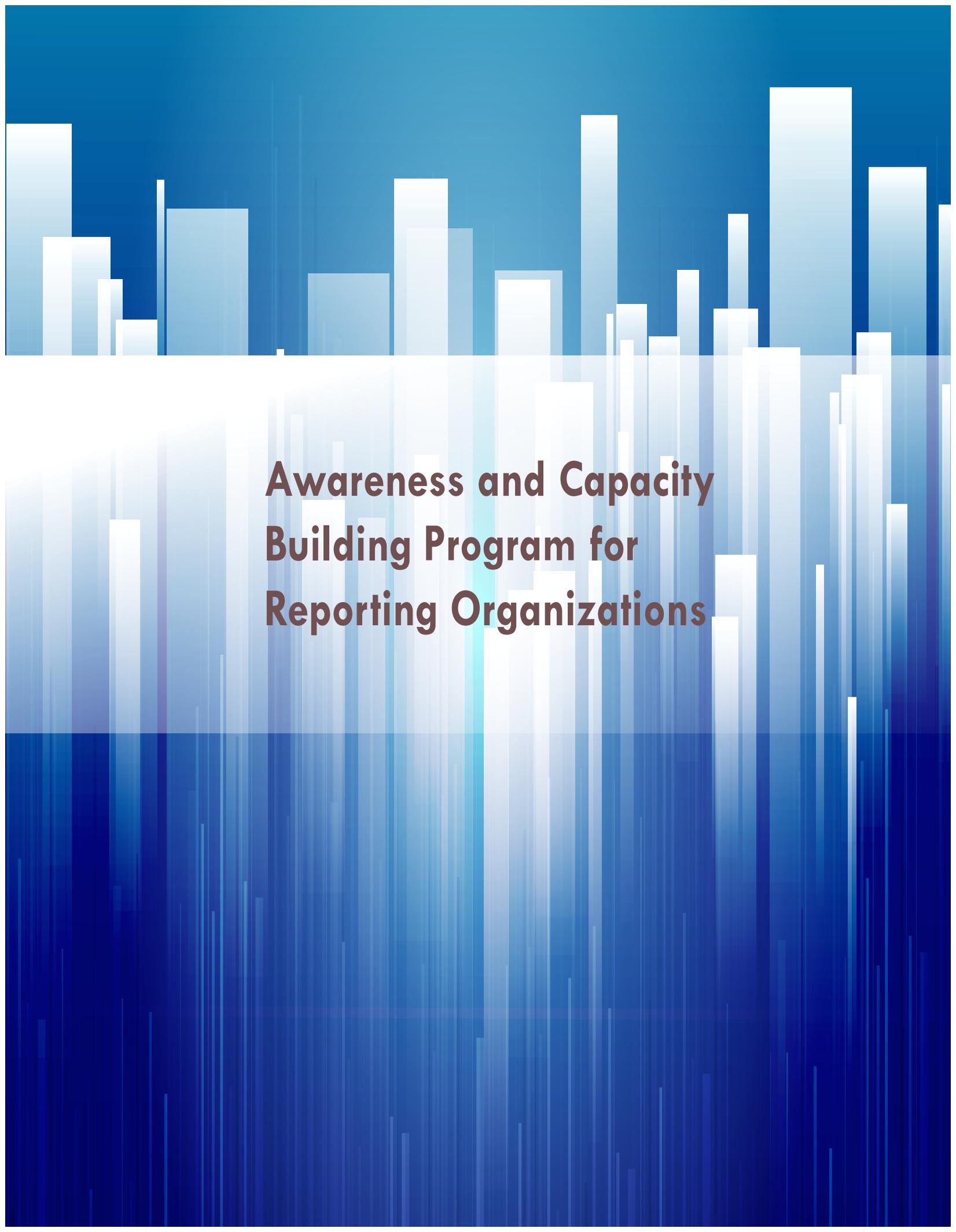
### **5.11 In-house Training**

BFIU arranges in-house training programs regularly to enhance the capacity of its officials. Whenever an official receives training or attends a workshop, seminar, summit, etc. at home or abroad, s/he has to share her/his experience with all other officials of BFIU. This culture maximizes the utility of the training program, workshop, seminar, summit, etc. cost-effectively but spreads the knowledge and competencies gained throughout the Unit. Apart from that, BFIU also invites resource persons for its in-house training to discuss updated regulatory frameworks both home and abroad.

In FY 2020-21, BFIU arranged four (4) in-house training programs on various topics such as Trade-Based Money Laundering, Money Laundering Prevention (Amendment) Act 2015, Money Laundering Prevention Rules 2019 and e-KYC guidelines.

### **5.12 Domestic Training Program**

Bangladesh Bank Training Academy and Bangladesh Institute of Bank Management arrange training programs for banking sector officials on a regular basis. In FY 2020-21, 16 officials of BFIU received training on diverse topics related to the banking sector such as Digital Financial Service, Prevention of Malpractices in Banks with Special reference to AML and CFT, International Trade Finance, Prevention of Trade Based Money Laundering, Guidelines on ICT Security for Banks and NBFIs, Financial Crime and Compliance Issues in Banks, Payment & Settlement System in Bangladesh, Financing in Agricultural & Rural Development, Safety, Security And Disaster Management, Network and Hardware Security Awareness etc.



**Awareness and Capacity  
Building Program for  
Reporting Organizations**

## Chapter 6

### Awareness and Capacity Building Program for Reporting Organizations

Regular AML & CFT related awareness and capacity building programs enhance employees' vigilance about the latest ML, TF & PF risks and help mitigate those risks. Any FIU's primary objective is to receive and analyze STRs/SARs and disseminate intelligence reports to relevant LEAs. An FIU's effectiveness primarily relies on ROs ability to detect and report suspicious transactions/activity properly. BFIU relentlessly works on enhancing the capacity of its ROs on AML & CFT related issues since its inception. All of these efforts ensure better compliance of the ROs with applicable laws and rules thereunder. As part of initiatives to make them aware of AML & CFT risks, BFIU arranges meetings, workshops, seminars, conferences, and training programs for the ROs of Bangladesh from time to time and provides resource persons to ROs, LEAs, and other regulatory bodies to enhance their understanding of AML & CFT issues.

#### 6.1 Virtual Meeting on AML & CFT Compliance of the Bank

Among the ROs that report to BFIU, banks comprise the most significant part. To equip them with appropriate knowledge, provide guidance, raise awareness and share industry best practices, BFIU arranges several types of program for the scheduled banks every year. But the pandemic situation of COVID-19 changes many things. It teaches us to think out of the box. Considering the situation, this year BFIU has organized a Virtual Meeting on AML & CFT Compliance of the Bank. The virtual meeting was held on 23 December 2020. Head of BFIU, Mr. Abu Hena Mohd. Razee Hassan, chaired the program as Chief Guest. The Chief Anti-Money Laundering Compliance Officers (CAMLCOs) of all the Scheduled Banks, senior officials of the banks, the General Managers of the BFIU, and other officials of BFIU attended the meeting. In addition to the progress of the decisions taken at the CAMLCO Conference-2020, this meeting took decisions to extend timeline to implement TBML and e-KYC guidelines. Furthermore, discussions were held regarding the bank's AML & CFT compliance in the emerging circumstances, and how to deal with cybercrime issues, prompt and proper implementation of BFIU Circular No. 26, internal action framework to address AML & CFT threats, dynamic monitoring of AML & CFT division's activities, appointment of eligible officials in AML & CFT division, facilitate proper training on AML & CFT for the officers etc.

#### 6.2 AML & CFT related Awareness Workshop for NGO Officials in Rajshahi



Head of BFIU as chief guest of the training workshop held on 21 March 2021, Rajshahi

NGOAB and BFIU jointly organized a daylong training workshop on AML & CFT for the CEO and CAMLCOs of NGO/NPOs of Rajshahi region on 21 March 2021, at BRAC Learning Center, Rajshahi. Head of BFIU inaugurated the program as Chief Guest while Director General of NGOAB was the Guest of Honor. Mr. Md. Sawkatul Alam, General Manager of BFIU presided over the program. The CEOs and CAMLCOs of 50 NGOs of Rajshahi region and concerned officials of BFIU and NGOAB were present at the program.

Speakers of the meeting focused on effective ways for the successful implementation of rules, regulations and circulars by the NGOs. Head of BFIU called upon the NGO sector officials to work diligently on ML & TF issues to protect country, financial sector from these menace. Furthermore, Director General of NGOAB advised NGOs officials to be vigilant in following and implementing the provisions of the laws and regulations to achieve the Government's Vision-2041.

At the end of the seminar, some important recommendations including in issuing an updated circular for NGO/NPOs after reviewing the existing rules and regulations under AML & CFT, remaining vigilant while opening accounts, reporting to BFIU about suspected organizations, arranging regular training programs on AML & CFT for its officials, and upholding integrity as per government guidelines under National Integrity Policy were adopted.

### 6.3 Agent Banking Workshop on AML & CFT Compliance



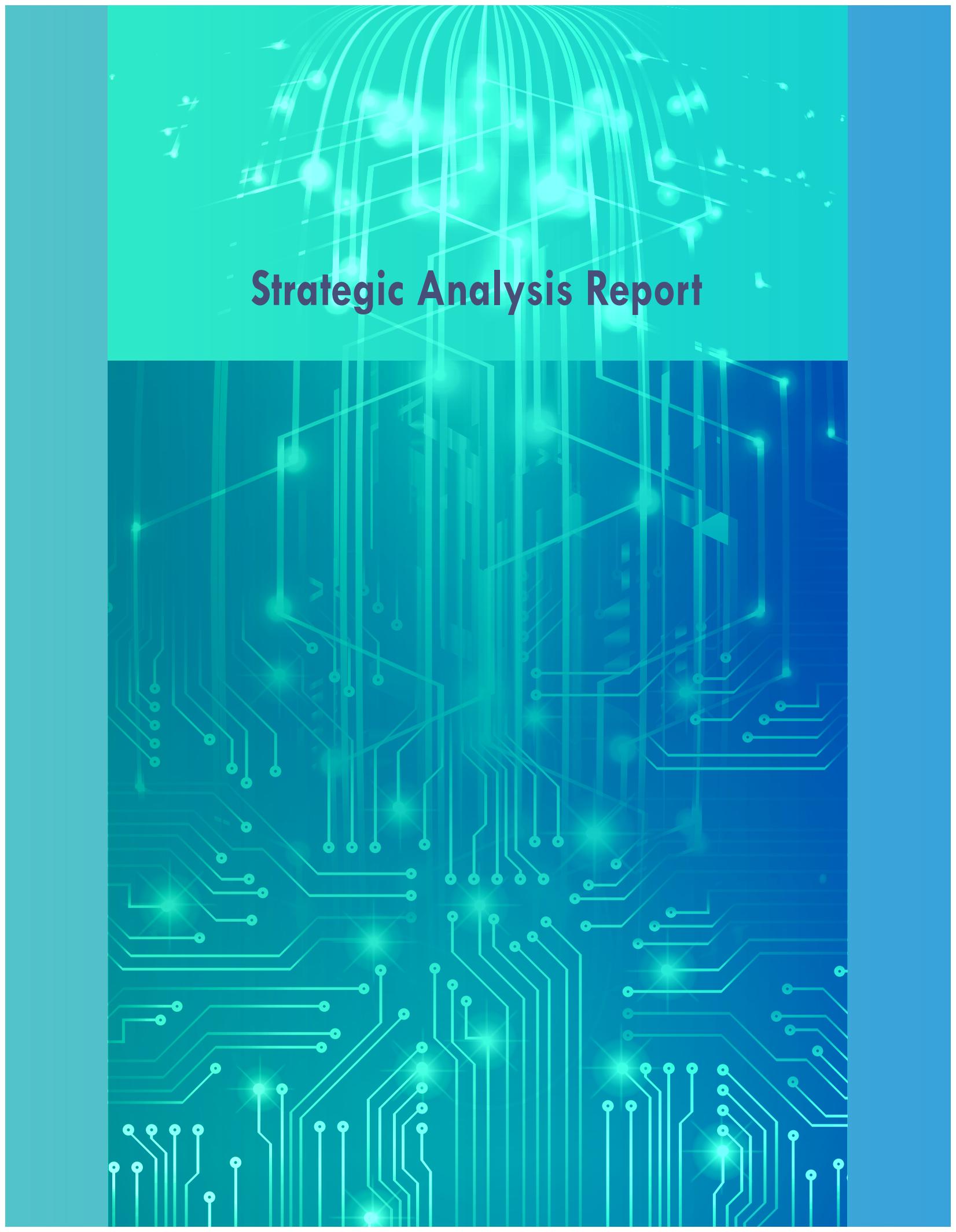
The participants of the workshop along with the organizer

Bangladesh Financial Intelligence Unit (BFIU) in association with the United Nations Capital Development Fund (UNCDF) organized 'AML & CFT Compliance in Expanding Agent Banking for CMSMEs and Low-Income Segments workshop' for agent banking operators in Bangladesh. The workshop took place on 27-28 March 2021 at Royal Tulip Sea Pearl Beach Resort, Cox's Bazar. The workshop was inaugurated by the Head of BFIU Mr. Abu Hena Mohd. Razee Hassan as Chief Guest. Besides BFIU and Bangladesh Bank officials, Chief Anti-Money Laundering Compliance Officer (CAMLCO), Deputy CAMLCO, Agent Banking Head and other concerned officials from 27 banks were attended in the workshop.

Considering AML & CFT compliance issues, low income segment and CMSME (Cottage, Micro, Small and Medium Enterprise) are being given more emphasis with the gradual expansion of Agent Banking operation in Bangladesh, so that intentional money launderers would not be successful to abuse the system. The workshop was held with a view to discussing these issues among the participants to develop the implementation strategies for an effective AML & CFT framework. In the opening plenary, delegates put importance to adopt a future action plan to address it effectively for this sector.

BFIU demonstrate a presentation on "Present Scenario of Agent Banking in Bangladesh: Regulatory Sandbox for Enabling AML & CFT measures". In this presentation, current status of agent banking was discussed and priority was given to develop an effective regulatory framework in future. Afterwards, four different presentations were made by different banks on "Industry Best Practices: Supply-side Challenges for Expanding Agent Banking Particularly to the Low-Income Segments and MSMEs". In these presentations, a clear portrait of the activities of this sector along with affiliated money laundering and terrorist financing related risk and its preventive measures were highlighted. A presentation on "Strategies for Catering to the Financial Needs of CMSMEs and Low-Income Segments" was delivered by UNCDF. At the closing plenary, overall outcomes of the workshop were presented and made some recommendations which may be adopted for future action. Mr. Rajeev Kumar Gupta, regional Digital Technical Specialist, Digital Hub for Asia, UNCDF gave the Vote of Thanks.

The workshop was very effective as important and time befitting issues were discussed as well as participants shared their experience. At the closing session, several recommendations were made to implement in near future to strengthen the AML & CFT compliance structure of the sector.



# Strategic Analysis Report

## Chapter 7

### Strategic Analysis

Strategic analysis plays a crucial role in strategic decision making. Interpretive Note 3 of Recommendation 29 states that an FIU should conduct strategic analysis by using available and obtainable information to identify money laundering and terrorist financing related trends and patterns so that other competent authorities can determine money laundering and terrorist financing related threats and vulnerabilities. The specifics of the analysis performed might vary according to the FIU's capacity and resources and the nature of threats in its jurisdiction and region. As a proactive Financial Intelligence Unit, BFIU conducts strategic analysis regularly using its CTR, STR/SAR databases and other available sources. It also conducts strategic analysis on emerging issues with the collaboration of reporting organizations and other government agencies with which BFIU closely works. The results of these analyses help for enhanced supervision, to take initiatives for future courses of action and adopting new policies. They also help the other government agencies, law enforcement, in particular, to work effectively towards securing the financial system from being misused by the perpetrators.

#### 7.1 CTR Trend Analysis in FY 2020-21

##### Trend Analysis on the CTRs Received during FY 2020-21

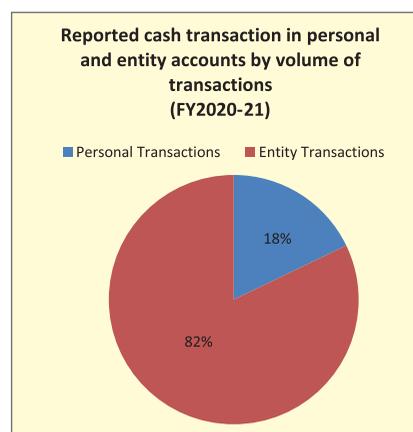
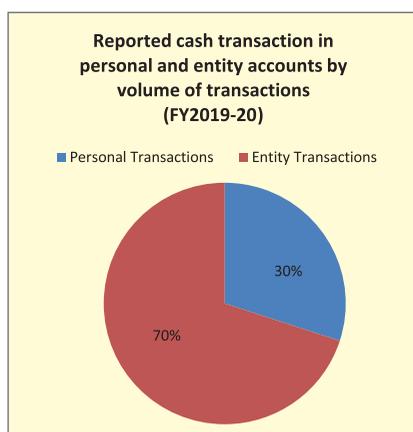
Cash transactions continue to grow every year in Bangladesh, despite the fact that banking services are much more digitalized than ever before. Even though the government of Bangladesh has taken various measures to reduce cash transactions by increasing the use of mobile financial services and other digital payment, people still prefer cash transactions as the people of the country especially the rural people of the country find cash transactions more secure. Besides, there are people who prefer cash transactions to hide the source and destination of ill gotten money. That is why, like every year, the issue of cash transactions has been highlighted in the strategic analysis to emphasize the importance of studying the pattern of cash transactions in Bangladesh.

##### Comparison of Reported Cash Transactions (CTR) between FY 2019-20 and FY 2020-21

Financial Year	Number of Transactions	Volume of Transactions (Crore)
2019-20	1,61,41,721	11,71,929.45
2020-21	2,05,69,365	14,43,829.70

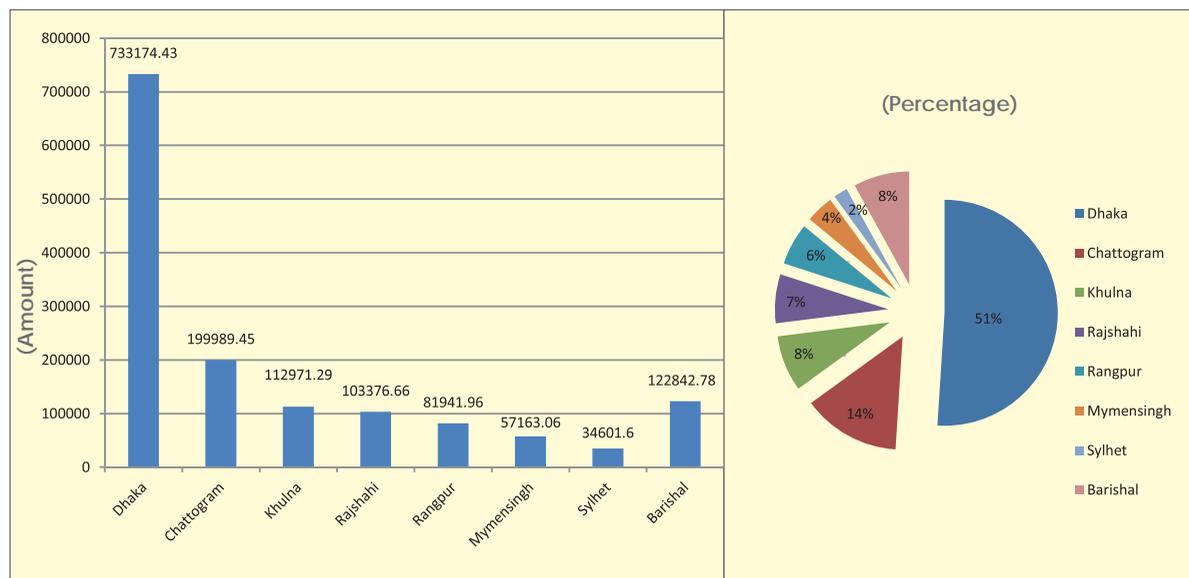
The study has found significant increase of the number of reported cash transactions and amount of transactions during FY 2020-21 which indicates that despite enormous efforts by the government of Bangladesh to reduce cash transactions, it is still in the increasing trend.

##### Comparative analysis of cash transactions (CTR) between personal and entity accounts



The analysis reveals that out of 14,43,829.70 crore reported cash transactions (CTR) in FY 2020-21, 1,73,323.17 crore took place in personal accounts which is 18% of the total transactions whereas in FY 2019-20, 30% of the total transactions took place through personal accounts. The scenario reveals that the amount of cash transactions in entity accounts is increasing compared to individual accounts.

### Geographical Location-wise Transaction Volume (FY 2020-21)



Division	Total Volume (in crore taka)	Percentage
Dhaka	736353.15	51%
Chattogram	202136.15	14%
Khulna	115506.37	8%
Barishal	115506.37	8%
Rajshahi	101068.08	7%
Rangpur	86629.78	6%
Mymensingh	57753.19	4%
Sylhet	28876.60	2%

The study based on geographical locations shows that the highest amount of transactions took place in Dhaka division which is 51% of the total transactions. Chattogram division contributed 14% in the CTR eligible transactions. Besides, Khulna and Barisal jointly contributed 8%. Moreover, reported cash transactions in Rajshahi, Rangpur, Mymensingh and Sylhet divisions are observed as 7%, 6%, 4% and 2% respectively.

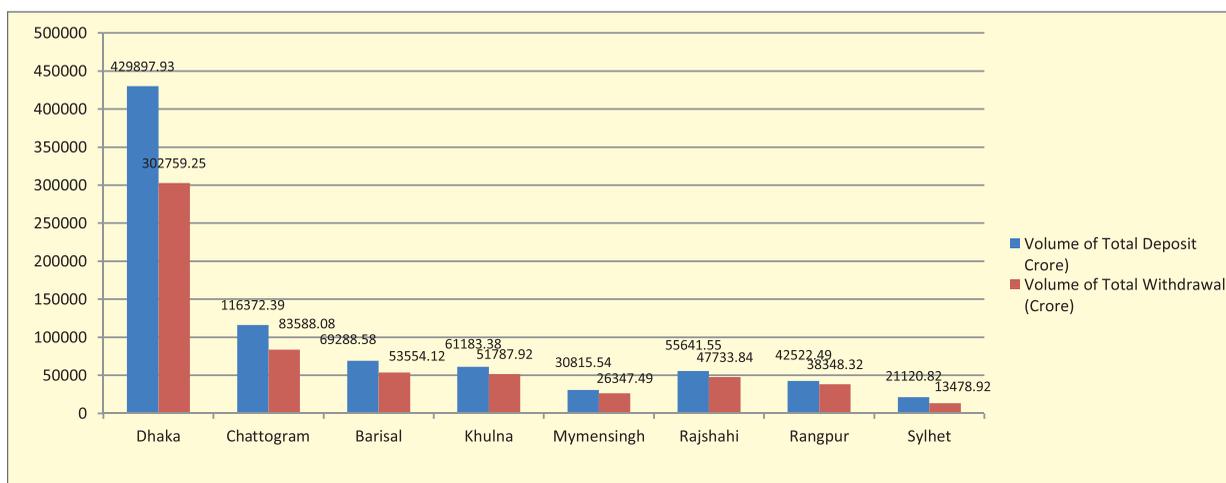
### Cash Transaction in Border compared to Nearby District:

Border District	Total CTR amount (in crore)		Nearby District	Total CTR amount (in crore)	
Cox's Bazar	11428.14	Compared to	Rangamati	1923.07	↑
Naogaon	18083.86	Compared to	Natore	6104.49	↑
Feni	12334.58	Compared to	Lakshmipur	5267.10	↑

Border District	Total CTR amount in FY 2020-21 (in crore)	Total CTR amount in FY 2019-20 (in crore)	
Cox's Bazar	11428.14	7741.36	↑
Naogaon	18083.86	13270.00	↑
Feni	12334.58	8524.00	↑
Satkhira	9419.51	5986.00	↑
Chuadanga	10472.08	7300.00	↑
Sylhet	17153.80	13425.00	↑
Brahmanbaria	13915.88	12217.00	↑
Jashore	27551.63	24170.89	↑
Lalmonirhat	3372.60	2090.95	↑
Sherpur	10328.19	7689.76	↑
Kurigram	4415.87	3955.96	↑
Mymensingh	22156.49	17665.06	↑
Khagrachhari	2261.54	917.47	↑
Rangamati	1923.07	545.21	↑
Nilfamari	11748.60	9085.88	↑
Jamalpur	16894.37	9119.41	↑
Habiganj	6635.16	4736.74	↑
Chapainawabganj	2242.49	5894.55	↓
Dinajpur	21207.70	16308.68	↑
Panchagarh	3781.46	2579.72	↑
Cumilla	27010.66	19025.17	↑

Comparing the transactions of FY 2020-21 with FY 2019-20 in the border districts shows that, the general pattern of increase in cash transactions across the country has been reflected in the border areas as well. From the above table it can be seen that, in FY 2020-21, the transactions of all the border districts except Chapainawanganj were higher than it was in FY 2019-20.

#### Division-wise Comparison based on Nature of Transactions (Deposit and Withdrawal)

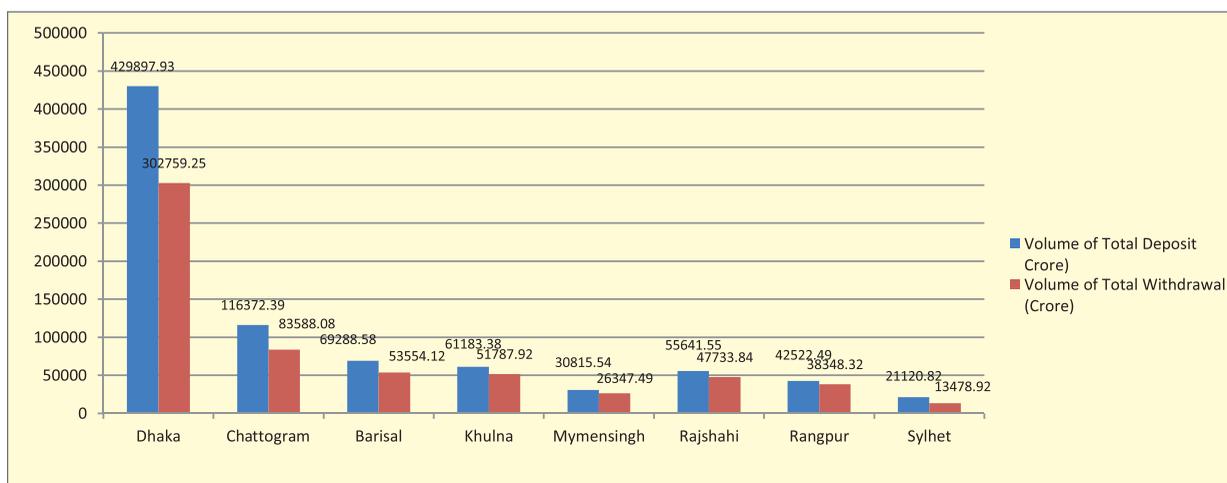


SN	Division	Number of total Deposit	Number of total withdrawal	Volume of Total Deposit (Crore)	Volume of Total Withdrawal (Crore)
1	Barisal	457184	86291	69288.58	53554.12
2	Chattogram	2667034	687068	116372.39	83588.08
3	Dhaka	7516683	9928270	429897.93	302759.25

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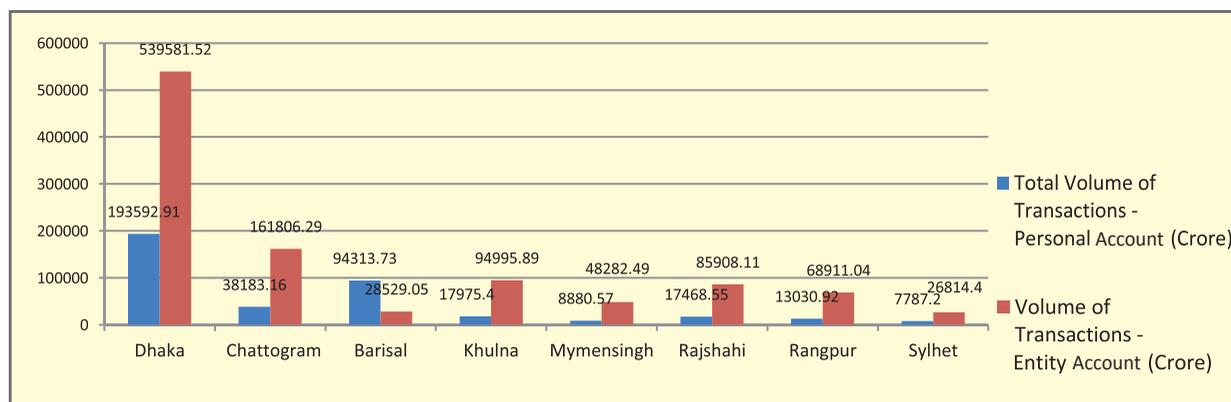
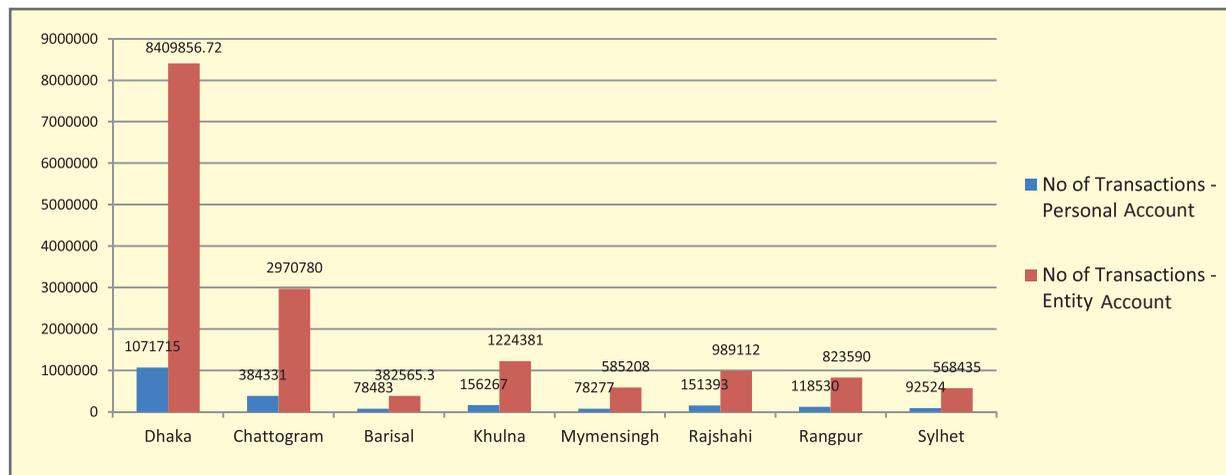


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3	Dhaka	7516683	9928270	429897.93	302759.25

4	Khulna	1091935	288716	61183.38	51787.92
5	Mymensingh	532919	130210	30815.54	26347.49
6	Rajshahi	878452	262067	55641.55	47733.84
7	Rangpur	779829	207773	42522.49	38348.32
8	Sylhet	543883	115597	21120.82	13478.92

In the FY 2020-21, the amount of cash deposits was more than the amount of withdrawals in all divisions. Besides, the number of cash deposits in all divisions except Dhaka was more than the number of withdrawals. From this figure it can be deduced that, large cash deposits may have been withdrawn through electronic fund transfers or cash withdrawals bellow CTR threshold.

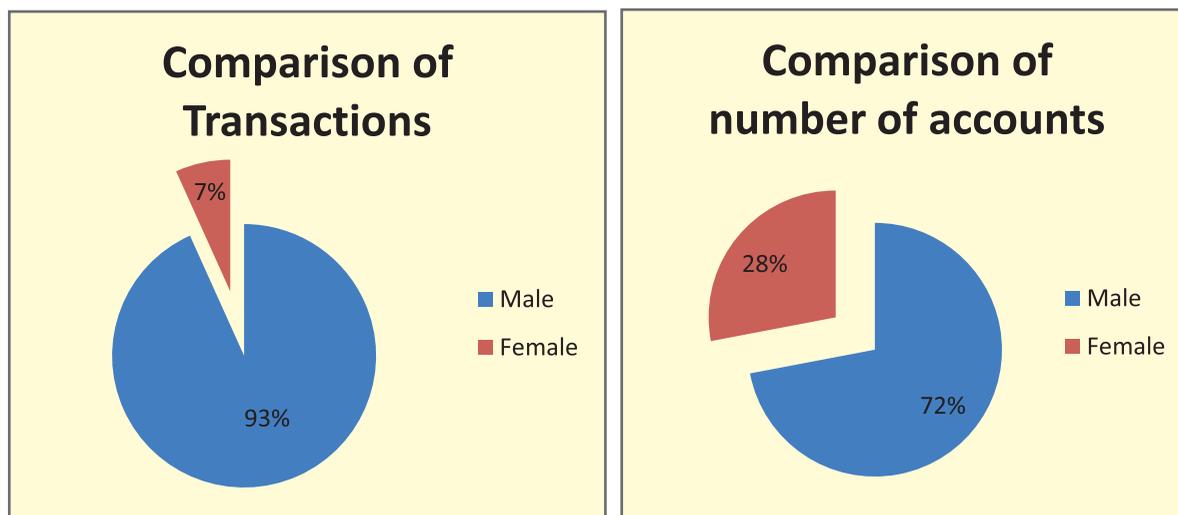
#### Division-wise Comparison between Personal and Entity Accounts



SN	Division	No of Transactions- Personal Account	No of Transactions- Entity Account	Total Volume of Transactions- Personal Accounts (Crore)	Volume of Transactions- Entity Accounts (Crore)
1	Dhaka	1071715	8409856	193592.91	539581.52
2	Chattogram	384331	2970780	38183.16	161806.29
3	Barisal	78483	382565	94313.73	28529.05
4	Khulna	156267	1224381	17975.40	94995.89
5	Mymensingh	78277	585208	8880.57	48282.49
6	Rajshahi	151393	989112	17468.55	85908.11
7	Rangpur	118530	823590	13030.92	68911.04
8	Sylhet	92524	568435	7787.20	26814.4

The number and amount of cash deposits and cash withdrawals through entity accounts is much higher than in personal accounts in all divisions.

#### Analysis based on Gender



Analysis found that in FY 2020-21, CTR of personal transactions took place through a total of 3,01,028 accounts of which 2,15,569 accounts were conducted by male account holders which is 72% of the total accounts. Most of the transactions that took place as individuals in FY 2020-21 were through the accounts of male customers which is 93% of the total transactions. The remaining 7% of the transactions were made through the accounts of female customers (28% of the total accounts). From the scenario it can be seen that, on an average of 4 transactions were taken place through each account conducted by female customers and an average of 18 transactions were taken place through each account conducted by male customers. Finally, it can be concluded that, male account holders contribute largely in CTR eligible transactions.

#### Recommendations:

1. Continue the holistic approach by BFIU and Government to reduce the use of cash.
2. Put some restrictions on cash transactions done by business entities so that all transactions come under the net of NBR that will actually increase tax transparency.
3. Put due emphasis on close monitoring of the nature of cash transactions conducted in the border area.

### 7.2 Role of Media Report in AML & CFT Disclosures and Developing Financial Intelligence – Case Study of Bangladesh

Media plays an important role in transmitting useful information to the mass people and raising public awareness. In the modern society media acts as a watchdog against malpractices and violations of rule of law. Besides the traditional media outlets such as newspapers, magazines, television and radio, contemporary online resources such as websites, blogs, social media etc. have emerged as a potential source of information. Media can unearth the fact on financial crimes that may include money laundering (ML), predicate offence of money laundering like corruption, bribery, fraud, forgery, organized crime, fund embezzlement, drug trafficking, etc. and terrorist financing (TF). Such information could help the competent state authorities to undertake appropriate measures to promote integrity of financial system and curb financial crimes. Media coverage on the involvement of an individual, a group or an organization in any criminal activity and/or financial crime is referred to as negative news or adverse media report. Although negative news is not always a proof of financial crime against an individual or organization, it could help financial institutions to anticipate and identify risk regarding their customers as a part of Know-Your-Customer procedure.

As required by the recommendations of Financial Action Task Force (FATF) and the domestic laws, financial institutions across the globe have the obligations to undertake customer due diligence (CDD) measures during establishing business relations or scrutiny of transaction, or when the veracity of information collected already seems doubtful or any transaction is suspected to have linked with ML & TF. Financial institutions rely on various sources including the government or private databases to verify the customer's identity and create customer risk profile. Media report can be a reliable source of information during on-boarding customer or on-going CDD measures and thereby help the financial institutions to address the risk of money laundering and terrorist financing (ML & TF). Media report also serves as a valuable source of information for the financial intelligence units as well as the regulators or supervisory bodies of financial institutions to carry out their day-to-day AML&CFT drives and risk based AML&CFT supervision.

The FATF issued *guidance for a risk-based approach for the banking sector*<sup>2</sup> in October 2014. This guidance suggested that banks, countries and competent authorities should take enhanced measures to manage and mitigate situations in which the ML & TF risk is higher and correspondingly, may apply simplified measures in low risk situations. As a part of Enhanced Due Diligence (EDD) measures, banks may carry out additional searches like "verifiable adverse media searches" to assess customer risk. Adverse media searches can help banks and other financial institutions to gather sufficient publicly available information during CDD and EDD measures and apply risk based approach. In line with the FATF guidance, many regulators and financial intelligence units, in Europe, America and Asia-Pacific region have considered adverse media screening in their regulatory framework.

The Risk Factors Guidelines<sup>3</sup> jointly issued by the European Banking Authority, European Insurance and Occupational Pensions Authority and European Securities and Markets Authority under the European Union's 4<sup>th</sup> AML directive (2015/849) outlines adverse media report as a risk factor associated with customer or beneficial owner. This guidelines suggest to apply adverse media searches as part of the EDD measures for high-risk customers and when increasing the quantity of information obtained for CDD purposes.

The Financial Crime Thematic Reviews (FCTR16<sup>4</sup>) published by the United Kingdom's Financial Conduct Authority (FCA) in 2014 urges that screening for sanctions, PEPs and adverse media should be implemented by banks during ongoing reviews of customer relationships. The FCA letter<sup>5</sup> sent to the retail banks operating in UK on May 2021 expressed its concern on transaction monitoring failures by UK banks and showed an example in which a bank had failed to assess alerted transactional activity despite adverse media allegations about illegally-obtained funds.

Media report screening has been featured in a number of jurisdictions across Asia-Pacific. The Monetary Authority of Singapore (MAS) issued *Guidance on Private Banking Controls*<sup>6</sup> in 2014 that requires that banks should perform adverse news screening on the customer, beneficial owners and other related parties (e.g. authorized signatories) before establishing business relations and as part of on-going CDD measures. In 2020, MAS supplemented this guidance with releasing *Effective AML/CFT Controls in Private Banking*<sup>7</sup> that urges banks to screen adverse news as part of tax related risk assessment at on-boarding and detecting tax evasion red-flags during ongoing monitoring.

The United States' Financial Crimes Enforcement Network (FinCEN) issued Final Rules<sup>8</sup> on the criteria for Customer Due Diligence in 2016 under the Bank Secrecy Act to clarify and strengthen customer due diligence requirements for banks and other legal entities. These rules suggests developing risk-based procedures to determine whether and/or when additional screening of client's names through negative media search programs, would be appropriate.

2 <https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-Based-Approach-Banking-Sector.pdf>

3 [https://esas-joint-committee.europa.eu/Publications/Guidelines/Guidelines%20on%20Risk%20Factors\\_EN\\_04-01-2018.pdf](https://esas-joint-committee.europa.eu/Publications/Guidelines/Guidelines%20on%20Risk%20Factors_EN_04-01-2018.pdf)

4 <https://www.handbook.fca.org.uk/handbook/FCTR/16.pdf>

5 <https://www.fca.org.uk/publication/correspondence/dear-ceo-letter-common-control-failings-identified-in-anti-money-laundering-frameworks.pdf>

6 <https://www.mas.gov.sg/-/media/MAS/About-MAS/Monographs-and-information-papers/Guidance-on-PB-Controls-June2014.pdf>

7 [https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Anti\\_Money-Laundering\\_Countering-the-Financing-of-Terrorism/Effective-AML\\_CFT-Controls-in-Private-Banking.pdf](https://www.mas.gov.sg/-/media/MAS/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Anti_Money-Laundering_Countering-the-Financing-of-Terrorism/Effective-AML_CFT-Controls-in-Private-Banking.pdf)

8 <https://www.federalregister.gov/documents/2016/05/11/2016-10567/customer-due-diligence-requirements-for-financial-institutions#footnote-49-p29409>

The guideline of Australian Transaction Reports and Analysis Centre (AUSTRAC) on *Reliance under customer due diligence arrangements*<sup>9</sup> suggests assessing the CDD arrangement with a reliable third party at least every two years or regularly. This guideline outlines adverse media report as one of the source of information that can indicate a material change of the third party during regular assessments of CDD arrangement. AUSTRAC in association with FIU of Brunei Darussalam, Indonesia, Malaysia, New Zealand, the Philippines, Singapore and Thailand published a report titled *Non-profit Organizations & Terrorism Financing Red Flag indicators*<sup>10</sup> in 2018 that outlines adverse media report as a primary indicator for TF issue.

Bangladesh Financial Intelligence Unit (BFIU) has issued circulars and guidelines separately for each category of reporting entities, e.g. banks, non-bank financial institutions, insurer, capital market intermediaries etc. These circulars and guidelines require that if any news regarding financing of terrorism or financing of proliferation of weapons of mass destruction is published in mass media, reporting entities shall search its database to find account of the involved person or entity, and if such account is maintained, the matter should be communicated to the BFIU with detailed information.

As per BFIU circular and guidelines, the CDD and EDD measures should be based on information obtained from reliable and impartial source. Furthermore BFIU's Guidance on Reporting Suspicious Transaction issued on January 2019 outlines "adverse media report against the customer or beneficiary" as one of the red flags to raise suspicious transactions or activity. Considering the directions as delineated in the BFIU circular and guideline, the reporting entities, especially banks, are raising suspicious transaction or activity based on the derogatory information obtained from the media. BFIU has received a significant number of STRs/SARs that were triggered from adverse media report during 2018 to 2020 (almost one-third of the total STRs/SARs received during the period). Moreover, BFIU has deployed a dedicated desk to capture ML & TF related information from the media report and analyze that information. This study aims to appraise the media report based information especially STR/SAR and assess the impact of that information in developing financial intelligence to combat ML & TF offences in Bangladesh.

### Media Report as a Source of Information

#### • STRs & SARs Submitted by Banks

BFIU receives majority of the STRs and SARs from banking sector. The study found that, as illustrated in Fig. 1(a) and 1(b) below, the number of SARs submitted by banks has increased more sharply than that of STRs over the last three years (2018 to 2020). Media report played a significant role at banks to lodge STR/SAR. 39 banks submitted 233 STRs and 1,145 SARs that were triggered adverse media report during this time. These STRs and SARs respectively constitute 4.6% of the total STRs and 32.7% of the total SARs received from banks during the study period. Media report based SARs increased gradually during the study period whereas media report based STRs showed a decreasing trend (it remained almost same in 2018 and 2019, but reduced by almost one-third in 2020).

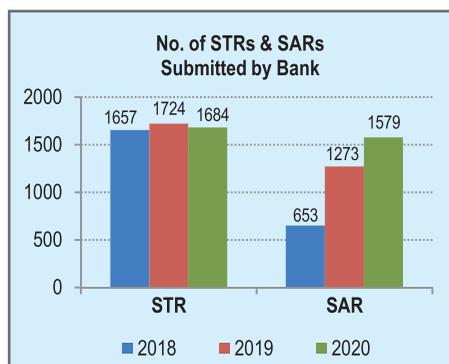


Fig. 1 (a) : Trend of STR & SAR

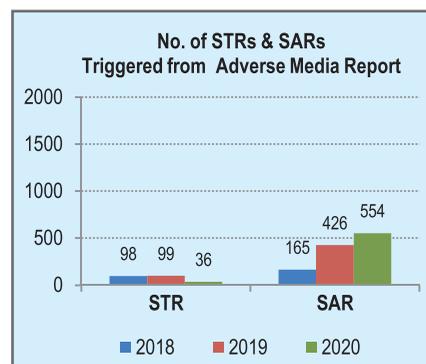


Fig.1 (b) : STR & SAR Triggered from Adverse Media Report

9 <https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/reliance-customer-identification-procedures-third-party/reliance-under-customer-due-diligence-arrangements>  
 10 [https://www.austrac.gov.au/sites/default/files/2019-06/npo-red-flag-indicators\\_0.pdf](https://www.austrac.gov.au/sites/default/files/2019-06/npo-red-flag-indicators_0.pdf)

### • Media Report Screening by BFIU

BFIU has a dedicated desk under Complaints Handling and Information Exchange wing to screen adverse media reports and initiate case on its own accord. e-News Clipping portal of Bangladesh Bank serves as the key tool thereof. When the designated officer finds any adverse news, s/he screens the subject in BFIU database and collects detail information from different sources including the reporting organizations. BFIU has initiated 22 cases in 2019 and 19 cases in 2020, of which respectively 13 and 4 cases were closed.

STRs and SARs triggered from media report were related to various offences, but fraud/forgery, corruption/bribery and illegal trade in drugs were the mostly reported predicate offence (in case of 68% STR/SARs) as illustrated in Fig. 2.

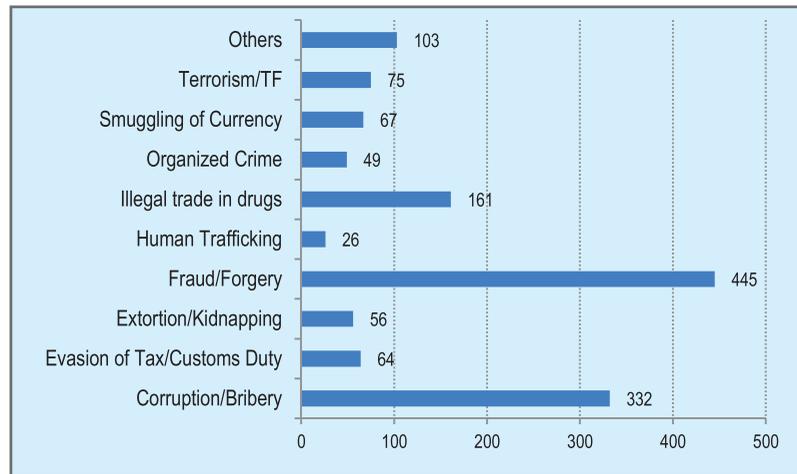


Fig. 2: Major offences associated with Media Report based on STR & SAR

### • Assessment of the Media Report based on STR & SAR

#### Capacity of Bank to Screen Media Report

Response of 59 schedule banks to the survey questionnaire under this study reveals that all banks, except the two, regularly screen media reports and identify suspicious transaction or activity, if any. Majority of the banks (44 banks) do not use technology based system to screen media reports, i.e. they do it manually, 14 banks use automated tools to screen media reports of which 9 banks responded that they also screen media reports manually. It is observed that hawkerbd.com is the dominant media screening tools. It is used by 4 banks; other 10 banks use different tools.

Out of the 57 banks that screen media reports, 42 banks have dedicated officers at their AML/CFT Division for this purpose whereas the remaining banks do not have any designated desk/officer. The study also conducted a survey to find the triggering points of the media report based STRs & SARs submitted by banks and found that, majority of the STR/SARs (73%) were triggered centrally from the AML/CFT Division, 23% STR/SARs were triggered from the branches and the remaining 4% were triggered from other departments of banks.

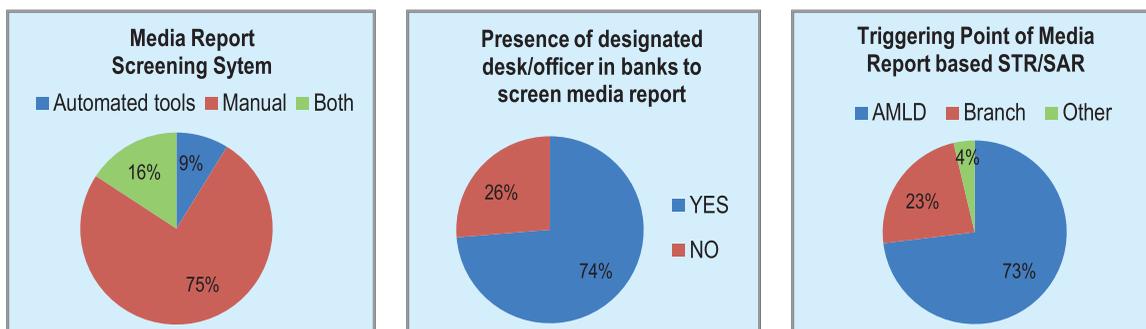


Fig. 3 : Summary of Schedule Banks' response to the survey question

## ▪ Quality Assessment of Media Report based on STR/SAR

A reasonable number of STR/SAR is one of the key indicators of the existence of strengthened AML & CFT regime. Disclosure of suspicious transaction or activity to BFIU is a prudential effort of the reporting entities to protect them from being abused by the money launderers and terrorist financiers. Not only the volume of STRs & SARs, but also the quality of STRs & SARs could play a pivotal role in developing financial intelligence and help BFIU to detect potential ML & TF cases. Considering the good number of STRs & SARs triggered from the adverse media report, the study conducted a quantitative analysis on the report quality and assessed how these STRs/SARs have a positive impact in the operation of BFIU. The following variables were considered in the analysis:

- i. No. of transactions reported with STR: 131 media report based STRs, out of 233 STRs were reported with only one transaction, i.e. 56% STRs have single transaction input in goAML, 31% STRs were reported with 2-5 transactions and only 13% STRs with more than 5 transactions. Good number of transaction input could enrich BFIU's STR database and make the operational analysis more effective.
- ii. Screening the subject's close associates before lodging STR/SAR: The subject allegedly involved in ML & TF could use the accounts of his/her close associates. When a bank comes to know negative news regarding its customer, it is imperative to screen whether any close associate(s) of the customer is operating/maintaining accounts in the bank before lodging STR/SAR. Such screening can add value to the STR/SAR. Information received from the banks reveals that they screened the subject's close associates, as much as known to them, before lodging STR/SAR in 86% cases (1,185 STRs/SARs).
- iii. Timely Submission of STR/SAR: Submission of STR/SAR without delay is a legal requirement as per Money Laundering Prevention Act-2012 and Anti-Terrorism Act-2009. If any suspicious transaction/activity is triggered from an adverse media report, taking unreasonably much time to lodge the STR/SAR is quite unusual. The study made a sample of 100 STRs/SARs to quantify the timely submission of STR/SAR and found that 65% STRs/SARs were submitted within 10 days of publishing the media report, 18% STRs/SARs were submitted within 11 to 30 days and the remaining 17% STRs/SARs were submitted more than 30 days later.
- iv. Providing the Link or Attachment of Media Report: In case of media report based STR/SAR, it is necessary to attach relevant media report as file or provide the link. Such attachment helps the analyst of BFIU to perceive the merit of STR/SAR and analyze the same. The study made a sample of 130 STRs/SARs to quantify whether media report is attached with STR/SAR and found that 39% STRs/SARs had no desired attachment or web link of media report.

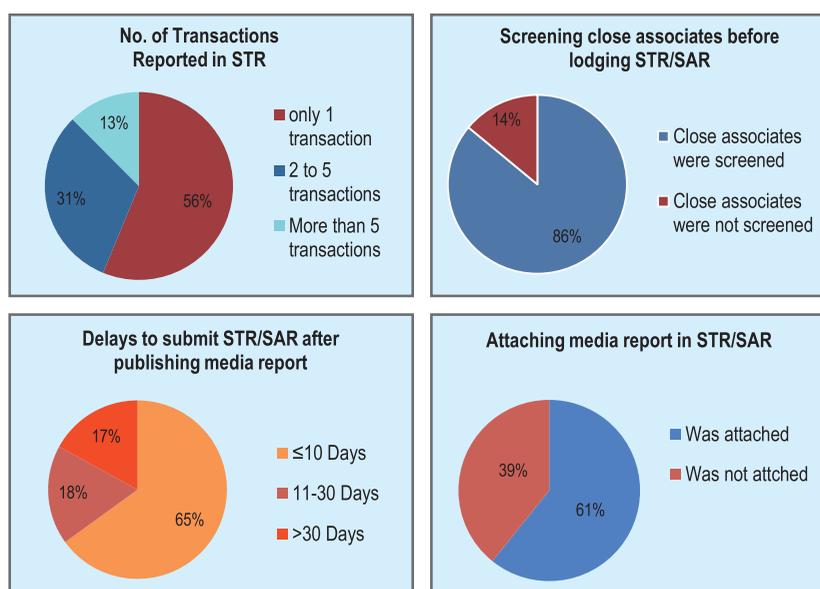


Fig. 4(a) : Findings of STR/SAR Quality Assessment

- v. Submitting the Correct Report – STR or SAR – considering Suspicious Transaction or Activity: If any transaction deems suspicious considering customer’s profile or is apparently related with any offence as described in the media report, it should be submitted as STR to BFIU. Alternatively, any other suspicious activity of customer, other than transaction, should be submitted as SAR. But the study found that there is much confusion among the banks as to whether the report should be submitted as STR or SAR. Among the 1,378 media report based STRs/SARs, banks responded that they identified suspicious transaction(s) having relation with the offence described in the media report in case of 291 STRs/SARs of which 83 are SARs. These 83 SARs should have been submitted as STR, i.e. 29% STRs were wrongly submitted as SARs. Similarly the study found 16 STRs where banks responded that they didn’t identify any suspicious transaction; these should have been reported as SAR.

A further study analyzing data retrieved from goAML database reveals pretty similar scenario – relation between the transaction inputted by bank in goAML and the transaction mentioned in media report was not found in case of 93% STRs (sample size was 60).

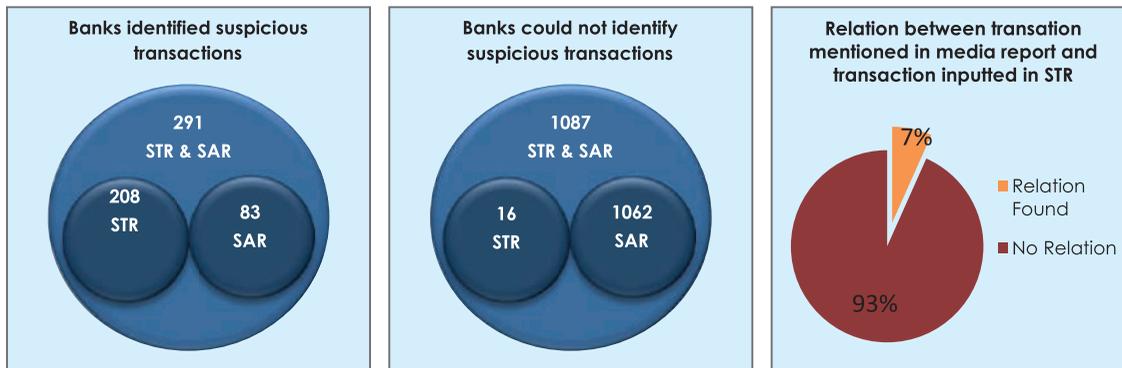


Fig. 4(b) : Findings of STR/SAR Quality Assessment

#### Dissemination of Intelligence Report based on Media Report

BFIU, as the central agency to combat ML & TF, analyzes the STRs, SARs and other information received from different sources including media report, and sent the potential cases to the concerned law enforcement authority (LEA) for further investigation. Out of 1,378 media report based STRs & SARs received during 2018-2020, 360 STRs & SARs have been disseminated to different LEAs, i.e. dissemination rate of media report based STRs & SARs is 26.1%. These STRs & SARs were disseminated as 83 intelligence reports under 66 cases.

The number of dissemination of media report based STRs/SARs and cases, as shown in Fig. 5(a) and 5(b), had a peak in 2019. This happened due to anti-corruption drive of the government in third quarter of 2019. Apprehension of many high profile persons on the allegation of corruption, extortion and illegal casino business by the LEAs was widely covered in media and banks submitted STRs/SARs against them. These STRs/SARs contribute to 13% of the media report based STRs/SARs received during 2019-2020 and 44% of the dissemination of such STRs/SARs.

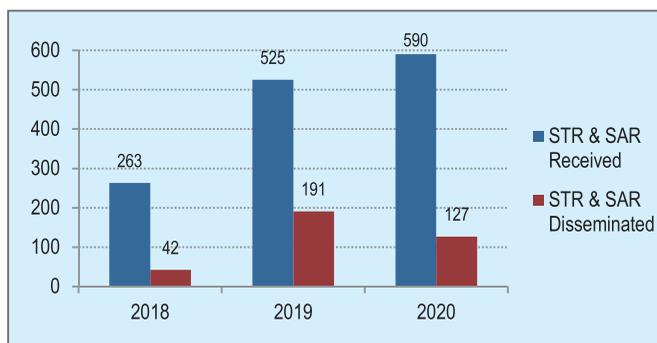


Fig. 5(a): Year wise Receipt and Dissemination Media Report Based STR & SAR

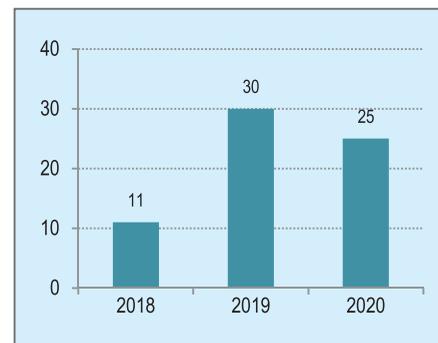


Fig. 5(b) : Year wise Dissemination of Cases

**Predicate Offence Involved:** Six types of predicate offences – fraud/forgery, smuggling of currency, corruption/bribery, terrorism/TF, extortion and illegal trade in narcotic drugs – were mostly involved in the disseminated STRs & SARs as illustrated in Fig. 6.

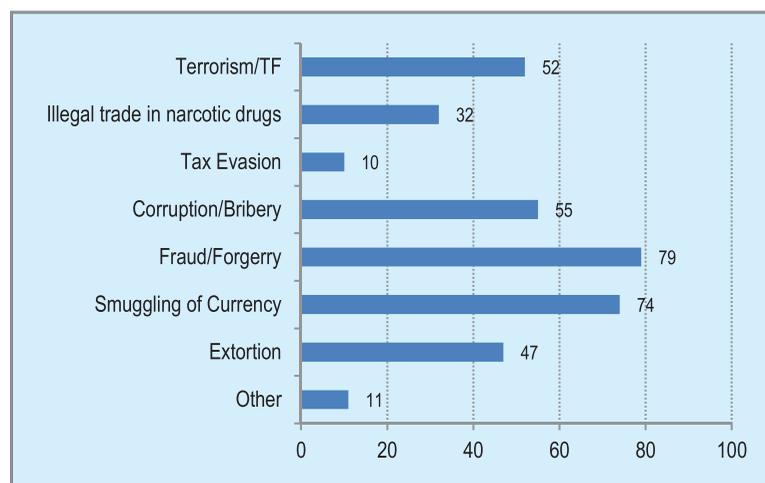


Fig. 6 : Predicate offence related with dissemination of media report based STR/SAR

Destination of Intelligence Reports: Criminal Investigation Department (CID) of Bangladesh Police and Anti-Corruption Commission (ACC) were the major destination of the intelligence reports disseminated on the basis of media report based STRs & SARs during 2018-2020. Out of 83 intelligence reports, 39 intelligence reports were disseminated to CID and 31 intelligence reports were disseminated to ACC. Remaining 13 intelligence reports were disseminated to National Board of Revenue (NBR), Department of Narcotics Control (DNC) and Customs Intelligence & Investigation Directorate (CIID).

Investigation Agency	2018	2019	2020
CID	4	20	15
CIID	0	1	2
CTTC	3	0	0
DNC	3	0	0
NBR	0	3	1
ACC	2	19	10
Total	12	43	28

Table-1: Destination of intelligence reports on the basis of media report based STRs & SARs

In addition to STR/SAR based cases, BFIU initiated total 41 cases from the media report screening activity carried out by the Complaints Handling and Information Exchange wing during 2019-20; of which 17 cases were closed and 9 cases were disseminated. In 2019, BFIU has disseminated 5 cases to ACC and 1 case to both ACC and CID. In 2020, 2 cases were disseminated to CID and 1 case to CIID.

Time Taken to Develop Intelligence Report from Media Report based on STR/SAR: The study analyzed how much time it took to develop intelligence report after receiving STR/SAR from bank. A case may contain multiple STR/SAR; the study considered the reporting date of the earliest STR/SAR as the initiation date of case and counted how many days elapsed before dissemination of the cases to LEA. It was found, as illustrated in Fig. 7, that 13% STR/SAR were disseminated within 30 days of receipt, 31% STR/SAR within 31-90 days, 17% STR/SAR within 91-180 days, and the remaining 38% STR/SAR were disseminated after 180 days of receipt.

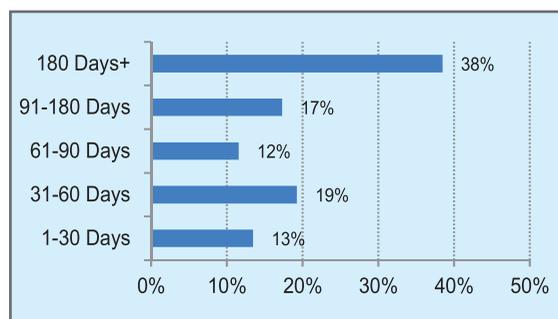


Fig. 7 : Time-lapse between initiation and dissemination of cases

### • Conclusion

BFIU has received total 11362 STRs/SARs from different reporting entities including banks during 2018-2020. Out of these, 691 STRs/SARs have been disseminated, i.e. overall dissemination rate is 6.1%. 373 STRs/SARs, out of 8570, received from banks during this time have been disseminated, i.e. dissemination rate of STRs/SARs submitted by bank is 4.4%. On the other hand, dissemination rate of media report based STRs/SARs received from banks is quite high – 26.1% and it constitutes 52.1% of the total dissemination of STRs/SARs. This depicts a significant contribution of the media report based STR/SAR in the dissemination of intelligence reports by BFIU. Moreover, the growing number of STRs/SARs indicates the rigorous monitoring activities of the reporting entities to tackle ML & TF at their end. At the same time, BFIU is concerned about the quality of the STR/SAR as it enables the analyst of BFIU to conduct in-depth analysis in an effective manner.

	Received	Disseminated
Total No. of STRs/SARs	11,362	691
No. of STRs/SARs received from banks	8,570	373
Media report based STRs/SARs received from banks	1,378	360

Table-2 : No. of STRs & SARs received and disseminated during 2018-2020

A suspicious transaction or activity report should ideally be triggered from the day-to-day monitoring mechanism of reporting entities. The observation of the study is that banks are identifying customer from screening media report and, in most cases, they are submitting STR/SAR against that customer without proper evaluation what they should have done. The study has found significant lapses in the evaluation of information regarding customer or transaction at banks' end before lodging STR/SAR from negative news about the customer. It has become essential to address this issue to enhance the quality of STR/SAR. The study proposes a flow chart, as described in Fig. 8 that can help banks and other reporting entities to evaluate the information obtained from the media report or other reliable source and lodge STR/SAR after proper scrutiny.

After identifying a customer from screening media report or other derogatory information, reporting entities should undertake CDD measures. If any inconsistency is found, reporting entities should evaluate that inconsistency and based on the findings, they should either raise STR/SAR or close the case. If the inconsistency is not reasonable, reporting entities should try to detect suspicious transaction with priority and if such transaction is detected, STR should be raised. Alternatively, they should raise the issue as SAR – here the study proposes a new report type, namely Adverse Information Screening Report (AISR) as an alternative to SAR based on negative news or derogatory information. AISR shall be an alternative window of SAR to capture non-transactional information obtained from media report or other reliable source, and it could help BFIU in prioritization of reports.

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However, reporting entities may consider lodging STR or AISR directly in accordance with the direction of BFIU circular in the following two scenarios:

- negative news or derogatory information regarding terrorism, terrorist financing or proliferation financing about the customer
- CDD could not be accomplished due to non-cooperation of customer or possibility of tipping off

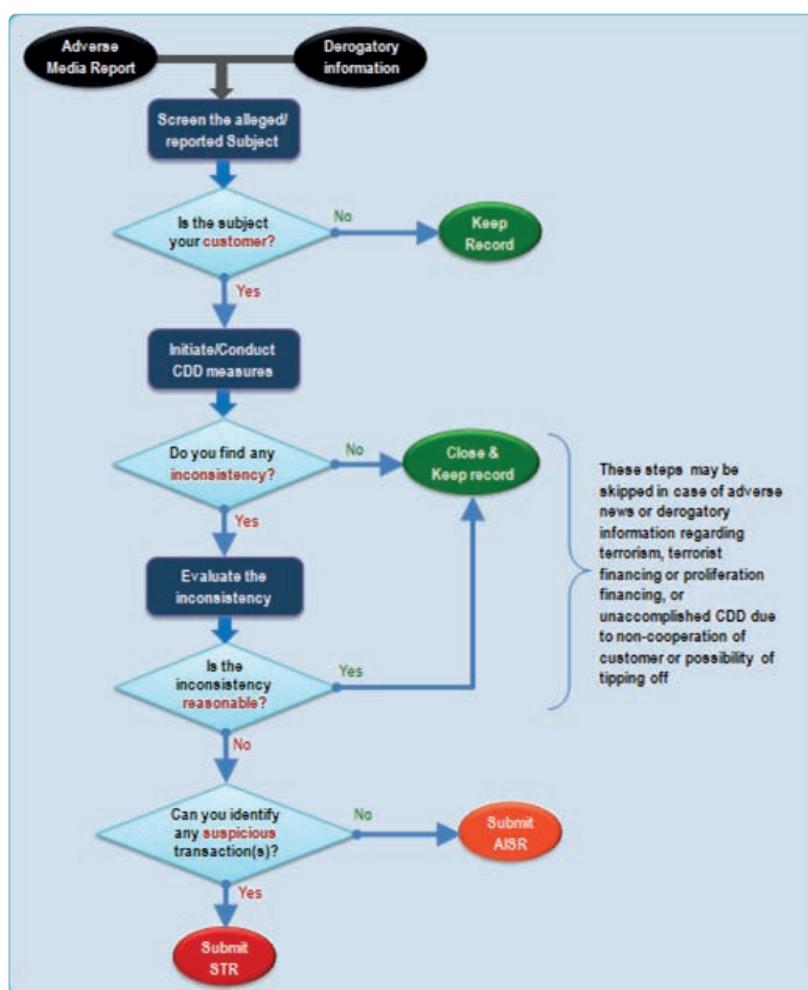


Fig. 8 : Process to raise STR or SAR from the media report or derogatory information

**Note:** media report shall be considered as any negative information, regarding customer, published in print or electronic media, TV channel, news bulletin, social media platform etc. at national or international level.

- Derogatory information shall be considered as any negative information, regarding customer, obtained from a reliable source.
- While screening the subject – alleged or reported person or entity – against adverse media report or derogatory information, such screening shall consider the close associates of subject and beneficial owner as the subject.

#### ▪ Recommendations

The study proposes the following policy recommendations for better management of the information obtained from media report or other reliable sources and use that information in AML/CFT activity more efficiently:

- (i) Proper Evaluation before Lodging STR/SAR: Negative news or adverse information about the customer could be a 'red flag' for suspicious transaction/activity. Matching red flag does not always lead to suspicion; rather it requires proper scrutiny or evaluation of CDD or examining transaction before lodging STR/SAR. Reporting entities should follow an evaluation process before lodging STR/SAR from screening media report and for this purpose, the flowchart as illustrated in Fig. 8 may be a guidance for the reporting entities. BFIU may issue a directive for banks and other reporting entities as well to evaluate the derogatory information obtained from media report or other reliable sources considering the flowchart as illustrated in Fig. 8 and if necessary, train up their respective reporting officers.
- (ii) Introducing New Report Type in goAML: As per BFIU guideline, suspicious activity means the suspicion in general behavior or attempted suspicious transaction. Considering the growing number of media report based SAR that banks are currently submitting should be captured in a different basket in goAML. This could be helpful in report prioritization and supervisory activities of BFIU. For this purpose, a separate report type, namely Adverse Information Screening Report (AISR), as prescribed in Fig. 8 may be introduced in goAML and BFIU may issue a directive for all the reporting entities to submit AISR.
- (iii) Preserving Self-Initiated Case of BFIU in goAML: The information of media report based cases initiated by the dedicated desk of BFIU is not always preserved in electronic way. Preserving these cases in goAML system could help enrich the database of BFIU and maintain statistics of BFIU activity based on media report efficiently. This will also reduce the chance of redundant work at the end of two desks/wings of BFIU. To resolve this issue, Complaints Handling and Information Exchange wing of BFIU should preserve the case initiated from media report under the existing "FIU ESCALATED REPORT" in goAML.
- (iv) Automation in Media Screening: Majority of the banks screen media reports in manual way. This can lead to the possibility of missing important information by the reporting entities during on-boarding customer or on-going CDD measures. Customers may exploit this lapse during account opening or conducting transactions. Adopting a technological solution could help the reporting entities to screen media report effectively and use the information in CDD/EDD measures as well as transaction monitoring activities.

### **7.3 Expansion of Multi-level Marketing using Digital Platforms and E-commerce: A New Concern of the Stakeholders to Take Strategic Decision**

Multi-level Marketing (MLM) is a business concept that goes by many names – network marketing, direct selling, person-to person marketing, matrix marketing, binary marketing or one to one marketing. It is a form of direct sales in which independent representatives sell products or services from a company to an end consumer. MLM not only operates as direct marketing but also being practiced by many companies to increase customer base.

Generally, Multi-level Marketing (MLM) refers to a business scheme where a company's revenue derives from selling the products or services of a company where the participants or workforce of that company achieves their earnings through a pyramid scheme, while the earnings of the participants are derived from a pyramid-shaped or binary compensation commission system. Therefore, MLM encourages existing members to promote and sell their offerings to other individuals and bring on new recruits into the business. New recruits become the distributor's network or down line and are, in turn, encouraged to make sales to earn money.

This business concept has been used in many countries around the globe, with United States of America practicing it for almost sixty years. Many MLM schemes are legal but there are illegal operations that are run as pyramid schemes. This type of scam is based on a hierarchical setup of network marketing and it relies on the constant inflow of money from additional investors that works its way to the top of the pyramid. The most famous kind of pyramid scheme is considered to be the Ponzi scheme, named after Charles Ponzi who gathered huge amount of money through his crooked business policy.

Because of the fraudulent business nature, MLM companies have been made illegal in some countries. In some countries, like Bangladesh, the MLM businesses which run as Pyramid schemes are made illegal but not the MLM business itself where one can do MLM business with the proper approval of the state authority. But it is being seen that in jurisdictions where MLM companies have not been made illegal, many illegal pyramid schemes attempted or are attempting to present themselves as MLM businesses. Recently some cases have unfolded that some e-commerce companies and digital platforms are doing business following the illegal pyramid schemes of MLM business or ponzi scheme which has become a new concern for the countries especially for Bangladesh.

#### ▪ MLM history in Bangladesh

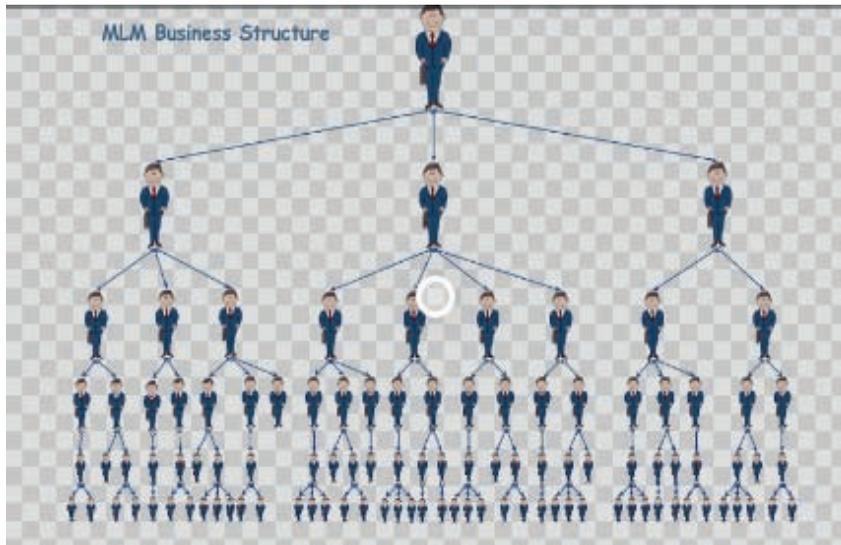
The concept of MLM in Bangladesh was introduced by Global Guardian Network (GGN) in 1998. Since then many of the companies have ventured into the MLM practice. Here in Bangladesh, this concept got attraction when the news of massive fraud by the MLM companies Destiny 2000, Jubok, Unipay2 and several others came in light. The D2K only had accumulated and absorbed around 51.13 billion BDT from its investors from 2002 to 2006. Hundreds of such MLM companies -big and small -- in the country have swindled millions of small savers out of their savings. To bring down such frauds and scams of illegal MLM business and to bring the MLM companies under regulation, the Government promulgated Multilevel Marketing Activities (control) Act in 2013. With the law, the MLM companies have been obligated to take license to operate their business. With the act, the MLM activities under pyramid schemes has been strictly prohibited and declared as punishable offence. The MLM companies are allowed to trade eight types of products -- household, electric and electronics, home appliances, cosmetics and toiletries, herbal, telecommunication services, training-related products and services, and agricultural. If an MLM company is found selling nonexistent products, its operators will face a penalty of imprisonment for up to ten years and a fine of Tk 5.0 million at maximum, according to the said act.

Recently, the MLM concept goes viral when the fraudulent activities of some digital platform and e-commerce sites are flashed out. It has been discussed that the so called ecommerce companies and digital platform have amassed billions of money from the people by tempting them huge discounts in products and incentives using the ponzi scheme of MLM business. Based on information from different media, BFIU analyzed the documents of some alleged companies. The method of the analysis was both tactical and strategic and the source of the information and data was mainly the account information, suspicious transaction and cash transaction report submitted by the financial institutions and open source (news, websites etc).

#### ▪ Definitions:

##### **Multi-Level Marketing**

According to the Multi-Level Marketing Activities (control) Act, 2013, the MLM business is defined as the activities of marketing which aims and is driven to disburse specific dividends, commission or any other benefit by creating two or more layers of networks.



Multi-level marketing (MLM), also called network marketing or pyramid selling, is a controversial marketing strategy for the sale of products or services where the revenue of the MLM company is derived from a non-salaried workforce selling the company's products or services, while the earnings of the participants are derived from a pyramid-shaped or binary compensation commission system.

### ***Pyramid Marketing***

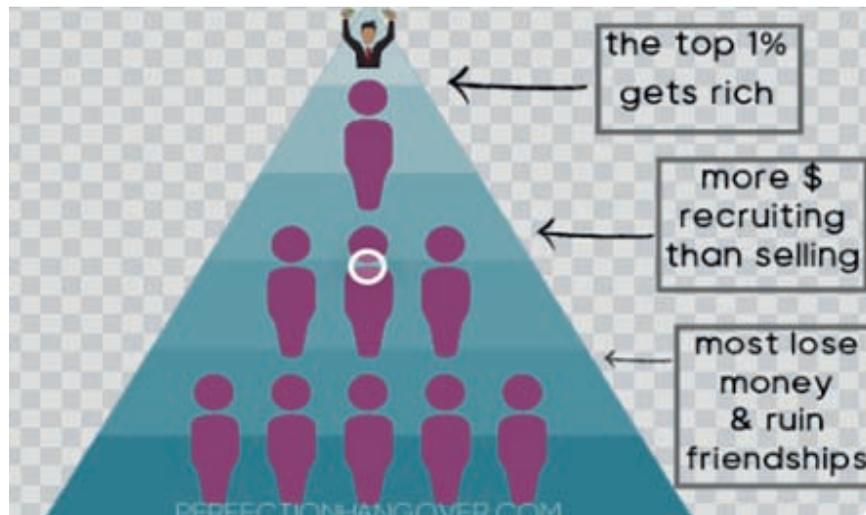
A pyramid scheme is generally turned as a business model that recruits members via a promise of payments or services for enrolling others into the scheme, rather than supplying investments or sale of products.

In the Multi-level Marketing Activities (control) Act, 2013 the 'Pyramid scheme activities' have been defined as the business activity where one has to participate with advance fee or payment for a high return or definite commission with the condition of adding more people in geometric rate and where one or more of the followings situations are emerged:

- Receipt of payment or commission in the lower level is low even if that is ensured for the investors in the upper level.
- The products or services are not exchanged in actual value.
- There is no real existence of the products or services.

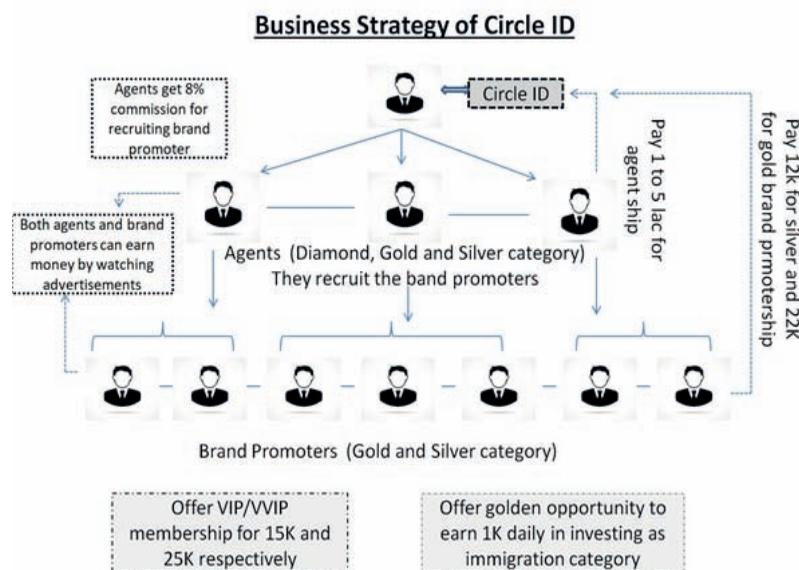
### ***Ponzi Scheme***

US Securities and Exchange Commission defines Ponzi Scheme as an investment fraud that pays existing investors with funds collected from new investors. Ponzi scheme organizers often promise to invest money and generate high returns with little or no risk. In this fraudulent investing scam returns are generated for earlier investors with money taken from later investors. This is similar to a pyramid scheme in that both are based on using new investors' funds to pay the earlier backers. Both Ponzi schemes and pyramid schemes eventually bottom out when the flood of new investors dries up and there isn't enough money to go around. At that point, the schemes unravel.



### Case Scenario 1: 'Circle ID'

In Bangladesh, a business named 'Circle ID' has been introduced as a social networking platform in 2015. This social media easily attracted the youngsters, students and housewives especially the unemployed section of the country by alluring advertisements. They introduce a service by which one can earn by just watching advertisement in the platform. In the platform, agent and brand promoters are recruited by introducing a special service called 'Community Job'. In the first level (layer) they recruit agents in three categories; i.e diamond category agent for BDT 5.00 lac, gold category for BDT 2.00 lac and silver category for BDT 1.00 lac. Being the agents of the platform, they can earn money by recruiting the brand promoters which is the second layer of the business model. They recruit silver category promoter in BDT 12,000, gold category promoter for BDT 22,000 and offer VIP membership for BDT 15,000 and VVIP membership for BDT 25,000. Even they offer a golden opportunity to earn one thousand taka daily by investing in immigrant category! Furthermore, they introduce a 'social commerce' whereby the agents and the brand promoters can earn commission by selling products. A gold category agent could earn 500 taka daily by just watching 100 advertisements. He can also get 8% commission by recruiting the promoters. Who can defy the attractive way of earning from home without doing any mental or physical job! By this the members of the platform attracted their family and friends to invest and earn from this platform. In analysis, it has been seen that a single person has bought 5-10 and even 50 agents ID from the platform. Most of all the transaction has been done using the MFS wallets like Bkash and Nagad.



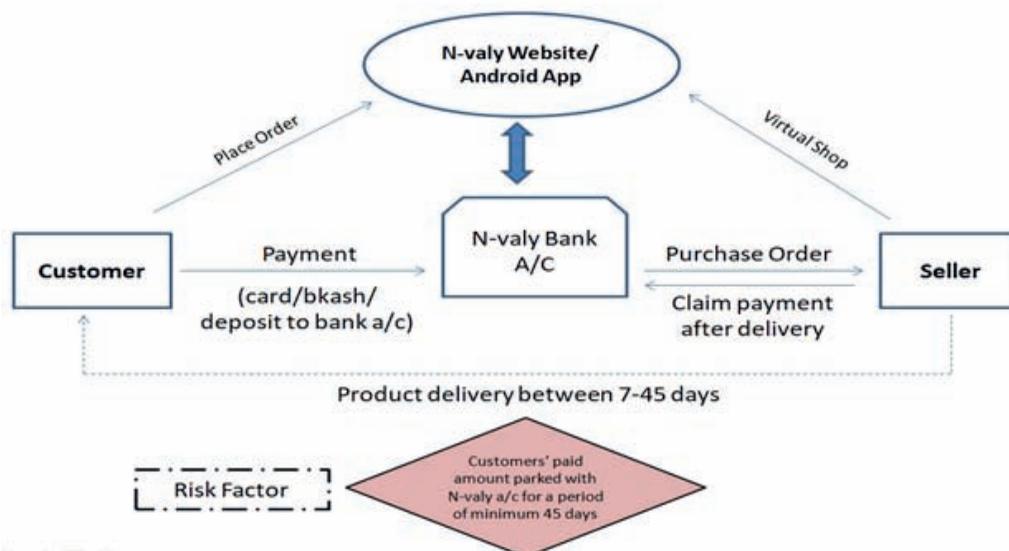
### Case Scenario 2: 'X Products Ltd' and 'Y Express Ltd'

- BFIU analyzed two cases of X Products Ltd and Y Express Ltd on the ground of suspicious transaction report and an allegation of embezzling billions of taka from thousands of people. It was alleged in the media report that the said entities had embezzled huge fund through unlicensed multi-level marketing activity. Information collected from banks revealed that X Ltd and Y Ltd were respectively registered for trading beauty products and e-commerce services. X Ltd and its three directors had 29 accounts where Tk. 118.70 million was deposited from different parts of the country, whereas Y Ltd and its three directors had 37 accounts where Tk. 413.60 million was deposited in almost one year. The deposits were made by different people through different channels including cash; the amounts were in round figure and in the multiple of a thousand taka. The transactions were inconsistent with the declared profession and source of fund.
- Analyzing the documents and information from the open sources (websites of the company), it was found that Y Express Ltd attracted people to invest in the company by alluring them to earn money by opening account with them and by watching advertisement on their site. People have received 5100 taka just installing their android app and opening account, even they could earn 1200 taka by just watching advertisement. From the analysis and other source of information, it was concluded that the directors allured the mass-people with high returns of investment and thereby make them to deposit funds in the bank accounts.

### Case Scenario 3: Nvaly Ecommerce Ltd

Established in 2017, the e-commerce company 'Nvaly E-commerce Ltd' started its business operation in 2018. By offering 100% and even up to 200% discount and cash back on selling products, the company easily got the attraction of the people. Of the cash back offer, if a customer ordered any product from the e-commerce site and paid full amount then the offered cash back amount (100%-200%) was added to his Nvaly wallet. The customer could buy any products from their marketplace (website) using the balance of the wallet. The people got motivated to buy products from the site seeing those unscrupulous discount and cash back offered by the company. Even, many business men started investing millions of taka in this site as they were offering products in the lowest price. The company also introduced various offers like dhamaka offer, earthquake offer, and cyclone offer and in many names which were being powered in every Friday and on some special days (Independence Day, Victory Day, Eid occasion etc). The customers had to make prepayment for the offered products and they were given condition of supply their products in between 7-45 days.

#### **Business Model of N-valy Ltd: Transaction scenario**



In this case, the company has taken a strategy of pyramid scheme of MLM business. For example, if 500 customers ordered products in a certain offer, the company delivered products to the certain portion. The other people then got enthusiastic seeing the positive review of the people who got delivery. So, in the later campaign more people ordered products from them. In this process, the first some layers got benefitted and got products but the people in the lower levels got defrauded as their products were not delivered or got delivery of some products after months. This process continued till the news of accumulating huge funds from the buyers by their crooked business policy that is pyramidal scheme of MLM business. It has been found that the e-commerce company had collected about BDT 85009.78 million in 79 accounts within a period of just two and half years.

#### Transaction Pattern: Comparison among the companies

	Circle ID	X Products Ltd's	Y Express Ltd's	Nvaly Ltd
No of accounts	07	29	37	79
Total Deposit (BDT)	3397.3 million	118.7 million	413.6 million	85009.78 million
Deposits pattern	- all the districts of Bangladesh -Small fraction -Mostly in Cash form	deposit by numerous people from different parts of Bangladesh -Small fraction -Mostly in Cash form -P2P transaction in MFSS account	-deposit by numerous people from different parts of Bangladesh -Small fraction -Mostly in Cash form -P2P transaction in MFSS account	-deposit by numerous (millions) people from different parts of Bangladesh -Mostly in Cash form and online deposit/transfer via gateway -Person to merchant transaction in MFSS account
Withdrawal pattern	-Inter -account transfer and deposit by RTGS and clearing cheque -Large amount cash withdrawal	-Inter -account transfer and deposit by RTGS and clearing cheque -Large amount cash withdrawal	Inter -account transfer and deposit by RTGS and clearing cheque -Large amount cash withdrawal	Inter -account transfer and deposit by RTGS and clearing cheque -Large amount cash withdrawal which does not commensurate with the nature of business

#### Findings:

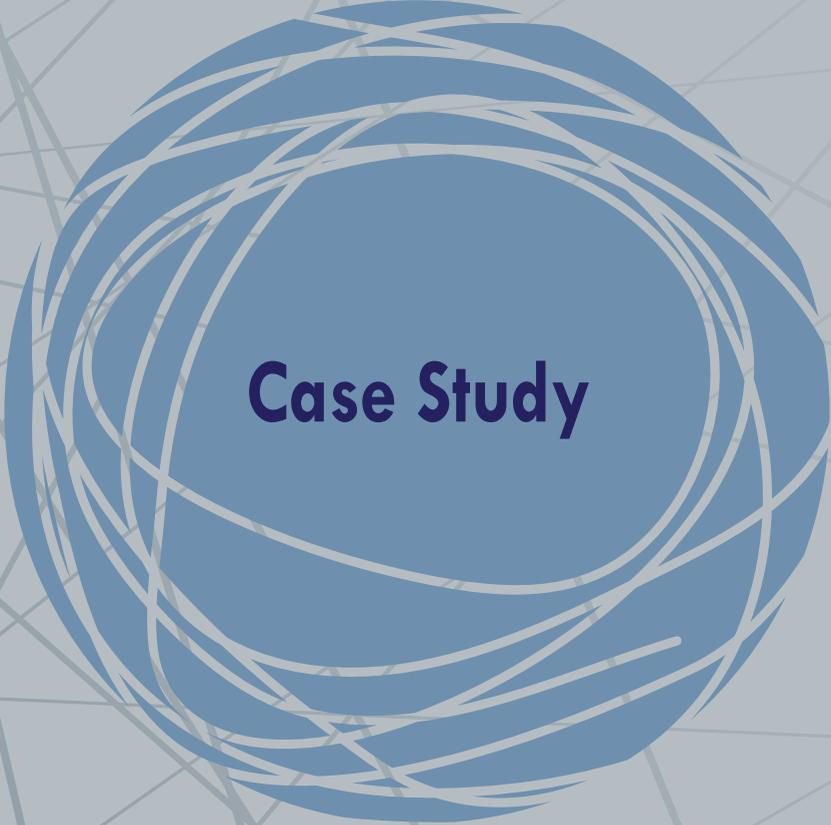
It is seen that the so called digital platforms and ecommerce sites were attracting people to buy or invest at their companies by using pyramid or ponzi schemes of MLM business. Though, there is clear instruction for the MLM business not to sell products which has no existence, the catchy offers of many e-commerce platform and their advertisement modules show that most products and services have no visual presence. Instead, those advertisements of products are made in relation to products that may be produced in the future. The fundamental problem with those online-based digital MLM activities is that their business is based on a pyramid scheme that is inherently an integral part of MLM business and declared illegal under section 15 of the MLMAC Act, 2013. Firstly, this section explicitly bans pyramid or any similar kind of pyramid module-based business system. Secondly, it hinders any illusory

or non-materialistic products manufactured or produced on a time-to-time base cycle in the future. It is a matter of concern that those MLM companies frequently disguise themselves as e-commerce platforms for which they remain out of sight for most of the consumers. They have also managed to convince many public figures and celebrities as their well-wishers and ambassadors by the passage of time. As a result, the rapid involvement of mass people cannot be controlled within due course.

The government banned pyramid marketing and selling products without specific information with packaging, not selling goods or services as promised, unreasonable pricing of goods or services, and the sale of low quality products or services by passing the Multilevel Marketing (MLM) Activities Control Act 2013 along with mandatory license to conduct MLM business. But these companies have resorted to subtle ways of business and fraudulently collected billions of taka from the public making them in financial distress.

#### **Policy Recommendations:**

- Mostly contraband fraudulent Ponzi Scheme is to be explicitly defined and banned by promulgating law.
- The penalty for violation of the provisions of MLM Activities (control) Act, 2013 should be compatible and dissuasive. In the existing law, the offence is fixed in case of a monetary fine. For instance, section 26 penalized any person for the infringement of section 15, with a monetary penalty not exceeding taka Fifty Lakhs. The question arises when an MLM company has the scope of seizing millions of taka, how much it is justifiable to penalize them within a fixed monetary fine. Rather inserting ad valorem fine would be a more sensible and pragmatic step to put a stumbling block for those scams.
- Increase the awareness among mass people regarding MLM business.
- Financial literacy need to be enhanced and widened. People need to be more aware of the companies which offer higher return with no or little risk.
- Mechanisms to be developed to detect suspicious transactions of the fraudulent companies.



**Case Study**

## Chapter 8

### Case Study

#### Case Study 1: Asset Accumulation through Corruption and Bribery

BFIU initiated a case from the adverse media news of accumulating huge assets through corruption and racketeering by three law enforcement officer Mr. Tamim, Mr. Dip and Mr. Harun.

- A. BFIU analysis revealed that Mr. Tamim and his wife and his brother-in-law have been operating 20 bank accounts: total transactions in those accounts were of BDT 42.65 million whereas the balance was found BDT 7.78 million during the time of analysis. Several real estate properties have been found in the name of Mr. Tamim and his wife which may be bought in cash.
- B. On the other hand, Mr. Dip has been found to operate 6 accounts with transactions worth BDT 33.30 million. During the period of analysis the balance in those accounts were found only BDT 1.00 million. It is seen that in one account of Mr. Dip, deposits were made by a local cable operator in each month which seems to be bribe money.
- C. Furthermore, a total of 27 accounts were found in the name of Mr. Harun and his related ones (his wife and their two sons). The accounts had transactions worth BDT 230.26 million and balance was worth BDT 7.80 million. It has also been revealed that Mr. Harun has several apartments in different posh areas of Dhaka, land property from RAJUK (value not known), land property through a BCS cooperative (value not known) and land property valuing 3.75 million from another cooperative. Payments for these purchases were mostly made from accounts that did not have salary related transactions and via Pay Orders issued against instant cash. Some properties were purchased outside the banking channel. Ms. Lucky, wife of Mr. Harun was a housewife and stock businesswoman as per bank records. However, no valid documents have been found against claims of stock business. It reveals that all the 8 accounts of Ms. Lucky to be used as parking accounts to deposit her husband's suspected income.

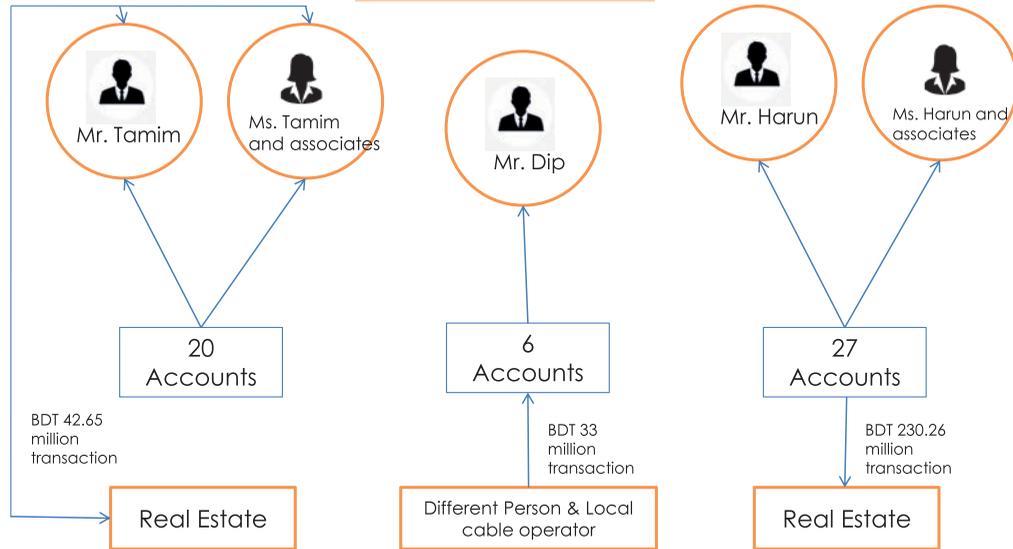
The transaction pattern in all the three government officials is found same. It has been found that almost all the transactions were made in cash in the accounts of all the three accused persons and their related ones. Though all of them are government employees with fixed salary and the source of income declared by all of them was just income from salary, millions of amount was deposited in their accounts which does not commensurate with their profession and declared source of income. Furthermore, several real estate properties have been found in the name of both Mr. Tamim and Mr. Harun; which may be bought by undeclared source of money or money earned through illegal means. It is assumed that they might have used their wives and relatives (brother-in-law) as conduit to hide the illegal source of money.

By the analysis it is suspected that the accused persons may be accumulated huge amounts of money through misappropriation of official power as government employee or corruption and bribery. Regarding this BFIU intelligence report has been sent to the respective LEA for investigation and further course of action as per MLPA, 2012.

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### CASE 1



<i>Offence</i>	Corruption, Tax Evasion
<i>Customer</i>	Government Official
<i>Industry</i>	Banking, Financial Institute
<i>Channel</i>	Cash and Banking products
<i>Report Type</i>	SAR
<i>Jurisdiction</i>	Domestic
<i>Designated Service</i>	Cash Deposits, Cash Withdrawals, Bank Advance
<i>Indicators</i>	<ul style="list-style-type: none"> <li>- Cash deposit without any valid business background.</li> <li>- Housewife accounts used as conduit</li> <li>- Securing funds from FIs while leasing out ill-gotten asset and faking business ownership under the name of housewives</li> </ul>

### Case Study 2: Defrauding People through Fake Visas

BFIU analyzed a case based on a complaint against Mr. Jiban for the allegation of leading a fake Schengen visa syndicate aided by 3 business entities (ABC store, XYZ Fruits and EFG Trading) in this regard.

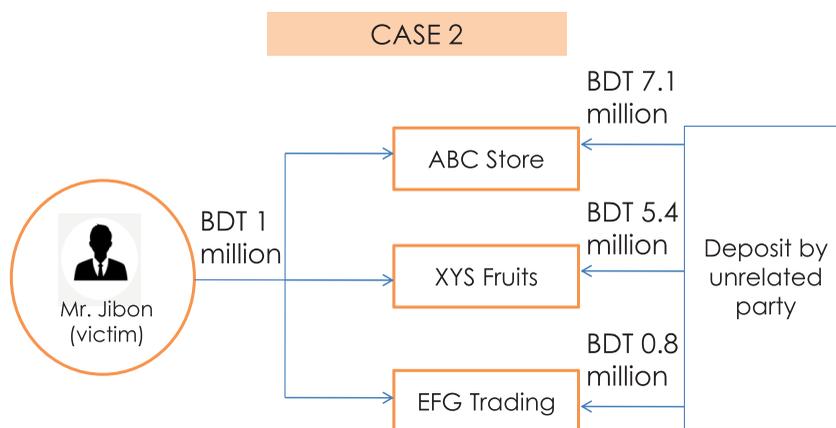
BFIU analysis revealed that the fraudulent monies are firstly placed/parked into three unrelated business accounts and then the amount were transferred to Mr. Jiban's personal accounts.

- A. M/s ABC gold-silver bullion trading store: however, the account transaction occurred from persons and entities who/which had different professions does not commensurate with the business pattern. Such unrelated party deposits amounted to 7.10 million BDT in a year.

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- B. M/s XYZ fruits was an entity engaged in import-export of fruits as per declaration in account opening form. However, the entity account had deposits from persons and entities who/which had different professions (student, housewives) and different line of business (seasonal trader, garments stock lot business, tour operator, gold ornaments seller, saloon etc) which is not commensurate with the entity's business pattern. Such unrelated party deposits amounted to BDT 5.40 million in a year.
- C. M/s EFG Trading was an entity engaged in garments stock lot business. However, the entity account had deposits from persons and entities who/which had different professions (student, housewives) and line of business (electronics). Such unrelated party deposits amounted to BDT 0.8 million in a year.

Based on the analysis, an intelligence report was disseminated to respective law enforcement agency under MLPA, 2012 for next course of action.



Offence	Fraud
Customer	Public
Industry	Banking
Channel	Cash
Report Type	SAR
Jurisdiction	Domestic
Designated Service	Cash Deposits, Cash Withdrawals
Indicators	<ul style="list-style-type: none"> <li>- Cash deposit by unrelated party</li> <li>- Business accounts used as conduit to receive ill-gotten fund</li> <li>- Commingling business income with fraudulent income</li> </ul>

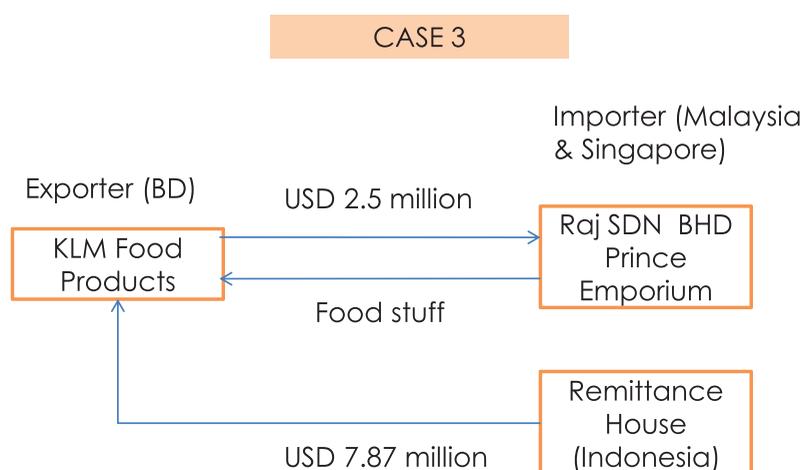
### Case Study 3 Embezzlement of Government Funds in the Name of Fake Exports, Third Party Remittances and Cash Incentives.

A Partnership organization named KLM Food Products (Agricultural Product Manufacturing, Import and Export) opened an account at Cosmopolitan Bank. KLM Food Products exported roughly USD 2.50 million worth of food stuff (Turmeric Powder, Chili Powder, Ginger Powder, Coriander Powder) against contract to Maldives, Malaysia, Singapore, UAE, and other countries via 44 export bills. Goods were exported to Singapore and Malaysia in favor of several importers. However, all advance payments for export were received from a third country (Indonesia).

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Analyzing the L/C and other export related documents of KLM Food Products, it is revealed that all the importers' lines of business do not match with the export products, for example, an export value of USD 0.89 million to the Raj SDN BHD. Malaysia's line of business is powdered milk and an amount of USD 0.79 million export to Prince Emporium Pte Ltd.'s line of business is Crackers, cookies, and bakery products.

It is also found that Indonesian payment providers' business is money transfer business. Therefore, someone residing in Indonesia makes all the payments via this Indonesian remittance house or money-transfer Company, which violates the FE Circular No. 22, dated 20 November 2011. In the meantime, KLM Food Products has received cash incentive/assistance of about BDT 55.40 million from the government against various exports. It is assumed that cash incentives have been taken fraudulently by showcasing export value repatriation, which violates relevant provisions of Money Laundering Prevention Act, 2012.



<i>Offence</i>	Trade Based Money laundering
<i>Customer</i>	Entity
<i>Industry</i>	Banking, Exchange House
<i>Channel</i>	Banking Channel
<i>Report Type</i>	On-site inspection findings of BFIU
<i>Jurisdiction</i>	Domestic
<i>Designated Service</i>	Advance TT
<i>Indicators</i>	<ul style="list-style-type: none"> <li>- Export proceed comes from 3rd party,</li> <li>- Exchange house is used instead of banking channel</li> <li>- Foreign counterpart's line of business is not compatible with the goods Exported.</li> </ul>

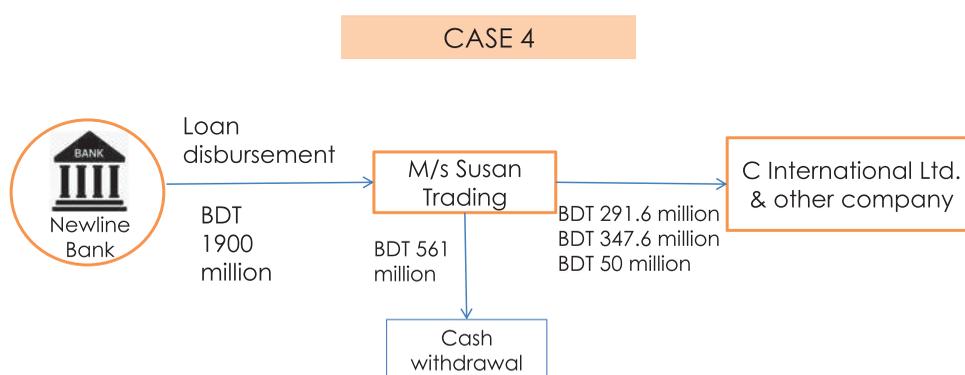
*N.B. The names of the persons and entities used in the above cases are fictitious and are being used only for representation of real cases.*

## Case Study 4: Fraudulent Lending to a Fake Importer Company with the Direct Kindling of the Bank's Board of Directors

The Newline Bank Ltd. approved a house building loan worth BDT 1,900.00 million and an overdraft facility worth 200.00 million in favor of the customer Mr. Imran and his company named M/s Susan Trading in July 2018. The Credit Information Bureau (CIB) dated 06 May, 2019, the Borrower's total liability was approximately BDT 1,852.00 million of which there were 10 stay-orders with liabilities of approximately BDT 1,808.00 million, indicating an unsatisfactory transaction.

BFIU analysis found that although the company was established in 2007, it does not have any audited income-expenditure statement and balance sheet; however, according to the unaudited income-expenditure statement, the company's fixed assets stood at BDT 5912.00 million and its profit increased abnormally compared to the previous year (about 541% in 2017 and 125% in 2018). As of 07 April, 2021, the house building loan of BDT 2,840.00 million and the overdraft facility of BDT 1535.00 million were sanctioned in favor of the company. Furthermore, the loan was disbursed without the consent of the head office's Credit Administration Department.

It appears that the loan was disbursed based on unauthorized verbal instructions to Susan Trading by violating Banking rules and regulations. Two directors of Newline Bank Ltd. have influenced and given verbal instruction to disburse the loan. It is also revealed that the Susan Trading is importing goods at exorbitant prices, refunding advance price and failed to submit the bill of entry. These may have resulted in money laundering abroad under the guise of importing goods without actually importing goods and overvaluing.



<i>Offence</i>	Loan Fraud, Corruption & Trade based Money Laundering
<i>Customer</i>	Entity & Board member of banks
<i>Industry</i>	Banking
<i>Channel</i>	SWIFT
<i>Report Type</i>	Onsite inspection of BFIU
<i>Jurisdiction</i>	Domestic
<i>Designated Service</i>	Cash Deposits, Cash Withdrawals, Bank Advance
<i>Indicators</i>	<ul style="list-style-type: none"> <li>- Excess limit of loan</li> <li>- Fund Diversification</li> <li>- Over invoicing, Foreign suppliers line of business is not compatible with supplied goods.</li> </ul>

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## Case Study 5: Trade Based Money Laundering Conducted in the Name of Scrap Vessel Import

Mr. Emon and his two companies M/s Sonali Co. & M/s Rupali Co. are the importer of scrap vessel. The Delta Bank Limited issued 5 letter of Credit (L/Cs) favoring these two companies for importing scrap vessels. Beneficiary company of these letter of credits are located & registered in high-risk jurisdiction (commonly known as Tax heaven) as well as the invoice price for scrap vessel was over-valued in all the L/Cs.

The interval between date of issuing letter of credit & Bill of Entry is only 3-7 days which are quite unusual. After submitting questionable B/E, all the L/C values are transferred to the mentioned beneficiaries who are situated in tax heaven jurisdictions. It was revealed that among the 5 vessels 4 of these did not enter into Bangladesh territory. It was also found that the supplier companies are paper based company. In this case, due to unavailability of the ownership details it may happen that the owners are related party of Mr. Emon. Furthermore, Bank paid the L/C value through its offshore banking units, however, the beneficiary account number & country is not identified in the swift message. Even, Delta Bank Limited has no information/document regarding this issue.

### CASE 5



<i>Offence</i>	Trade Based Money laundering
<i>Customer</i>	Entity
<i>Industry</i>	Banking
<i>Channel</i>	SWIFT
<i>Report Type</i>	Onsite inspection findings of BFIU
<i>Jurisdiction</i>	International
<i>Designated Service</i>	L/C payment
<i>Indicators</i>	<ul style="list-style-type: none"> <li>- L/C beneficiary located in high risk jurisdiction</li> <li>- Foreign supplier credit report is not satisfactory</li> <li>- Vessel is not entered in Bangladeshi Territory according to Vessel Tracking System</li> </ul>

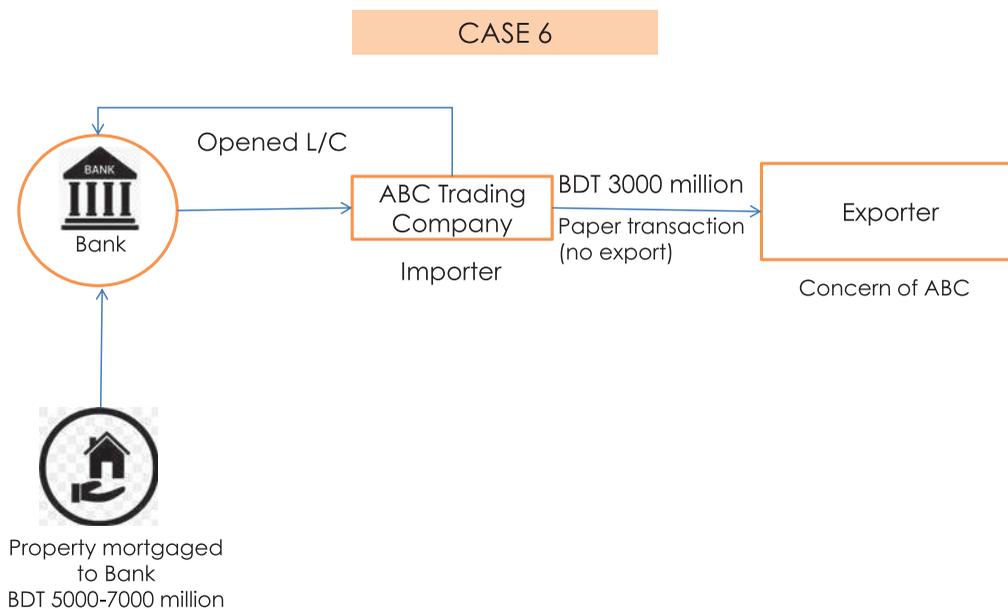
*N.B. The names of the persons and entities used in the above cases are fictitious and are being used only for representation of real cases.*

## Case Study 6: Fund Embezzled in the Name of Credit Facility by ABC Trading Company from various Banks & Financial Institutions with the means of Corruption, Forgery & Accomodation Bill

A regulatory institution shared observation with BFIU of a possible embezzlement and money laundering by a large business group, named ABC Trading Company. BFIU analysis revealed that the ABC Trading Company has availed composite credit limit including term loan, Letter of Credit, LTR, Lease and Working Capital from various banks & Financial Institutions where the value of mortgaged property is BDT 5000.00-7000.00 million. The ABC Trading Company comprises of 12 limited companies in the name of various family members. It has been identified from the bank's documents that these associate organizations were created as a part of 100% Export oriented organization's backward link. The main function of the associate organizations is providing raw material to finished product exporter organization. It was a very striking point that the said companies are 100% export oriented; but no evidence is found regarding export activities of the companies since 2017.

Within the period of 2014-2018, in the purview of the mentioned credit facility, associate organizations of ABC Trading Company opened hundreds of L/C for importing Capital Machinerries, spare parts & raw cotton. Bank created almost 2 thousand crore forced loan by converting non-funded facility to funded facility to their mentioned client to avoid classification of ABC Trading Company's import liabilities. Despite no real export related activities of the said group since 2017, it conducted paper based transaction/Accommodation Bill within its own concerns by using L/C for buying & selling products. By this, the said group embezzled additional BDT 30000.00 million which were later converted from force loan to term loan.

It is found that, the money obtained from Accomodation bill & other loans were transferred from the banks using multi stage layering & finally used to purchase various assets and ultimately have been laundered to foreign countries. Even, the money used for down payment for rescheduling the classified loans has been layered to conceal the money trail & real source.



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Offence	Corruption, forgery & credit Fraud
Customer	Entity
Industry	Banking & Financial institutions.
Channel	Banking Channel
Report Type	SAR
Jurisdiction	Local
Designated Service	Forced Loan & Accomodation bill
Indicators	- Export bill are submitted within 02 days. Importer, exporter & logistic company are related party (group concern)

### Case Study 7: Collecting Huge Amount through Fake Pay-Order and Bank Cheque and using Bank Accounts in the Name of Non-existent Companies as a Conduit of Money Laundering

BFIU analysis revealed that Mr. Zahid is continuously placing a high value fake clearing cheque in his several account. While dig down deeper, it is found that several suspicious activity/transaction reports for defrauding people by collecting huge amount of money through fake cheque and pay-order have been lodged by other banks. There are 36 accounts operating in the name of Mr. Zahid and his business concern and the transaction worth BDT 931.60 million whereby the accounts were always shown very negligible balances. Most of the withdrawal was conducted in high value cash cheque.

It has been found that 9 out of 10 companies were registered/licensed between 2013 and 2020 where the nature of business of all the entities was declared as 'Import-export and supplier'. However, there is no existence of the business had been found in the physical inspection. It is also observed that millions of money have been deposited through high value cheques, RTGS and pay-order from some reputed companies and esteemed persons like U Enterprise, C Group, K Enterprise, T Enterprise etc. where no reasonable relation could be established with such depositors. Some accounts have been closed by the customer himself after doing 2-3 transactions. Furthermore, complex layering structure has been found in the accounts. By this, it seems that those accounts were being opened for special purpose specifically to transact/hide illegally acquired money and to use them as a conduit of clearing the fake cheque and pay orders.

#### CASE 7



*N.B. The names of the persons and entities used in the above cases are fictitious and are being used only for representation*

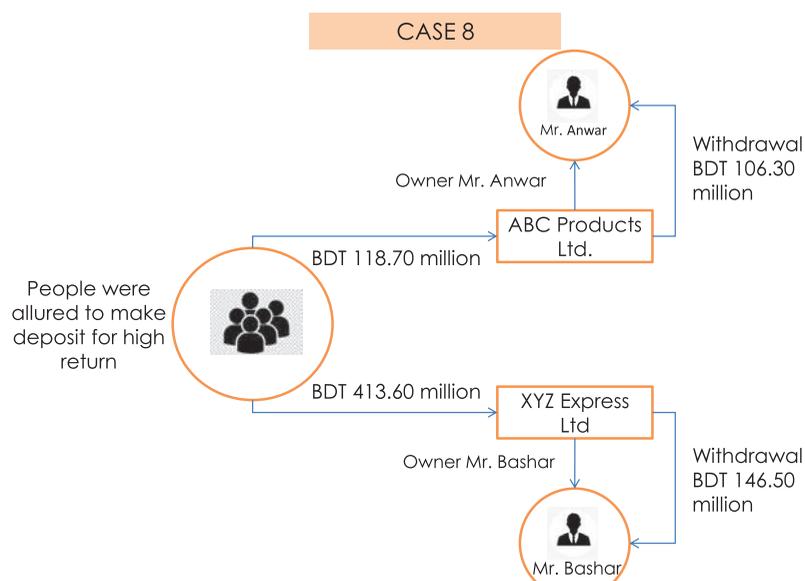
Offence	Forgery & Counterfeiting Document
Customer	Entity
Industry	Banking & Financial institutions.
Channel	Banking Channel
Report Type	STR
Jurisdiction	Local
Designated Service	Pay Order, High Value Cheque, RTGS
Indicators	- Fake Pay Order, Non-existent Company, Placing and layering of funds by using bank accounts.

### Case Study 8: Fund Embezzlement through Fraudulent Multi-level Marketing Activity

BFIU received STRs against ABC Products Ltd and XYZ Express Ltd for the transactions of unusual nature and volume in their bank accounts. The ABC Ltd was owned by Mr. Anwar and two other persons, while XYZ Ltd was owned by Mr. Bashar and two other persons. A month later it was alleged in the media report that the said entities had embezzled huge fund through unlicensed multi-level marketing activity and law enforcement had arrested their directors. The analysis revealed that ABC Ltd and XYZ Ltd were respectively registered for trading beauty products and e-commerce services.

The ABC Ltd and its three directors had 29 accounts where BDT 118.70 million was deposited from different parts of the country, whereas XYZ Ltd and its three directors had 37 accounts where BDT 413.60 million was deposited in almost one year. The deposits were made by different people through different channels including cash. All the transactions were inconsistent with the declared profession and source of fund.

It is also revealed that the directors allured the mass-people with high returns of investment and thereby make them to deposit funds in their bank accounts. It was suspected that the transactions in the accounts of ABC Products Ltd, XYZ Express Ltd and their directors had linked with fraud that is a predicate offence of money laundering. BFIU froze the accounts with BDT 12.40 million in the accounts of ABC Ltd and its directors and BDT 267.10 million in the accounts of XYZ Ltd and its directors.

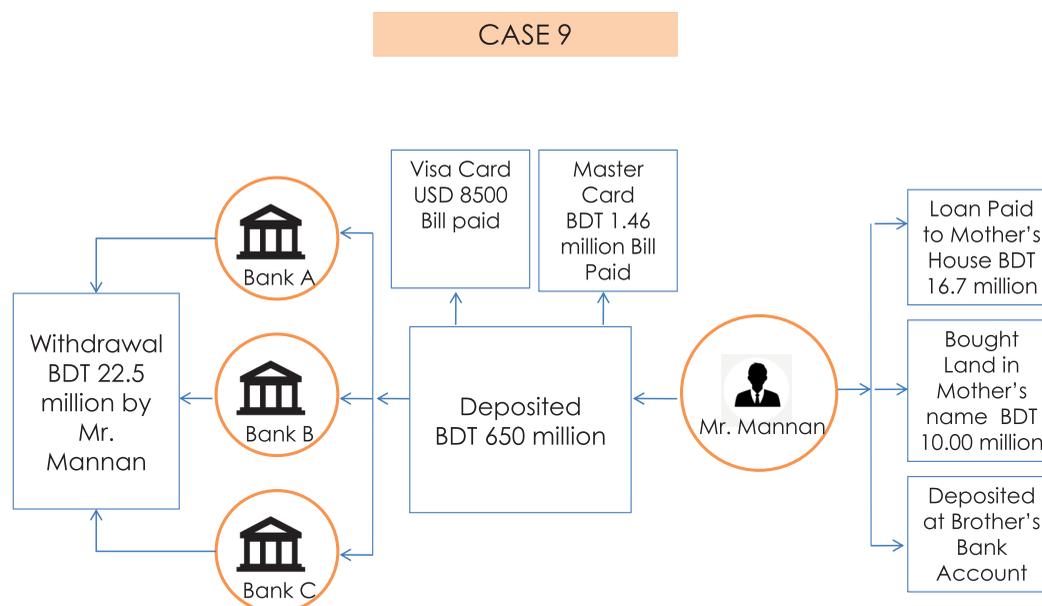


***N.B. The names of the persons and entities used in the above cases are fictitious and are being used only for representation of real cases.***

Offence	Embezzlement of Funds & MLM Business
Customer	Individual & Entity
Industry	Banking & Financial institutions.
Channel	Banking Channel
Report Type	STR
Jurisdiction	Local
Designated Service	Account Service
Indicators	<ul style="list-style-type: none"> <li>– Remote deposits by different people</li> <li>– transactions are in round figure</li> <li>– transactions are inconsistent with profession and source of fund</li> </ul>

### Case Study 9: Acquisition of Illicit Property through Corruption & Capital Flight using Credit Card by a Govt. Employee

BFIU analysis uncovered that Mr. Mannan, a government official, opened 11 accounts in different Banks & Financial Institutions by his own name, mother & brother's name where he transacted BDT 127.50 million, most of the transactions took place in cash. He also had been using Visa & Master credit card and transacted BDT 2.34 million within 11 months, where a third party transacted USD 9500.00 within 05 months & pays those bills using his savings account. It is also revealed that Mr. Mannan has transferred a substantial amount of money to his mother's account and purchased a 3000 square feet apartment and a piece of land measuring 6.18 decimals in his mother's name. However, it seems to be evident that Mr. Mannan is the actual beneficiary of the amount transacted in his mother's account and also the purchased apartment and land.



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Offence	Corruption, Bribery & integration of proceed of crime
Customer	Individual
Industry	Banking & Financial institutions.
Channel	Banking Channel
Report Type	STR
Jurisdiction	Local
Designated Service	Account Service
Indicators	<ul style="list-style-type: none"> <li>– Placing proceeds generated from corruption/bribery</li> <li>– Layering activities</li> <li>– Use of individual/relatives as front</li> </ul>

### Case Study 10: Defrauding Financial Institutes through Loan Scams

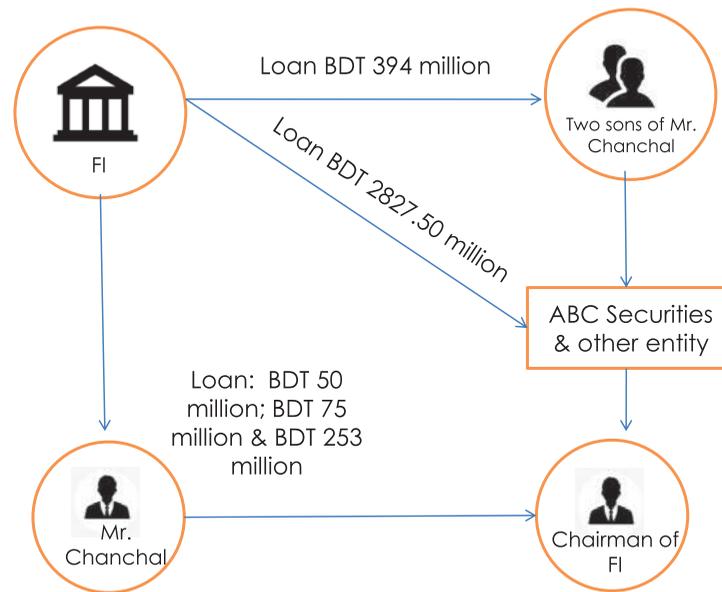
Upon analysis of loan disbursement portfolio of a Financial Institution (FI) it has been seen that the alleged Financial Institutions (FI) disbursed loan equivalent to BDT 2827.50 million to its subsidiary ABC Securities Ltd. After two times rescheduling, the loan still remains unserviced. Later the board of the said FI imposed interest block against the loan thereby stripping the FI from its due income amounting approximately BDT 2108.30 million. The loan given to ABC securities Ltd were seen to be distributed as margin loan to various clients of the securities company including ex-MD of ABC Securities Ltd, and another company owned by the directors of the FI.

The said FI also disbursed loan equivalent to BDT 394.00 million to two sons of Mr. Canchal without any collateral. The sanctioned amount then transferred to ABC Securities and 2 other entities and 2 other personal accounts, finally credited to the account of the Chairman of the FI. In the similar way, the FI sanctioned loans amounting to BDT 75.00 million, BDT 253.20 million, and BDT 50.00 million which has been routed to Mr. Canchal and the Chairman of the FI ultimately through a multiple layering process. Only Mr. Canchal, director of that Financial Institute (FI), took BDT 5000.00 million loans without proper collateral and eventually the loans turned classified.

It was apparent from the BFIU analysis that (1) the loan applications were fraudulent with glaring misrepresentation of purpose of the loan; (2) the funds were taken out under the disguise of various entities and the persons were actually belonged to and controlled by the directors and chairman of the FI; (3) the funds were misappropriated in paying off bank debts of the directors of FI; (4) the idea behind such dubious loans were simple- submit application for loan, get it approved by the board and never returned the fund; (5) Some loan proceeds were divided, combined and transferred through a network of related persons and company accounts by disguising their nature, ownership and ultimate control; (6) Such scheme was possible due to power exercise by board members and chairman of the FI; (7) Chairman of the FI in collusion with other board members devised and ran a scheme to take out the FI's fund entrusted to it by ordinary depositors and different banks for themselves and (8) Even though the loans were related to directors of the FI, it was not reported to the Central Bank according to its mandatory guidelines thus violated the instruction of the central bank.

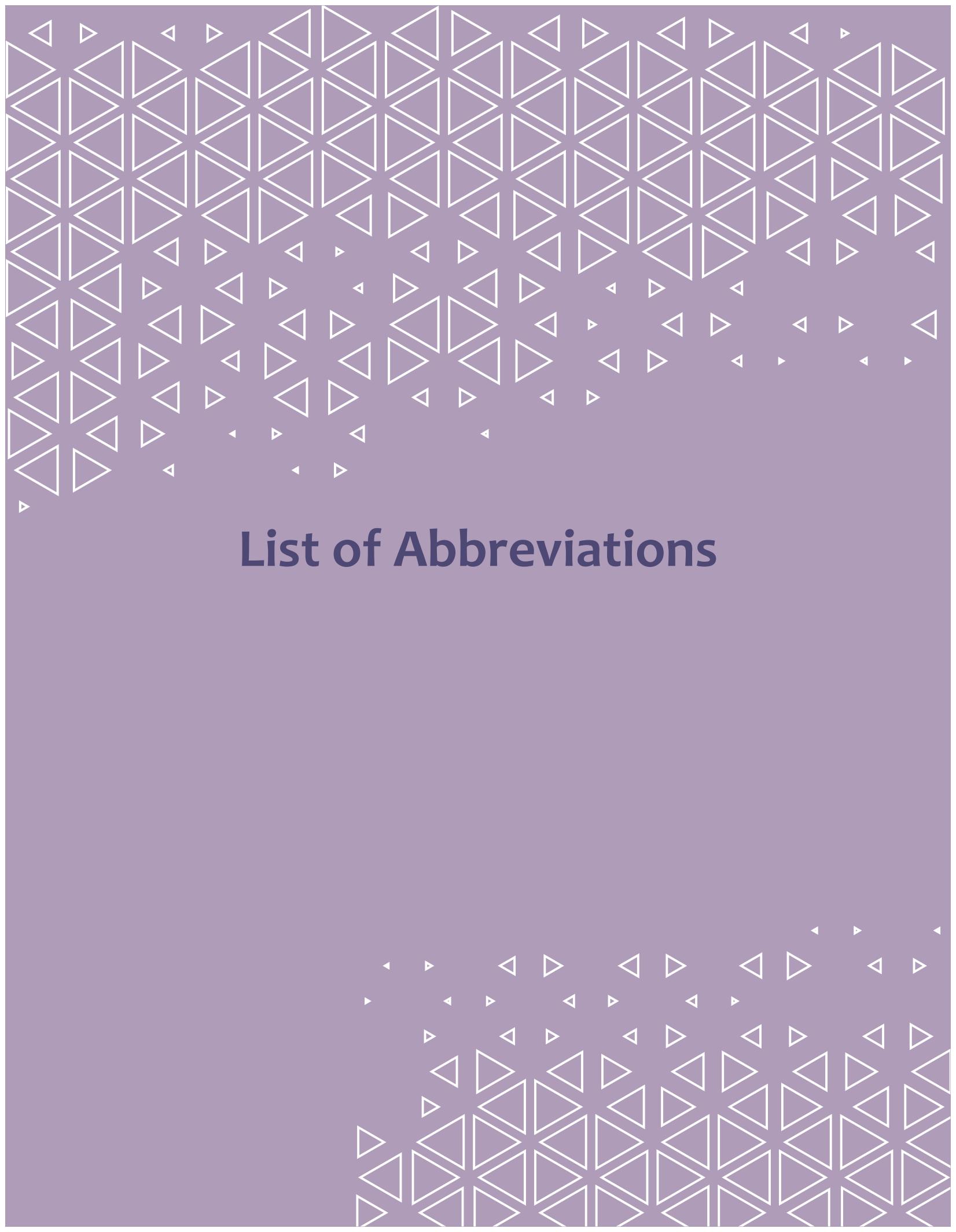
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## CASE 10



<i>Offence</i>	Fraud, Forgery, Corruption
<i>Customer</i>	Directors of FI
<i>Industry</i>	Financial institutions.
<i>Channel</i>	Transfers
<i>Report Type</i>	SAR
<i>Jurisdiction</i>	Domestic
<i>Designated Service</i>	Pay orders, Cheques
<i>Indicators</i>	<ul style="list-style-type: none"> <li>- Fraudulent loan application</li> <li>- Misrepresentation of the purpose of the loan</li> <li>- Disguised entity seeking loan for the benefit of directors</li> <li>- Loan fund misused instead of using for the stated purpose</li> <li>- Non disclosure (concealment) of director's loan to the regulator</li> </ul>

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# List of Abbreviations

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ACC	Anti-Corruption Commission
AACOB	Association of Anti-Money Laundering Compliance Officers of Banks in Bangladesh
ADB	Asian Development Bank
AML & CFT	Anti-Money Laundering & Combating the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ATA	Anti-Terrorism Act
ATU	Anti-Terrorism Unit
BB	Bangladesh Bank
BDT	Bangladesh Taka
BFIU	Bangladesh Financial Intelligence Unit
BP	Bangladesh Police
BSEC	Bangladesh Securities and Exchange Commission
CAMLCO	Chief Anti-Money Laundering Compliance Officer
CCC	Central Compliance Committee
CCU	Central Compliance Unit
CDD	Customer Due Diligence
CID	Criminal Investigation Department
CMI	Capital Market Intermediaries
CTF	Counter Terrorism Financing
CTR	Cash Transaction Report
CTTC	Counter Terrorism and Transnational Crime Unit
D2K	Destiny 2000
DFS	Digital Financial Services
DGM	Deputy General Manager
DMP	Dhaka Metropolitan Police
DNC	Department of Narcotics Control
DNFBP	Designated Non-Financial Businesses and Profession
EC	Election Commission
EDD	Enhanced Due Diligence
e-KYC	Electronic Know Your Customer
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSB	Financial Stability Board
FSRB	FATF Style Regional Body
FY	Financial Year

GM	General Manager
GoB	Government of Bangladesh
ICRG	International Cooperation Review Group
IDRA	Insurance Development & Regulatory Authority
IMF	International Monetary Fund
ITP	Independent Testing Procedure
JD	Joint Director
KYC	Know Your Customer
LC	Letter of Credit
LEA	Law Enforcement Agency
ML & TF	Money Laundering & Terrorist Financing
MLA	Mutual Legal Assistance
MLPA	Money Laundering Prevention Act
ME	Mutual Evaluation
MER	Mutual Evaluation Report
MoU	Memorandum of Understanding
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MFS	Mobile Financial Service
MRA	Microcredit Regulatory Authority
NBR	National Board of Revenue
NBFI	Non-Bank Financial Institution
NCC	National Coordination Committee
NGO	Non-Government Organization
NGOAB	NGO Affairs Bureau
NID	National Identity Document
NPO	Non-Profit Organization
NRA	National Risk Assessment
PEPs	Politically Exposed Persons
PF	Proliferation Finance
RAB	Rapid Action Battalion
RJSC	Registrar of Joint Stock Companies and Firms
RO	Reporting Organization
SAR	Suspicious Activity Report
SB	Special Branch
StAR	Stolen Asset Recovery
STR	Suspicious Transaction Report

TBML	Trade Based Money Laundering
TC	Technical Compliance
TP	Transaction Profile
UNCAC	United Nations Convention against Corruption
UNCDF	United Nations Capital Development Fund
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions
USD	United States Dollar
USDOJ	US Department of Justice
WMD	Weapons of Mass Destruction

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