BANGLADESH FINANCIAL INTELLIGENCE UNIT

ANNUAL REPORT



BANGLADESH BANK



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MESSAGE FROM GOVERNOR



I am delighted to see the Bangladesh Financial Intelligence Unit (BFIU) publishing its annual report for the first time on the country's Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) activities. Bangladesh has made significant progress in this area working hand in hand with the global community for countering these crimes that are increasingly gaining in complexity and difficulty of detection. In sync with growing global concern about these offences the government and Bangladesh Bank have all along remained keen on keeping our financial system free of ML/TF influences; which is why Bangladesh was the first South Asian country to enact an anti money laundering legislation, the Money Laundering Prevention Act (MLPA), 2002. Since then Bangladesh has been proactive in putting in place and upgrading legal, supervisory and judicial processes for prevention and curbing of ML/TF offences. A founder member of the Asia Pacific Group (APG), Bangladesh has forged and maintained liaison, co-operation and information exchange relationships with regional/alobal forums and with AML/CFT authorities in other countries.

The MLPA has mandated the BFIU with extensive responsibilities and empowerments. Its powers to call for AML/CFT reporting extend beyond banks and financial institutions to other non-financial businesses and professions. BFIU is the domestic hub collecting and collating CTR/STR reports for further use by law enforcement and adjudicating authorities, and maintaining inter agency co-ordination among all relevant domestic authorities through such forums as the National Co-ordination Committee. It is also the primary point for cross border contact/liaison with FIUs in other countries and with regional and global AML/CFT forums; participating in and hosting meetings/conferences as necessary.

Major progress in AML/CFT activities in Bangladesh in 2011 and 2012 include closer harmonization of domestic legislations with relevant UN conventions/resolutions and FATF standards; capacity building with training of BFIU and reporting organization officials; upgrading BFIU's IT infrastructure with procurement of new software and hardware; and extending of AML/CFT reporting requirements beyond banks and financial institutions to entities including capital market intermediaries, and non-financial businesses/professions like real estate agencies, lawyers etc.

I thank the BFIU team for their dedication and hard work towards upholding Bangladesh's reputation of activism in prevention and curbing of ML/TF offences.

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(Dr. Atiur Rahman) Governor Bangladesh Bank

FOREWORD



Bangladesh Financial Intelligence Unit (BFIU) has been established with a view to detecting and preventing money laundering, terrorist financing and related offences complying with domestic laws and regulations, international standards and other obligations. In this regard, BFIU, in collaboration with domestic and international counterparts, has made some significant developments in the recent years which have also been continued through the last year.

Bangladesh Government has enacted Money Laundering Prevention Act (MLPA), 2012 repealing MLPA, 2009 and Mutual Legal Assistance on Criminal Matters Act, 2012 and amended ATA, 2009 through promulgating Anti Terrorism (Amendment) Act, 2012 to make the country's AML/CFT regime consistent with the FATF and other international standards. BFIU has actively contributed in drafting these Acts. Besides, BFIU has continued its effort in formulating and implementing required policies, conducting onsite and offsite supervision of reporting organizations, maintaining cooperation with domestic and international counterparts, and building capacity and awareness through various trainings, workshops, conferences and public campaign. Because of its vigilance, reporting organizations have strengthened their AML/CFT program and the number of suspicious transaction and cash transaction reports has significantly increased last year.

As the techniques of ML/TF are ever evolving, BFIU is also taking proper initiatives in a time befitting manner to meet the forthcoming ML/TF challenges. Such initiatives include redesigning the organogram of BFIU, amending BFIU manual, establishing of MIS and so on. The development priorities of next year include modernization of IT infrastructure for automated reporting and analysis, issuance of guidance notes for the newly included reporting organizations, increasing cooperation with domestic and international counterparts through signing more MoUs with the FIUs of different countries and pursuing Egmont Group Membership.

Although it has been a regular practice for BFIU to prepare its annual report, this is the first time it has taken initiative to publish annual report. This report portrays AML/CFT developments in Bangladesh so far as well as BFIU's activities during FY2011-2012. It entailed tremendous efforts from each and every member of the BFIU team. I would like to commend my heartiest thanks to the Editorial Team and every member of BFIU for their extraordinary contributions. I believe, BFIU team will continue their endeavor to prevent money laundering and combat financing of terrorism.

and

Abu Hena Mohd. Razee Hassan Deputy Governor Head of BFIU Bangladesh Bank

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INTRODUCTION

Money laundering and terrorist financing have devastating consequences on a country's financial stability and social security. Taking these into consideration as well as in response to growing global concern against Money Laundering (ML)/Terrorist Financing (TF), Bangladesh enacted Money Laundering Prevention Act (MLPA) in 2002 as the first nation among South Asia. The government also promulgated Anti Terrorism Ordinance (ATO), 2008 to combat terrorism and financing of terrorism in Bangladesh. To meet the shortcomings of these laws and make these in line with international standards the government further enacted Money Laundering Prevention Act, 2012 and Anti Terrorism (Amendment) Act, 2012.

In 2002 Financial Intelligence Unit in Bangladesh started its journey in Bangladesh as Anti Money Laundering Department (AMLD) to carry out the responsibilities of Bangladesh Bank as stated in the MLPA. AMLD has been vested with the responsibilities of combating terrorist financing with the promulgation of the Anti Terrorism Ordinance (ATO), 2008. Finally with the enactment of MLPA, 2012, Bangladesh Financial Intelligence Unit (BFIU) has been established as a separate independent unit within Bangladesh Bank abolishing the AMLD.

To establish an effective AML/CFT regime in Bangladesh, BFIU is continuously assessing the trends and dynamics of ML/TF offences, vulnerabilities and emerging threats, evaluating the existing AML/CFT program and formulating/upgrading policies accordingly. Considering the dependency of BFIU's success on the capacity of reporting organizations and various regulatory/law enforcement agencies, it has taken initiatives to enhance their capacity through providing training and other technical assistance. BFIU has also acquired state of art IT infrastructure and developed the competence of its human resources to carry out its duty efficiently. Moreover, BFIU has put in place mechanism to enforce the compliance of reporting organizations with legal and regulatory requirements. As a result, both compliance standard and number of reporting have improved significantly over the years. Meanwhile, to enhance cooperation with foreign counterparts, BFIU has signed MoU with 11 foreign FIUs and is also trying to become a member of Egmont group (the association of FIUs) that will give access to a wider global platform for exchanging experiences and information.

However, the challenges of BFIU have also become greater due to inclusion of new types of reporting organization. The priorities of BFIU for the next year include development of IT infrastructure and full installation of goAML software for automated reporting and analysis, issuance of guidance notes for the newly included reporting organizations, reviewing the National AML/CFT Strategy paper, increasing cooperation with domestic and international counterparts through signing more MoUs with FIUs of different countries and obtaining Egmont Group Membership.

This annual report reflects BFIU's activities in the last year and also shows the future priorities of BFIU which can be useful for its stakeholders.



Brief History

In June 2002, Anti-Money Laundering Department (AMLD) was established in Bangladesh Bank to exercise the power and to shoulder the vested responsibilities in the MLPA, 2002.

On 16 May 2007, Financial Intelligence Unit (FIU) was established within AMLD to facilitate exchange of information and intelligence with law enforcement authorities and foreign FIUs.

Based on the provision of section 24 of Money laundering prevention Act (MLPA), 2012, Human Resources Department of Bangladesh Bank issued an administrative circular on 25 January 2012 to establish an independent unit named "Bangladesh Financial Intelligence Unit" abolishing the Anti-Money Laundering Department (AMLD) and former FIU under the AMLD.

Legal Framework

BFIU works under the provisions of Money Laundering Prevention Act, 2012 and Anti Terrorism Act, 2009.

REPORTING ORGANIZATIONS OF BFIU

| Bank Financial Institution | 2002 |
|---|------|
| Insurer Money Changer Any company or institution which remits or transfers money or money value Any other institution carrying out its business with the approval of Bangladesh Bank | 2008 |
| Stock Dealer and Stock Broker, Portfolio Manager and Merchant Banker Securities Custodian Asset Manager Non-Profit Organization Non Government Organization | 2010 |
| Cooperative Society Real Estate Developer Dealer in Precious Metals or Stones Trust and Company Service Provider Lawyer, Notary, Other Legal Professional and Accountant | 2012 |

A robust financial System in Bangladesh deterring money laundering, terrorist & proliferation financing and other related offences. 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 entities and the general people rhrough workshops, seminars, public campaigns and so

MISSION

Putting in place effective legal, administrative and judicial arrangements for prevention of money laundering, terrorist & proliferation financing and other related offences; through- 5

> 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.

forth; Developing human resources and required infrastructures of BFIU for effective intelligence management;

> Building and strengthening of detecting and reporting capacities in the reporting entities in different sectors for ensuring better compliance;

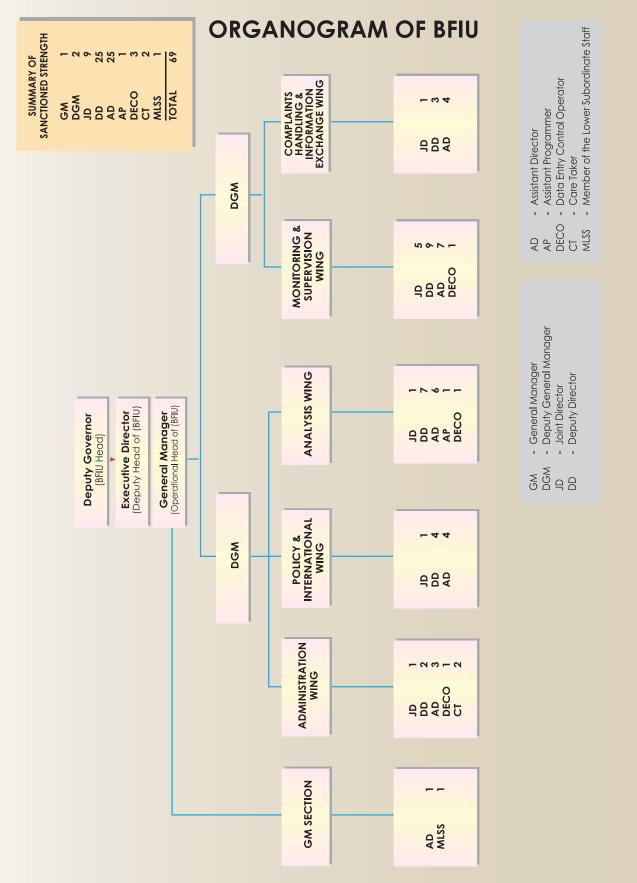
Deepening liaisons among BFIU, law enforcement and judiciary authorities for expediting investigation, trial and adjudication of ML/TF offences;

OBJECTIVES

- 1. To establish an effective and operational FIU;
- 2. To play a vital role in ensuring an effective AML/CFT regime in Bangladesh;
- 3. To adopt latest technologies and develop IT infrastructure and software to ensure strong reporting environment;
- 4. ► To ensure seamless flow of information and ensure participation of all stakeholders on AML/CFT initiatives;
- 5. To play an active role in the global AML/CFT initiatives and ensure utmost cooperation at international level;
- 6.► To identify and address the emerging threats, methods and techniques of money laundering, terrorist financing & proliferation financing of weapons of mass destructions; and
- 7. To create awareness regarding Money Laundering and Terrorist Financing across the country.

FUNCTIONS

- Receive Suspicious Transaction/Activity Reports (STRs/SRAs) from the reporting organizations and Cash Transaction Reports (CTRs) from banks, complaints from different sources, analyze the same and disseminate ML/TF related cases to respective investigating authority for further action.
- > Maintain a database of all STRs/SARs, CTRs and related information.
- Issue necessary directives, circular, circular letter and guidance notes from time to time for reporting organizations to combat money laundering and terrorist financing activities.
- Enforce compliance of the respective Acts and rules/regulations/directives issued by this unit through on-site and off-site supervision of the reporting organizations.
- Monitoring the implementation of United Nations Security Council Resolitions (UNSCR) including UNSCR 1267 and its successors, UNSCR 1373 and UN Security Council Resolutions related to proliferation of weapons of mass destruction and its financing.
- Impart training for the officials of the reporting organizations, investigating authorities, prosecutors, regulatory agencies and other related organizations or institutions.
- Exchange financial intelligence on ML/TF with foreign FIUs and other counterparts spontaneously or on request.
- Cooperate and work together with various international organizations including FATF, APG, World Bank, Egmont Group, United Nation Office on Drug and Crime (UNODC), etc. regarding AML/CFT issues.
- Perform secretarial job for National Coordination Committee (NCC) on AML/CFT, Working Committee (WC) and take necessary steps to implement the decisions taken in the NCC, WC.
- > Work as the secretariat of Inter Agency Task Force for Stolen Asset Recovery (StAR).
- > Perform activities related with the Central Task Force on preventing ML and illegal Hundi activities and monitoring the implementation of the decisions of the Task Force.
- Arrange regular meeting with Anti Corruption Commission (ACC), police and other law enforcement authorities and monitor the implementation of the decisions.
- > Create public awareness.
- Carry out other related functions to prevent money laundering and combat financing of terrorism and proliferation of weapons of mass destruction.



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MAJOR AML & CFT INITIATIVES IN BANGLADESH

YEAR-WISE DEVELOPMENTS

| 1997 | Bangladesh became a founder member of Asia Pacific Group (APG) on Money Laundering, an FATF style regional body that enforces international standards on AML/CFT in Asia Pacific region. | | | |
|------|---|--|--|--|
| 2002 | Bangladesh Government formed a central and seven regional taskforces on 27 January, 2002 to combat money laundering and illegal Hundi activities in Bangladesh. | | | |
| | Bangladesh enacted Money Laundering Prevention Act (MLPA), 2002 which came into force on 30 April, 2002. | | | |
| | To exercise the power and to shoulder the responsibilities vested under the MLPA, 2002 Anti-Money Laundering Department was established in Bangladesh Bank (BB) in June 2002. | | | |
| | A comprehensive circular was issued on July 17, 2002 for the proper compliance of the provisions of MLPA, 2002 by banks. Some of the instructions delineated in the circular were: | | | |
| | Establishment of a Central Compliance Unit(CCU) under the leadership of a high official as the Chief Anti Money Laundering Compliance Officer (CAMLCO) at the Head Office | | | |
| | Customer Due Diligence (CDD) requirements | | | |
| | Nomination of an officer at the branch level as Branch Anti Money Laundering Compliance Officer (BAMLCO) of each bank and financial institution | | | |
| | Preservation of records of accounts and their transactions | | | |
| | Determination of institutional strategy and program | | | |
| | Receiving transaction profile of each Customer | | | |
| | Submission of STR | | | |
| | Awareness program for the employees | | | |
| | The first Mutual Evaluation (ME) of Bangladesh was conducted by a joint team of World Bank and International Monetary Fund (IMF) in October, 2002, immediately after the enactment of the MLPA 2002. | | | |

| 2003 | The Mutual Evaluation Report (MER) of 2002 was adopted the APG annual meeting in September, 2003. | | | |
|------|---|--|--|--|
| | In 2003, AMLD issued guidance notes for banks to let them effectively understand and formulate separate guidance notes for themselves. The areas covered in the guidance notes were: | | | |
| | Legal requirements | | | |
| | AML policy and Procedure | | | |
| | Organizational Structure | | | |
| | Know Your Customer (KYC), Customer Acceptance Policy, | | | |
| | Online banking | | | |
| | Record Keeping | | | |
| | Reporting of STR | | | |
| | Training and Awareness | | | |
| 2005 | AMLD issued circular for the banks to submit CTR by them on monthly basis. | | | |
| 2007 | On May 16, 2007 Financial Intelligence Unit (FIU) was established within AMLD to facilitate exchange of information and intelligence with foreign FIUs. | | | |
| | ► The Anti Corruption Commission (ACC) became the sole investigating authority for investigating money laundering cases as per the Money Laundering Prevention (Amendment) Ordinance 2007. Earlier Bangladesh Bank was the investigating authority of money laundering cases. | | | |
| 2008 | ► To overcome the shortcomings of the MLPA, 2002 Money Laundering Prevention Ordinance (MLPO) 2008 was enacted. | | | |
| | To combat terrorism and terrorist financing in Bangladesh, the government enacted Anti Terrorism Ordinance (ATO), 2008. | | | |
| | A revised circular was issued for banks and FIs by AMLD for the proper compliance of the provisions of the MLPO 2008 and ATO 2008. | | | |

- A circular was issued for the money changers for the proper compliance of the provisions of the MLPO. Some of the instructions delineated in the circular were :
 - Receiving KYC of each Customer
 - Preservation of records of transactions
 - Submission of STR
 - Awareness program for the employees
- A circular was issued for the insurance companies for the proper compliance of the provisions of the MLPO. Some of the instructions delineated in the circular were :
 - Receiving KYC of each Customer
 - Preservation of records of transactions
 - Establishment of a Central Compliance Unit(CCU) under the leadership of a high official as the CAMLCO at the Head Office
 - Nomination of an officer at the branch level as BAMLCO of each bank and financial institution
 - Submission of STR
 - Awareness program for the employees
- Self assessment and independent testing procedure were introduced for banks to assess their own AML/CFT compliance. Besides, AMLD has also been monitoring the same through the process called on-site system check inspection.
- A rigorous Customer Due Diligence (CDD) procedure has been introduced to protect identity theft by customer through issuance of Uniform Account Opening Form for all banks. It includes standardized KYC, Transaction Profile (TP), risk grading of customers.
- On 12 August, 2008, AMLD signed the first MOU with Malaysia to receive and request information in relation to money laundering offences or suspicious transactions. To further facilitate exchange of information and intelligence, BFIU signed MOU with Nepal and Philippines in the same year.
- The 2nd AML/CFT Mutual Evaluation of Bangladesh was conducted by APG in August, 2008.

| 2009 | The parliament of Bangladesh repealed MLPO 2008 and ATO 2008 with the acceptance of MLPA 2009 and ATA, 2009 respectively. |
|------|---|
| | The Mutual Evaluation Report (MER) was adopted by the APG Plenary in July, 2009. The MER presented a comprehensive assessment of the progress and deficiencies of Bangladesh's AML/CFT measures and identified the areas for further improvement. |
| | AMLD adopted a mid term Action Plan to address the deficiancy identified in MER. |
| | AMLD signed MOU with the FIUs of Indonesia, South Korea, Afghanistan and Cambodia. |
| 2010 | According to the decision taken in the plenary meeting of FATF held in October, 2010, Bangladesh was placed in ongoing monitoring in the International Cooperation Review Group (ICRG) process. |
| | Issued a comprehensive circular for banks, non bank financial institutions revising the circular issued earlier addressing the following issues: |
| | Definition of Customer |
| | Customer Due Diligence process |
| | Beneficial ownership |
| | Politically Exposed Persons (PEPs) related issues |
| | Correspondence Banking |
| | Employee screening mechanism |
| | Awareness program for the customer |
| | A country wide road show was conducted by AMLD in collaboration with another department of Bangladesh Bank and some other scheduled banks for enhancing public awareness on prevention of money laundering, hundi activities and inward foreign remittance through legitimate channel. On the way of road show day-long events (seminars, fairs) were also organized in 13 different districts. |
| | Bangladesh Bank made its supervision more stringent on inward remittance in favour of electronic media by issuing a circular to all banks. |
| | AMLD signed MOU with the FIUs of Thailand, Sri Lanka and United Kingdom. |

- The position of the head of FIU was upgraded from Executive Director to Deputy Governor to ensure the operational independence.
- The Government of Bangladesh has formed a National Coordination Committee (NCC) chaired by the Honorable Finance Minister on 02 August, 2010, to formulate policies and directives on Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) and to oversee the implementation of the same.
- With a view to broadening the surveillance on the AML/CFT regime more organizations have been included as reporting organizations. Under the provision of section 2(I) (vii) of MLPA, 2009, a gazette notification was issued on 30 September 2010, incorporating six new reporting organizations namely (1) Stock Dealer and Stock Broker, (2) Portfolio Manager and Merchant Bank, (3) Security Custodian, (4) Asset Manager, (5) Non Profit Organization/Institution and (6) Non Government Organization.
- A working Committee consisting of all regulatory authorities has also been formed headed by the secretary of Ministry of Finance under NCC.
- AMLD organized the 'APG Typology Workshop' from 26 to 28 October, 2010 in Dhaka. About 160 representatives from 40 member/observer countries and other donor agencies participated in the workshop. The successful completion of the event has been applauded by APG and other international organizations.
- The 'National Strategy for Anti Money Laundering and Combating Financing of Terrorism 2011-2013' was formulated and approved by the NCC on 30 April, 2011. The strategies have been set against the backdrop of a need to implement AML/CFT standards as embodied in the Money Laundering Prevention Act, Anti-Terrorism Act, the FATF 40 + 9 recommendations and UN conventions.
 - Money laundering and terrorist financing offences were included in the schedule of Extradition Act, 1974 as extraditable offence by a gazette notification.

2011

- To comply with FATF Special Recommendation VIII, a comprehensive circular for Non Government Organizations (NGOs)/Non Profit Organizations (NPOs) was issued on 15 June, 2011.
- A circular was issued by the Ministry of Finance instructing all of the related agencies to share related/required information with BFIU spontaneously and as and when requested.
- AMLD arranged several meeting with Customs Authority and other relevant agencies to amend the existing cross border declaration system in Bangladesh to address ML/TF issues. A new cross border declaration form was introduced in this regard.
- United Nation Convension Against Corruption (UNCAC) gap analysis has been completed by the Ministry of Law, Justice and Parliamentary Affairs, AMLD played active role in drafting the gap analysis report.

MAJOR AML & CFT ACTIVITIES OF 2011-2012



To protect the financial system of Bangladesh from money laundering and terrorist financing risks/threats, BFIU has been continuing its effort since its inception. Some of the major developments in AML/CFT regime that took place in the year 2011-2012 are portrayed below:

NEW ACTS

Bangladesh government has promulgated Money Laundering Prevention Act, 2012 by repealing MLPA, 2009 and amended Anti Terrorism Act, 2009 to meet the deficiencies identified against international standards.

The main features of MLPA 2012 are as follows:

- 1. Money Laundering has been redefined in a wider manner.
- 2. Types of reporting organization have been increased. The newly included reporting organizations are
 - cooperative societies;
 - real estate developer;
 - dealer in precious metals or stones;
 - trust and company service provider;
 - lawyer, notary, other legal professional and accountant;
- 3. Number of Predicate Offences has been increased; The newly included Predicate Offences are-
 - Terrorism and Terrorist Financing;
 - Counterfeiting and Piracy of Products;
 - Environmental Crime;
 - Sexual Exploitation;
 - Taking market advantage through transactions by using price sensitive information of the capital market before it becomes public and trying to control or manipulate the market to gain personal advantage (Insider trading and market manipulation);
 - Organized Crime;
 - Smuggling and offences related to customs and excise duties;
 - Tax related offences;
 - Infringement of intellectual property rights;
 - Adulteration or the manufacture of goods through infringement of title; and Racketeering.
- 4. BFIU has been legally recognized as an independent unit;
- 5. In case of suspicious transaction BFIU has been empowered to freeze accounts up to 7 (seven) months;
- 6. Safe harbour provision has been redefined to cover the employees of reporting organizations and regulatory authorities;
- 7. The provisions related to penalties and punishment have been made proportionate and dissuasive;
- 8. The scope of international cooperation has been expanded;

The main features of AT (amendment) Act 2012 are as follows:

- 1. Incorporating provisions relating to the implementation of UNSCRs;
- 2. Inclusion of the definition of STR;
- 3. Inclusion of new types of reporting organization;
- 4 Changing the definition of 'terrorist activities' and 'terrorist financing';
- 5. Amendment the provisions of BB's power to make them proportionate and dissuasive;
- 6. Changes in the duties of reporting agencies;
- 7. Changes in freezing, attachment procedures;

Mutual Legal Assistance on Criminal Matters Act 2012 has also been enacted. Moreover, money laundering and terrorist financing have been included in the schedule of the Extradition Act, 1974.

BFIU has played an active role in drafting these acts.

NATIONAL STRATEGY FOR AML/CFT 2011-2013

Bangladesh Government has developed the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2011-2013. It recognizes the necessity of involvement of all parties or stakeholders in the process of developing and implementing the goals of the strategies. The following 12 (twelve) strategies have been adopted against 12 (twelve) strategic objectives to address the gap identified in the MER and also to mitigate the ML/TF risks that are identified in the National Risk and Vulnerability Assessment Report:

| Objectives | Strategies | | | |
|--|--|--|--|--|
| To prosecute ML/TF cases effectively under strong legal framework; | ¹ . Strengthening the legal framework | | | |
| 2. To establish international standard FIU; | 2. Enhancing effectiveness of the FIU | | | |
| To establish a robust financial system which responds effectively to the risks of ML/TF: | Enforcing compliance of all reporting agencies | | | |
| To identify and address the emerging threats, methods and techniques of ML/TF; | Structural improvement and capacity building in tracing out methods, techniques and channels of money laundering and terrorist financing | | | |

| Objectives | Strategies |
|--|--|
| 5. To reduce financial fraud and protect corporate involvement in ML/TF; | Improving transparency in financial reporting on AML/CFT issues |
| To guard against identity theft including disguising true ownership of legal entities; | 6. Ensuring transparency in the ownership of legal entities |
| To convert cash based economy to financial intermediary based economy; | 7. Enhancing financial inclusion |
| To make available all statistics related to AML/CFT as and when needed; | 8. Maintaining a comprehensive database |
| To ensure seamless flow of information and ensure participation of all stakeholders on AML/CFT; | Boosting national coordination both at policy and operational levels |
| To provide strong basis for cooperation among diplomatic, financial and law enforcement authorities worldwide; | 10. Developing and maintaining international and regional cooperation |
| To sensitize people about the negative effects of ML/TF offences; | 11. Heightening public awareness |
| To guard against illicit flow of fund from home and abroad and also within the country; | 12. Stemming the illicit outflows and inflows of fund |

CAMLCO CONFERENCE 2012

A three days long Annual Conference with the participation of all CAMLCOs of scheduled banks in Bangladesh was held at Khulna, a southern port city of the country. Deputy Governor of Bangladesh Bank and Head of BFIU Mr. Abu Hena Mohd. Razee Hassan inaugurated the conference on 2 March, 2012.

In the second day of the program, five sessions were conducted on the following topics by officials from BFIU and banks:

- Challenges to Implement Money laundering Prevention Act, 2012 and Anti Terrorism (Amendment) Act & Recommendations;
- Roles and Responsibilities of Commercial Banks Related to Prevention of Multi Level Marketing (MLM) Activities;
- Revised FATF Standards And Other Related International Obligations;
- New Payment System- Mobile Banking, Electronic Fund Transfer;
- Implementation Issues for Next Two Years in Relation to the 3rd Mutual Evaluation of Bangladesh;

Director General of Anti Corruption Commission (ACC) Mr. Khandakar Md. Aminur Rahman, Member of Securities and Exchange Commission Mr. Moh. Amzad Hossain, Deputy Inspector General of Police Mr. Md. Saiful Alam and Managing Director of Agrani Bank Limited Mr. Syed Abdul Hamid attended as session chair.

On the third day, a feedback session was held with the active participation of the CAMLCOs. A number of issues including BFIU's onsite and offsite supervision, self assessment and independent testing procedure, circulars issued by BFIU, AML compliance of banks etc. were discussed in details and year plan for 2012 was accepted in the conference.

Some important decisions related to branch managers training, revision of uniform account opening form, revised self assessment and independent testing procedures etc. were also taken in the conference.

National AML/CFT Risks & Vulnerabilities Assessment

Assessment of AML/CFT Risks and Vulnerabilities of Bangladesh has been conducted by ACC with close cooperation of BFIU and Bangladesh Police. A report titled "Identifying Money Laundering and Terrorist Financing Risks and Vulnerabilities in Bangladesh" was prepared based on the assessment. This report identified the limitations of AML/CFT legal framework, the weaknesses of the relevant regulatory authorities as well as vulnerabilities of the reporting organizations and overall economy of the country. The report also analysed the trend of ML/TF and related offences. The report concluded with some specific recommendations for those limitations, weaknesses and vulnerabilities.

RESPONSE TO NEW FATF RECOMMENDATIONS

This revision of FATF Recommendations after a period of two years intense discussions were finalized and adopted during the FATF plenary meeting in Paris in February 2012. The forty recommendations and nine special recommendations of the FATF have been consolidated into 40 revised standards and these are the basis for countries to combat money laundering, terrorist and proliferation financing. BFIU also contributed in this revision process as one of its officials was a member of the APG Ad-hoc working group on FATF Standards formed to assist FATF in revising its new recommendations. The FATF has requested all countries to implement these new measures at national level as quickly as possible.

The following steps have been taken in response to the revised FATF standards:

- BFIU has completed Gap Analysis of AML/CFT regime in Bangladesh against new standards;
- BFIU has imparted several workshops and conferences on new standards;
- BFIU has drafted amendment proposal of ATA in line with the new standards;
- BFIU Manual has been updated in line with the requirements of FATF Recommendations; and
- BFIU also issued guidance notes for different reporting organizations considering the new standards.

INTELLIGENCE

Sources of Intelligence

BFIU receives information/data from a number of sources including reports submitted by reporting organizations, complaints made by individuals or entities, news published/broadcasted in print or electronic media, information provided by other regulatory authorities, intelligence shared by other intelligence agency and information provided by foreign FIUs and other foreign counter parts.

Reports Submitted by Reporting Organizations

BFIU is the central national authority responsible for receiving, analyzing and disseminating of financial information to the competent authorities in order to combat money laundering and terrorist financing. So it is evident that one of the major responsibilities of BFIU is to analyze the information/reports received from different Reporting Organizations.

Under section 23(1)(a) of MLPA, 2012 and section 15(1) (a) (c) (d) of ATA 2009 BFIU is authorized to analyze the STRs/SARs and CTRs received from different reporting organizations. BFIU analyzes the CTRs and STRs according to the procedure delineated in the BFIU manual.

Cash Transaction Report

Under MLPA 2012, BFIU is authorized to analyze the Cash Transaction Reports (CTRs) of the reporting organizations. To carry out the provisions of the act, BFIU issued circulars to banks to submit CTR to BFIU for the cash deposits or cash withdrawals (including online transactions) of BDT 7,00,000/- and above in any account in a day. The CTR has to be submitted to BFIU on monthly basis i.e within 21 days of the following month. The information contained in the CTR is used to support ongoing analysis STR/SAR or criminal activity.

A. Month wise CTR submission by the banks during the financial year 2011-2012 is shown below:



| SI. No. | Category of Bank | FY 2011 | FY 2012 | Change | As percentage |
|---------|-------------------|-----------|-----------|-----------|---------------|
| 01 | State Owned Banks | 92,793 | 1,40,826 | 48,033 | 51% |
| 02 | Specialized Banks | 6,748 | 51,838 | 45,090 | 668% |
| 03 | Private Banks | 11,33,091 | 24,93,843 | 13,60,752 | 120% |
| 04 | Foreign Banks | 1,16,101 | 1,60,411 | 44,310 | 38% |
| 05 | Islamic Banks | 3,47,588 | 7,00,073 | 3,52,485 | 101% |
| | Total | 16,96,321 | 35,46,991 | 18,50,670 | 109% |

B. Bank Category wise comparison of reported CTR between the FY 2010 - 2011 and 2011-2012 is shown below:

In the year 2011-2012, a total of 35,46,991 CTRs were received from all the banks. Private banks topped the chart with 24,93,843 CTRs, followed by Islami Banks with 7,00,073 CTRs. On the other hand, the specialized banks reported only 51,838 CTRs, which is the lowest among all the banking categories. All though the number of CTRs from specialised banks is lowest among the banks, there is a significant positive increase i.e the reported CTR numbers from the specialized banks have increased by 668%.

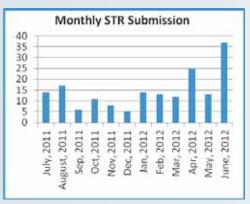
Suspicious Transaction Report

Under the MLPA, 2012 and ATA, 2009, reporting organizations are obliged to submit STRs/SARs to BFIU. According to the MLPA 2012, "Suspicious or unusual transaction" means a transaction -

- (i) which deviates from usual transactions;
- (ii) of which there is ground to suspect that,
 - (1) the property is the proceeds of an offence,
 - (2) it is financing to any terrorist activity, a terrorist group or an individual terrorist;
- (iii) which is, for the purposes of this Act, any other transaction or attempt of transaction delineated in the instructions issued by Bangladesh bank from time to time;

A reasonable number of STR/SAR is one of the indicators of the existence of a strong AML/CFT regime. Suspicious Transaction /Activity reporting system also is an effort to protect the reporting organizations from being abused by the money launderers and terrorist financers and it also ensures the soundness of AML/CFT program of that organization.

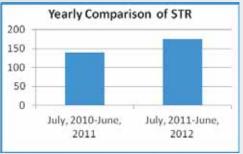
Though banks are the prime reporting organizations of STR, other reporting organizations also submit STRs.



Month wise STR submission by banks during the financial year 2011-2012 shown below:

During the year 2011-2012, a total of 175 STRs were reported to BFIU. Among these, the highest 117 STRs were received from the private commercial banks, while only 2 STRs were received from the State owned commercial banks.

Yearly comparison of reported STRs between financial year 2010-2011 and 2011-2012 is shown below:



Submission of STRs has increased by 24% in the last year, from 141 in 2010-2011 to 175 in 2011-2012. Among all the bank categories, the 70% increase of STRs by the foreign banks was remarkable.

Complaints and Allegations

Besides receiving of CTR and STR from reporting organizations, BFIU also receives complaints and allegations relating to money laundering or terrorist financing offences from individuals and various organizations. BFIU examines those complaints and if deemed necessary, it collects further information in connection with those complaints from the related reporting organizations and other government organizations. Then BFIU officials analyze the collected information and if it is found that there is an element of ML/TF or other related offences, BFIU send the case to the ACC or Bangladesh Police, depending on the type of offence for necessary action. Since its inception, BFIU has analyzed and inspected a number of complaints and took necessary action against those.

News from Print and Electronic Media

In addition, BFIU also works on the news published or broadcasted in the print or electronic media. Whenever BFIU notices any news relating to money laundering or terrorist financing, it immediately takes necessary steps to find out the genuineness of those allegations; and if it is found that there is an element of ML/TF and other related offences, BFIU sends those to other law enforcement authorities. BFIU initiated a number of important cases based on various allegations published/ broadcasted in the print/electronic media.

Information Provided by Various Government Authorities

BFIU also receives ML/TF related information from various government authorities including Anti Corruption Commission, Bangladesh Police, Bangladesh Customs etc. BFIU examines that information and if deemed necessary, it collects further information in connection with those from the related reporting organizations. Then BFIU officials scrutinize the collected information and try to find out any link of that information with ML/TF. If there is an element of ML/TF, BFIU send the case to the ACC or Bangladesh Police or any other government authority, depending on the type of offence for further necessary action.

Dissemination of Information to Different Agencies

As per Section 23(2) of MLPA, 2012, if any investigating organization request for information related to money laundering or suspicious transaction, Bangladesh Bank provides with the information, if not obliged otherwise by the existing laws or any other clause. As per Section 15(2) of ATA, 2009, Bangladesh Bank provides information if it is suspected that any transaction is related to financing terrorist activities as well as Bangladesh Bank shall extend cooperation to the law enforcing agency to investigate such cases. Besides, BFIU is authorized to analyze the STRs and CTRs received from different reporting organizations. After analyzing the STRs and CTRs if it is assumed that there is any element of money laundering or related predicate offence and it is necessary for further investigation, BFIU proactively provides the information of these cases usually to ACC or CID of Bangladesh Police.

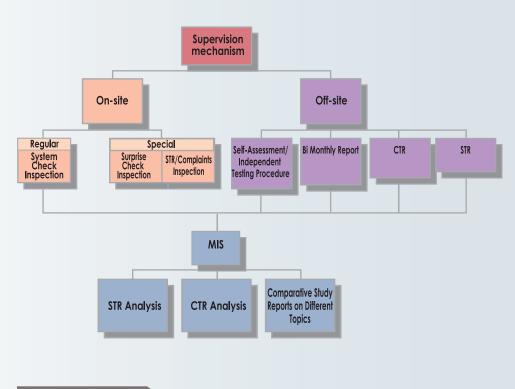
During the period 2011-2012, total 70 cases relating to various money laundering and terrorist financing cases were disseminated to different agencies. Among those highest 58 cases were sent to ACC. Besides, 5 cases to Ministry of Home Affairs, 3 cases to Bangladesh Police, 2 cases to RAB and 2 cases to Ministry of Finance were disseminated by BFIU in the same period.

SUPERVISION & MONITORING



Supervision Mechanism

BFIU is empowered under section 23(1)(e) of MLPA, 2012 and section 15(h) of ATA, 2009 to supervise the AML/CFT compliance of reporting organizations. As a part of its surveillance program BFIU carries out the on-site and off-site supervision on reporting organizations. Following is the Supervision Mechanism of BFIU:



Onsite Supervision

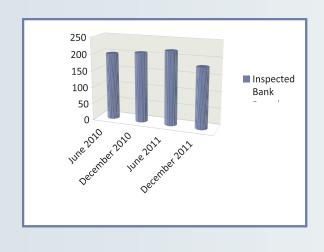
Basically two types of onsite supervisions are carried out by BFIU, namely i) Regular or System Check Inspection and ii) Special Inspection.

System Check Inspection of Banks

System check inspections are conducted in all scheduled banks and non bank financial institutions to oversee and ensure the compliance of the provisions under MLPA, 2012, ATA, 2009 and the instructions of the circulars issued by BFIU. During the inspection, the AML/CFT risk management procedures of the banks are also examined. In this regard, a check list has been prepared and it is being updated from time to time. Inspection program is prepared to conduct the inspection on half yearly basis.

Under core risk program consolidated AML Rating of any bank is calculated on the basis of obtained numbers in the system check inspection by the bank's branches and head office.

BFIU is trying to continuously increase the number of bank branches under the system check inspection program. BFIU conducted System Check Inspection for 199 branches on 30 June, 2010, 207 branches on 31 December, 2010, 219 branches on 30 June 2011 and 180 branches in December, 2011. A comparison of 4(four) half yearly inspection status is shown below:



Comparative Rating Status

A comparison of last 4(four) half yearly consolidated AML Rating Status of 47 scheduled banks is given below:

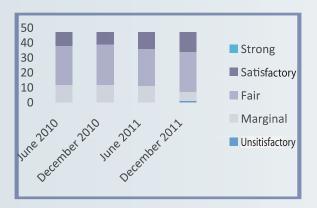


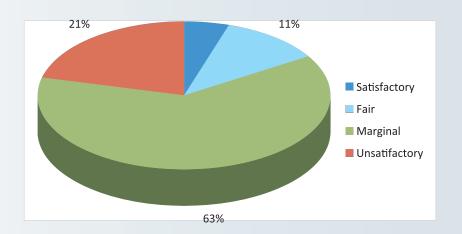
Table above shows that Marginal and Fair rating regarding AML/CFT of the banks are gradually decreasing and Satisfactory Rating is increasing.

Average AML Rating of all Commercial Banks is increasing consistently. As on 30 June, 2010 it was 61.03, on 31 December, 2010 it was 61.39, on 30 June, 2011 it was 63.02 and on 30 December, 2011 it is 63.75. Table below shows last 4 half yearly average AML Rating of the 47 scheduled banks:



System Check Inspection of FIs

BFIU started conducting system check inspection in the financial institutions (FIs) in 2009 to oversee and ensure the compliance of the provisions under MLPA, 2012 and ATA, 2009 and the instructions contained in the circulars issued by BFIU. In this regard, a check list has been prepared rating status of the system-check inspections are shown in the pie chart.



Special Inspection

Banks are obliged to submit STRs and CTRs to BFIU. Some special inspections are being conducted to examine whether banks are submitting STRs/CTRs properly and accurately In this regard, some branches of banks are selected at random basis for inspection based on complaince performance. 25 branches of 20 banks have been inspected during FY2011-2012 in this regard.

Besides, some other special inspections are also conducted for further analysis of some STRs. During FY2011-2012, 29 branches have been inspected on this purpose. In addition to this, some special inspections are also conducted to analyse the allegation/complaints received form individual, organization and media. BFIU has conducted special inspections in 51 branches during FY 2011-2012.

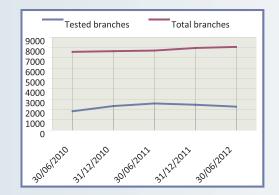
Offsite Supervision

Besides onsite supervision BFIU also carries out offsite supervision of the reporting organizations, through self assessment and independent testing procedure report and CTR and STR.

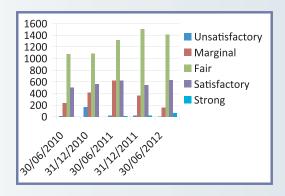
Self Assessment and Independent Testing Procedures

Banks are asked to perform their Self Assessment and Independent Testing Procedures through AML circular no.15, dated 24 March, 2008. Accordingly bank branches prepare Self Assessment report on quarterly basis and Internal Audit Department of every bank conducts Independent Testing Procedures (ITP) for its branches.

The graph beside shows the comparison between numbers of branches conducted ITP by the auditors and total number of branches.



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The graph beside shows that Independent testing rating of most of the branches is Fair and Satisfactory. There are some Marginal and Unsatisfactory branches too.

CTR and STR

CTR and STR are the two major tools of offsite supervision which have been discussed in the previous chapter.

Sanctions Imposed

On the basis of these on-site and off-site supervisions some corrective measures are taken for the reporting organizations to boost up their compliance standard. The corrective measures include actions like explanation call, reprimand, disciplinary action, imposing fine, law suit etc.

Under the provision of MLPA for non-compliance of the Act, BFIU has penalized different commercial banks 38 times so far including one in the last year. However, some banks were penalized more than once. Besides, 3 banks were warned by BFIU during 2011-2012.



FIU Strengthening

BFIU plays an important role for administering the MLPA, 2012 and implementing the provisions related to terrorist financing contained in the ATA, 2009. It has the responsibilities of receiving, analyzing of financial information and disseminating those to the relevant authorities in order to combat money laundering and terrorist financing. To perform its responsibilities efficiently, it needs adequate and superior logistics and efficient human resources. Therefore, from the beginning, BFIU has emphasized on developing its human resources and infrastructure.

IT Infrastructure Development

IT infrastructure development is one of the top priorities of BFIU. It has been receiving CTR from December 2005, and preserving for using it as and when required. As the size of the information specially CTR is getting bigger and bigger day by day with the growing number of reporting organizations, it requires more space in the server and enhanced security.

BFIU is also working to introduce online reporting system for its reporting organizations to cope up with today's trend of online service. Furthermore, BFIU needs complete and customized analysis software for the purpose of data collection and data analysis. In this regard a committee has been formed and it has conducted several meetings with the respective departments. Communication is being done with the World Bank for procurement of the required software. Procurement procedure of software is going on with the support and assistance of the Central Bank Strengthening Project Cell.

Human Resources Development

BFIU understands that a successful organization is one in which a high-performing workforce demonstrates the competencies necessary to drive organizational success and to meet the organization's strategic goal. The best policies, procedures and software in the world are meaningless without the proper human resources to implement the policies or to use the software.

As part of the thrust to strengthen the officials, BFIU provides staff development programs that help not only to maintain but also to enhance the unique expertise and skill. Officers of BFIU regularly attend various workshops/seminars organized home and abroad by different international organizations like AUSTRAC, UNODC, US Embassy, World Bank etc. Every year officers of BFIU are getting training from various specialized local/foreign institutions on AML/CFT issues. Apart from AML/CFT training, officials of BFIU are also getting trainings on different topics from Bangladesh Bank Training Academy and other organizations.

25 employees of BFIU received local training and 14 employees of BFIU received foreign training in the year 2011-2012.

Capacity Building

The success of an FIU depends not only on its ability to link and analyze information but also on the ability of reporting entities in effectively identifying and reporting suspicious transactions. Taking this in to consideration, BFIU has taken a number of initiatives to develop capacity of the employees of reporting organaization and law enforcement agencies.

Reporting Organizations

BFIU adopted strategy for enhancing capacities of the reporting entities as they can play an important role in combating ML/TF. Every year BFIU provides training for the officials of different banks situated in 64 districts of the country. These trainings were attended by 3235 officials in 2011-2012 and were aimed at increasing the understanding and awareness of the employees of reporting entities.

Law Enforcement Agencies

In the year 2011, BFIU also conducted a workshop for law enforcement agencies. This workshop was attended by 15 law enforcement officials (NSI-10, DGFI-5). The workshop was aimed at raising awareness on the role and functions of the BFIU and finding ways to assist law enforcement agencies.

Seminars and Workshops for Resource Persons

As part of its annual work plan, BFIU provided resource persons for various AML/CFT workshops and trainings organized by different agencies such as Police Staff College, National Security Intelligence and Special Branch Training School.

Besides, BFIU organized "Train the Trainer Workshop" in every branch office of Bangladesh Bank. This workshop is organized with the objectives of increasing the availability of efficient trainers on AML/CFT issues and attended by the officials of the branch offices of Bangladesh Bank.

Awareness programs

Raising awareness among the reporting entities as well as the general public is the first step towards effective deterrence to money laundering and terrorist financing. BFIU works for raising awareness among the reporting entities of their reporting obligations and making them realize the role they can play in combating money laundering and financing of terrorism. Besides, BFIU also arranges program for public awareness. Here is a short description of the interaction programs conducted by BFIU during Fiscal year 2011-2012.

Regional Conference

Every year BFIU arranges regional conference in the areas of seven risky districts of the country on AML/CFT issues. The Management of BFIU interacts directly with the regional heads of the banks in the conference. Some common issues of the agenda of the conference are:

- Prevention of Money Laundering and Terrorist Financing: Bangladesh and International Scenario.
- Reviewing progress of the regional bank branches in prevention of AML/CFT issues.
- Analyzing supervision activities and deciding further initiatives.
- Miscellaneous.

This program has been very much effective. Similar programs are being planned to launch for the upcoming years.

Chief Anti Money Laundering Compliance Officer (CAMLCO) Conference

Every year BFIU arranges separate conference with the CAMLCOs of the reporting entities. These conferences provide an excellent opportunity for the relevant agencies to discuss and exchange views and ideas. In March 2012, BFIU arranged CAMLCO conference for the banks.

DOMESTIC & INTERNATIONAL COOPERATION

Domestic Cooperation

Preventing money laundering and combating terrorist financing need concerted efforts since money launderers and terrorists use sophisticated methods that touch several jurisdictions. Inter-agency cooperation is very much essential for preventing, detecting and investigating money laundering and terrorist financing issues. Therefore, a close coordination is maintained with all other government stakeholders on AML/CFT issues.

Legal Framework

As per section 24(2) of MLPA, 2012, "for the purposes of this Act, the governmental, semi-governmental, autonomous organizations or any other relevant institutions or organizations shall, upon any request or spontaneously, provide the Bangladesh Financial Intelligence Unit with the information preserved or gathered by them."

Central and Regional Taskforce

Bangladesh Government has formed a central and 7 regional taskforces on 27 January, 2002 to combat money laundering and illegal hundi activities in Bangladesh. The central task force's meeting is held in every two months. In the FY 2011-2012 six meetings were held. Some of the important decisions taken by the central task force are as follows:

- A documentary film will be made on illegal hundi activities, smuggling money, prevention of money laundering to create awareness among the wage earners.
- Bank should submit STR fulfilling the CDD requirements.
- Banks are advised to be aware of the activities of the MLM companies.
- A dedicated Branch Anti Money Laundering Compliance Officer should be designated by the higher authority at every branch of the banks.
- Concerted efforts should be given to overcome the ICRG process.

National Coordination Committee

On 2 August 2010, the Government of Bangladesh formed a National Coordination Committee (NCC) to formulate policies and directives on AML/CFT and to oversee the implementation of the same. The Honorable Finance Minister is the convener of this high powered NCC. Governor of Bangladesh Bank, Secretary of Finance Division and Secretary of Bank and Financial Institution Division, Secretary of the Ministry of Foreign Affairs and Secretary of the Ministry of Home Affairs are the members of this 13 member committee. BFIU performs the secretarial job of NCC. The Terms of Reference (ToR) of the NCC are as follows:

- Formulation of important national policies for combating money laundering and terrorist financing.
- **Issuance of instructions for all concern to implement the policies.**
- Implementation of international standards for combating money laundering and terrorist financing issues in Bangladesh.
- **Formation of various Working Committee aiming to achieve particular goal.**
- Collecting information from any agency related to money laundering and making decision based on that information.
- **Taking any necessary initiatives and decisions as deemed required.**
- **The Committee has power to co-opt any related person/expert.**

Working Committee

A Working Committee (WC) has been formed comprising 21 (twenty one) members to support the NCC and to implement the decisions of NCC. The convener of the committee is the Secretary of Bank and Financial Institution Division, Ministry of Finance.

The Terms of Reference (ToR) of the WC are as follows:

- Present important national policies for combating money laundering and terrorist financing to the NCC.
- Ensure institutional effort to implement the policies for combating money laundering and terrorist financing.
- Ensure effective coordination and information sharing among the institutions engages in combating money laundering and terrorist financing.
- Prepare Action Plan to implement policies and decisions taken by the NCC.
- Prepare report for NCC and act as a co partner of NCC.
- Formulation of subcommittee on the basis of subject/issues.
- The Committee has power to co-opt any related person/expert.

Primary Contact Point

'Primary Contact Point' has been established in the relevant 21 (twenty one) ministries/divisions/organizations to ensure better coordination and seamless flow of information on ML/TF issues.

Circular by the Ministry of Finance

Ministry of Finance issued a notification on 14 February, 2011 urging all the concern ministries and institutions to provide necessary data, information and assistance as required by BFIU. This is a milestone for domestic cooperation to combat money laundering and terrorist financing.

Stolen Asset Recovery Task Force

Government of Bangladesh restructured the inter agency task force on stolen asset recovery headed by Governor, Bangladesh Bank on 20/01/2011 with a view to repatriating the stolen asset from abroad. The other members of the task force have been co-opted from NBR, ACC, Ministry of Finance, Ministry of Foreign Affairs, PM Office, Home Ministry, AG Office, SEC and BFIU. BFIU is working as the secretariat of the task force.

Meeting with CID, Bangladesh Police

A bimonthly meeting is held at BFIU with CID and the officials from the respective thana(police station) to know the progress of the cases in which Bangladesh Bank has given approval to file under MLPA, 2012.

Meeting with ACC

A monthly meeting is held with ACC at BFIU to get update about the cases sent to ACC by BFIU.

International Cooperation

Member of APG

Bangladesh is a founder member of the Asia Pacific Group (APG) on Money Laundering and has been participating in its annual plenary meetings since 1997. APG is a FATF style regional body that enforces international standards on AML/CFT in Asia Pacific region. Bangladesh, as a member of APG Steering Group for the fourth time, is playing important role to combat money laundering and terrorist financing in this region. As a member of the APG, Bangladesh is committed to implement FATF's recommendations.

Signing of MOU

The law empowers BFIU to enter into agreements and arrangements with foreign FIUs to receive and request information in relation to money laundering offences or terrorist financing or suspicious transactions. To facilitate exchange of information and intelligence BFIU has already signed MOU with 11 (eleven) FIUs of different countries and signing of several other MOUs are under process.

Membership of Egmont Group

Egmont Group, an international forum for information exchange and capacity building, with a worldwide membership of more than 130 FIUs. In 2008, Bangladesh applied for the membership of Egmont Group. This group provides a forum for FIUs to support to their respective national anti-money laundering programs and develop protocols for sharing of information. BFIU continues its effort to become a member of Egmont group. Malaysia and Thailand are the sponsor and co-sponsor respectively for Bangladesh's membership of Egmont group. In the meantime, the sponsors have completed off-site evaluation and they will conduct an on-site visit soon.

Ratification of United Nations Convention against Corruption

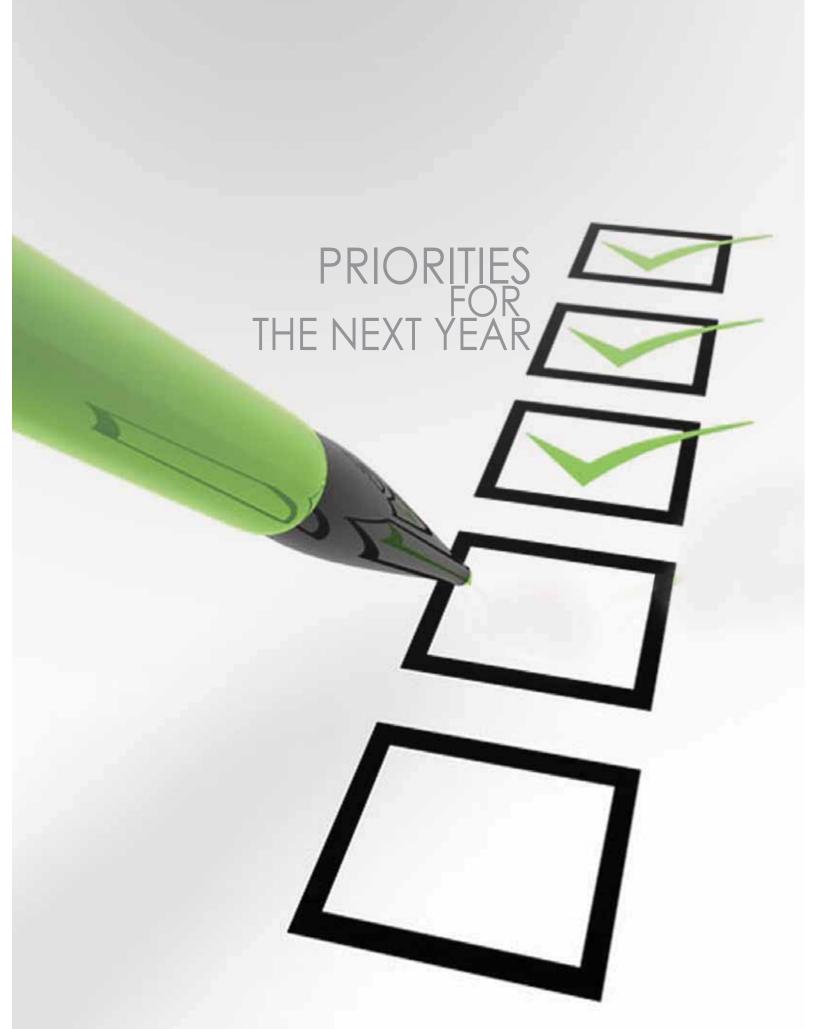
Bangladesh has ratified United Nations Convention against Corruption (UNCAC) on 27 February 2007. Since then, Bangladesh government along with BFIU is playing an active role in the implementation and ratification process of UNCAC. BFIU has also played vital role during the UNCAC review of Bangladesh by UNODC, in early 2011.

Compliance of UN Security Council Resolution

BFIU has circulated all UN Security Council Resolutions related to terrorism and financing of terrorism to banks for proper compliance and duly notified Ministry of Home Affairs and Ministry of Foreign Affairs time to time.

Technical Assistance from Different Foreign Organizations

BFIU seeks for technical assistance time to time from World Bank, IMF, UNODC, AUSTRAC, US Treasury and other such type of organizations. With their cooperation, BFIU has arranged several seminars/workshops on AML/CFT issues in country as well as its officials attended many seminars/workshops abroad.



ICRG

According to the rating of the 2nd Mutual Evaluation Report prepared by APG, Bangladesh is under International Cooperation and Review Group (ICRG) process since October 2010. As part of the ICRG process Bangladesh has developed a time bound action plan to upgrade its AML/CFT regime at par with the international standard and the honorable Finance Minister extended high level political commitment to the FATF. Bangladesh with the dynamic leadership of BFIU has already completed most of the actions. To get rid of the ICRG process Bangladesh still needs to do the following:

- Amend Foreign Exchange Regulation Act, 1947;
- Ensure sufficient logistics to facilitate online reporting of CTRs and STRs;
- Establish a mechanism for BFIU to use and share financial database and intelligence reports of other government agencies namely Bangladesh Police, NBR, Immigration Authority, Election Commission etc.;
- Prepare/amend separate guidance notes for the reporting organizations;
- Issue separate guidance notes to improve quality and quantity of STRs for banks;
- Propose Institute of Chartered Accountants of Bangladesh (ICAB) to amend BSA so as to incorporate AML/CFT issues on it;
- Issue separate AML/CFT guidance notes to regulate new and emerging technology based payment system;
- Integrate AML/CFT as a lesson/course material in education in business/banking, banking diploma, training on banking, government employment training etc.
- Enhance legal tools to support investigation of cases that involve in cross border elements;
- Pursuing Egmont Group membership;

Besides the priorities of 2011-12, the ongoing tasks of BFIU include:

- Carry out capacity building for other regulatory authorities and reporting organizations (infrastructural and analytical);
- Ensure competency and integrity of BFIU staff through continuous training at home and abroad and through attachment program with foreign FIUs;
- Sign further MoU with other FIUs of different jurisdictions for information sharing;
- Monitor the AML/CFT activities of the reporting organizations through various onsite and offsite supervision mechanisms;
- Issue separate master circular for separate reporting organizations incorporating /consolidating all regulatory requirements in single document;
- Screen environment continuously to unveil new developments of pervasive ML/TF risks;
- Experience/share information, technical assistance and mutual training among the concerned local and international bodies;

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- Collaborative research and analysis of typologies projects;
- Actively participate in the FATF, APG, other FSRB and Egmont Group typology workshops and regularly analyze their typology report;
- Improve financial literacy at grass root level, encourage use of financial instruments and extend and enhance financial services for rural areas;
- Build a greater degree of cooperation among regulators, investigating authorities, prosecutors etc.;
- Urge agencies that manage their database electronically to share the database with others relevant agencies to ensure timely access of AML/CFT related data;
- Train customs officials and employees of reporting organizations on cross border transactions especially on Trade Based Money Laundering and Terrorist Financing';

Online Reporting System

Implementation of online reporting system is one of the major priorities of the year 2012-2013. Earlier, the reporting organizations used to submit different kinds of reports such as STR, CTR by CD or in the form of paper document. As a result, the reporting organizations usually took longer time to submit CTR and STR, which would often hamper the objective of collecting the required information timely to identify potential money laundering or terrorist financing cases. To solve this problem, BFIU has decided to introduce online reporting system as early as possible. A meeting was already held with the IT Department of Bangladesh Bank in this regard. The IT Department is currently working on this project, in close coordination with this unit. To implement online reporting system, the reporting organizations are also required to develop necessary IT infrastructure. BFIU has advised the reporting organizations to take proper initiatives in this regard.

Timely and High-Quality Financial Intelligence Exchange

As ML/TF cases require collective efforts from various domestic and international authorities, timely information/intelligence exchange among them is essential for the ML/TF cases to be effective. In this regard, Bank and Financial Institutions Division of Ministry of Finance has issued a circular instructing all relevant local agencies to share relevant/required information with BFIU spontaneously or as and when requested. Moreover, MLPA, 2012 has given BFIU power to share necessary information with relevant national and international institutions. For international cooperation, BFIU has already signed MOU with eleven FIUs for exchanging intelligence relating to ML/TF cases and signing of several MOUs are under process. For smooth cooperation among various domestic and international authorities on ML/TF cases, BFIU has decided to implement/develop the following:

- Establish a mechanism for BFIU to use and share financial database and intelligence reports of other government agencies namely police, customs, immigration etc.
- Develop the required IT infrastructure to set up a fully automated system i.e., online reporting system, analysis of ML/TF cases by using analytical software.

- Increase the human resources of BFIU and train them adequately.
- Enhance legal tools to support investigation of cases that involve cross border elements.
- Strengthen existing mechanisms and develop new channels to streamline international and regional needs, requests and proceedings.

Initiatives for the Newly Included Reporting Organizations

For the newly included reporting organizations under MLPA, 2012, BFIU has plans to do the following in the next year:

- Issue a comprehensive circular and guidance notes for the Stock Dealer and Stock Broker, Portfolio Manager and Merchant Bank, Security Custodian, NGOs Cooperative Societies, Asset Manager, Real Estate Developer, Dealer in Precious Metals and Stones, Trust and Company Service Provider, Lawyer, Notary, Other Legal Professional and Accountant for the proper compliance of the provisions of MLPA 2012.
- Carry out capacity building program for the newly included reporting organizations (infrastructural and analytical).
- > Arrange CAMLCO conferences for all the new reporting organizations.

Preparation for the 3rd Mutual Evaluation of Bangladesh

The 3rd AML/CFT Mutual Evaluation of Bangladesh may be conducted in 2015 by APG. To face the mutual evaluation necessary preparation should be taken by the concerned authorities of Bangladesh. To face ICRG process the "National Action Plan" is being implemented. The actions mentioned in the "National Action Plan" shall support in facing the upcoming 3rd AML/CFT Mutual Evaluation of Bangladesh. Some of the major actions would be taken are as follows:

- Form a working level committee within BFIU.
- Identify the gap comparing the report of the ME-2 with the existing AML/CFT regime in Bangladesh.
- Identify the gap between the new FATF standards and methodology with the existing AML/CFT regime in Bangladesh.
- Take necessary actions/formulate policy to minimize the identified gap.
- Keep the database of BFIU updated.
- Activate the primary contact point of relevant agencies.
- Arrange awareness building program among the government agencies and reporting organizations for the 3rd AML/CFT Mutual Evaluation.
- Train concerned people on the 3rd AML/CFT Mutual Evaluation.

CASE STUDY AND TYPOLOGY

1SIN

Case 1

A British-Bangladeshi citizen residing in Britain collected huge amount of money in the name of Qibla Hajj Kafela from some more than 300 British-Bangladeshi hajj pilgrims in a bid to send them Soudi Arabia for performing hajj. But he defrauded those people and sent a large portion of collected money to an account opened in his name at a bank in Bangladesh. He also sent money to another account in the name of his wife. A few days later, he withdrew money from his account and deposited it to another account opened in his name at another bank. That bank filed an STR to BFIU. In the meantime, his wife also transferred a portion of money to her another account and withdrew it.

After receiving the STR, BFIU immediately sent an inspection team to the reporting bank and simultaneously froze transaction of the account. The inspection team also collected information from other banks linked with transactions of these accounts. Then BFIU sent their inspection report to Anti-Corruption Commission (ACC) and requested them to take legal steps as per MLPA 2009. ACC filed money laundering charge against that person.

Meanwhile, London Metropolitan Police had received information at the early stage of embezzlement of hajj pilgrimage money by that person; they invaded his office in London and recovered passports of the pilgrims. A few months later, they succeeded to arrest the accused person in London. After brief trial, he was sentenced to 6 years imprisonment by Snaresbrook Crown Court, London. He signed an affidavit before court agreeing to the money being returned to UK to assist reimbursing the victims. The Crown Court also made an order for him to return the funds.

London Met Police sought Mutual Legal Assistance (MLA) from Bangladesh to bring back the embezzled money frozen in Bangladesh. Receiving MLA request from UK, in pursuant to the Money Laundering Prevention Act, 2009, Bangladesh Bank (central bank of Bangladesh) filed a petition before Dhaka Court in May 2010 to send back the frozen money to London. In July 2010 the Honorable Court allowed the prayer and a sum of BDT 2,62,69,556/- was sent to Britain.

Case 2

An officer of a member/broker of Dhaka Stock Exchange (DSE), in absence of the regular IT Manager, was given the responsibility of using the administrative password to log in Central Depository Bangladesh Ltd. (CDBL). The officer exploited this opportunity and within couple of days, he changed all the information (names, address, and bank account etc.) of a BO account opened with the brokerage house, which contained stocks worth around BDT 1,20,90,000 and replaced those with the name and address of another person. He also opened a linked BO account with that name and address at another member/broker of DSE and transferred all the shares to that account. In next one month, he sold all the shares of that account and the selling proceeds were deposited at a bank account opened using the same name. A portion of the money was transferred to another account of the same bank and the remaining was transferred to a bank account of a construction company at another bank. The transferred money was withdrawn with several cash checks through the

employees of that company. BFIU first came to know about the occurrence from the aforesaid brokerage house. Immediately after receiving this information, BFIU sent an inspection team to those brokerage houses and banks. BFIU uncovered the fraudulent activities and revealed it to the Anti Corruption Commission (ACC) for taking appropriate measures under MLPA 2009. The ACC filed a case against him. The case is still under trial.

Case 3

An officer at Bangladesh Inland Water Transport Authority (BIWTA) was officially responsible for only keeping records and documents of bank accounts opened at two banks in the name of BIWTA Officers' Welfare Fund. By counterfeiting the signature of the authorized signatories of the accounts, he withdrew a total of BDT 187,163,621/through pay orders and cheques, and deposited in his personal account and in another account opened in the name of a travel agency owned by him. Then he transferred the money to different accounts, operated by him and his wife, and paid through pay orders to buy properties in his name or his organization's name. In response to a letter of BIWTA's chairman, BFIU inspected the various related accounts and found traces of transactions for embezzling money from BIWTA's accounts. Hence, the BFIU, as per the power conferred upon them in MLPA 2009, temporarily froze all the relevant accounts and requested Anti-Corruption Commission (ACC) of Bangladesh to take necessary steps. The ACC filed case against him and consequently he was arrested. Upon ACC's appeal, the court froze all the relevant accounts and attached all the properties owned by the accused person and his wife. The case is still under trial.

Case 4

Agriculture Ministry requested Bangladesh Bank to inspect a case where an importer submitted import documents to release import goods (TSP and DAP Fertilizer) within agri-subsidize program at higher price than Fertilizer Market Bulletin (FMB) market price. Then BFIU inspected this case in two different Banks. Inspection team found that goods imported from China quoted price about \$100 above per metric ton than FMB report price. The importer imported 5100 m/ton fertilizer (Tsp 1100 m/ton & Dap 4000 m/ton) through over invoicing and excess payment of \$ 5,96,320/- was made. Inspection report was sent to the Agriculture Ministry and Foreign exchange policy department by BFIU to take appropriate action against the importer under Foreign Exchange Regulation Act 1947.

Case 5

The law enforcing authority uncovered through investigation that some employees of Bangladesh Govt. Press acquired money by divulging question paper of the secondary Govt. school teacher recruitment exam and deposited the money in several commercial banks. This news published in different newspapers as well as Bangladesh Police filed a general diary in respective police station. Meanwhile the Special Branch of Police requested BB to take necessary initiatives including freezing these accounts. Accordingly BFIU instructed the respective banks to freeze the accounts initially for 30 days in pursuant to section 23(1)(c) of MLPA, 2009. Later, the period was extended for another 30 days. During this period the Bangladesh Police investigated the matter and arrested some of the accused and finally submitted the report before the court and prayed for freezing order of 19 different accounts of 14 persons. Finally, all the relevant papers were sent by BFIU to the Anti Corruption Commission (ACC) for further investigation and necessary legal action as per MLPA.

Case 6

Rajshahi Unnayan Kortipakkha sent an allegation to BFIU stating that one of their employees had withdrawn huge amount of money by cheque tampering from Govt. fund and kept the money in different accounts in his own name and in the name of his kith and kin. Besides, a portion of the fund was also converted into real assets. Upon direction by the authority he was primarily suspended from his job. BFIU immediately instructed all the scheduled banks to freeze the accounts for a period of 30 days as per section 23(1)(c) of MLPA, 2009. Later on the period was extended for another 30 days as per the same section of the Act. The information provided by the banks reveals that the amount of money frozen in 27 accounts in 9 banks is BDT 2,32,91,162/-. Finally all the relevant papers were sent by BFIU to the Anti Corruption Commission (ACC) for further investigation and necessary legal action as per MLPA.

Case 7

A customer of a commercial bank deposited a cheque amounting Tk 3.29 million in his savings account for collection. In answer to bank official's query regarding the source of fund, the customer informed that the cheque was the payment of compensation by the Land Acquisition Office, Dhaka for acquiring his land. Customer assured bank official to provide necessary documents in this connection later on but he never did. Customer withdrew total Tk. 1.5 million through ATM and over the counter in cash. Later he deposited another Tk 1.3 million in the same account in cash. Transaction pattern of the customer, whose profession was mentioned as medicine business in the account opening from, caused suspicion among the bank officials. Bank lodged General Diary with local Police Station suspecting the genuineness of the cheque amount of Tk 3.29 million. Imposing restriction of withdrawal from the account, bank immediately submitted STR regarding the transaction of the account to BFIU. During the analysis by BFIU some relevant papers were collected from the bank and ultimately it was revealed that the said cheque was fake. Customer had another account in another branch of the same commercial bank where he also deposited a Land Acquisition Office cheque amounting to Tk. 1.5 million. Later he transferred the amount to the STR submitting branch. BFIU referred the case to ACC. ACC investigated the case thoroughly and detected a group of people involved in Land Acquisition Office's cheque fraud activities. In connection with the said case, ACC requested BFIU to provide further information and documents regarding accounts of other six persons of that

group maintaining accounts with other commercial banks. Further analysis by BFIU revealed that in the 6 accounts cheques amounting to total Tk. 17.23 million were deposited and withdrawn through different accounts. ACC filed a money laundering case against the suspected persons and the trial is now under process.

Case 8

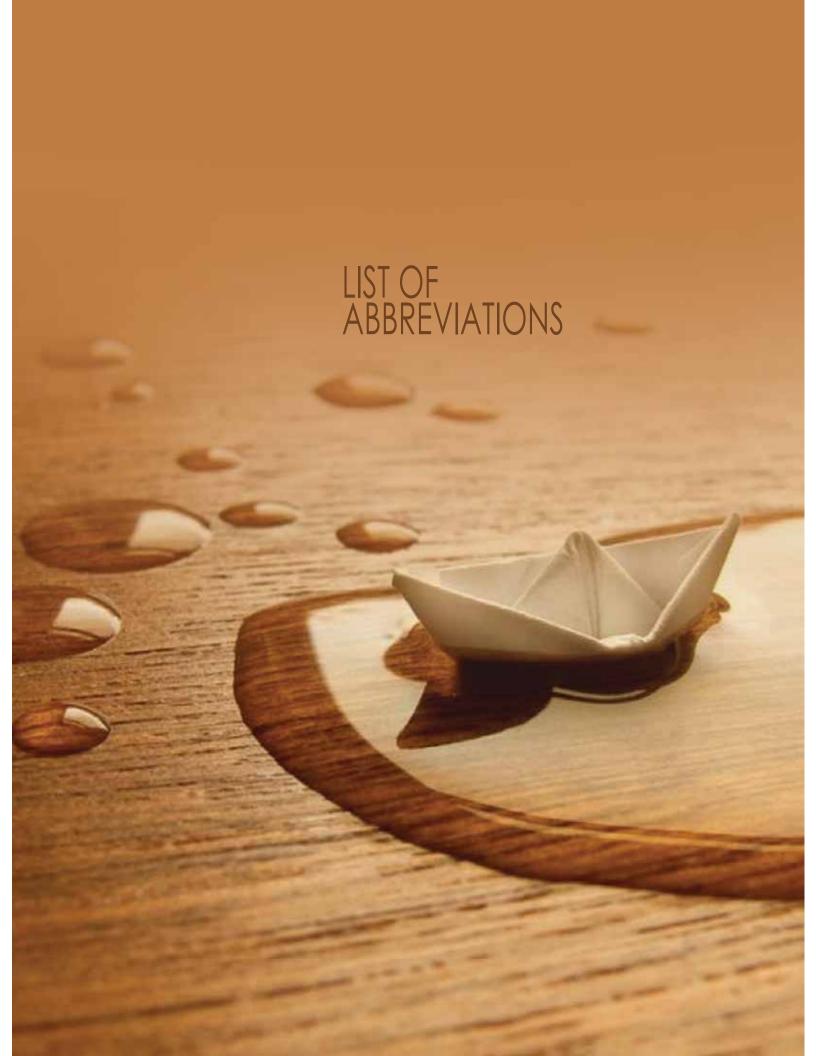
A Private Limited Company opened a current account in a commercial bank on 07.11.2010. As per trade license its business was shown as commission agent. The company declared that its source of fund will be commission income and probable monthly maximum transaction in the account was declared as total deposit 15million and withdrawal 15 million respectively. But transaction analysis showed that, during the first month the amount of total deposit was at Tk. 60.7 million and the fund was deposited through 35 remote branches of the bank. The transaction was huge in number and the amount was so large that it did not commensurate with company's declared business. The bank official suspected the account and lodged STR to AMLD, Bangladesh Bank. After analyzing it was revealed that the company was engaged with Pyramid scheme business under the scheme of Multi Level Marketing (MLM). The Company collected money from general public with a commitment of giving abnormally higher rate of interest and then money was transferred to his/family members' personal account. BFIU froze the account in exercising the power conferred by section 23(1)(c) of the MLPA,2009 and sent the case to the ACC for thorough investigation and to initiate further legal action. A few days later there was a report in the daily news paper that the Managing Director of the company was caught by the people and handed over to police.

Case 9

A customer came to a bank branch and opened a savings account depositing Tk. 5000 initially. His account was introduced by a customer of the same bank but of different branch. He informed the branch that he is a businessman but do not have trade license. He gave NID to open the account. After opening the account the branch sent thanks letter to his present address and in the meantime his account was credited by a pay order of Tk four crore. The thanks letter returned back to the bank branch due to non-availability of the customer in his current address. The branch manager immediately sent one of his officers to the customer's current address who also experienced the same. After thorough examination it was found that the transaction was a fraudulent one with the help of some corrupted bank officials of other banks. The case is now under ACC's investigation.

Case 10

Credit card division in charge and his supporting officials of a bank issued twenty cards to their relatives and friends. Cardholders withdrew funds using their cards in ATM machines and card cheques. In every case the cards were credited showing cash deposits. But cash was not physically deposited at any branch of the bank rather credit card division in charge and his close associates fraudulently arranged to show cash deposits to those credit cards. The fraudulent activities were continued for some days and the group embezzled about Tk. 10 crore. The activity came to the knowledge of bank's high authority when reconciliation was done properly. An investigation is under process.



| ACC | Anti Corruption Commission |
|---------|--|
| AML/CFT | Anti-Money Laundering/Combating the Financing of Terrorism |
| AMLD | Anti-Money Laundering Department |
| APG | Asia Pacific Group on Money Laundering |
| ATA | Anti Terrorism Act |
| ATO | Anti Terrorism Ordinance |
| BB | Bangladesh Bank |
| BDT | Bangladesh Taka |
| BFIU | Bangladesh Financial Intelligence Unit |
| BSA | Bangladesh Standard Accounting |
| BAMLCO | Branch Anti Money laundering Compliance Officer |
| CDD | Customer Due Diligence |
| CAMLCO | Chief Anti Money laundering Compliance Officer |
| CID | Criminal Investigation Department |
| CTR | Cash Transaction Report |
| DGFI | Directorate General of Forces Intelligence |
| DNFBP | Designated Non-Financial Businesses and Professions |
| EDD | Enhanced Due Diligence |
| FATF | Financial Action Task Force |
| FCBs | Foreign Commercial Banks |
| FIU | Financial Intelligence Unit |
| FSRB | FATF Style Regional Body |
| GoB | Government of Bangladesh |
| ICAB | Institute of Chartered Accountants of Bangladesh |
| ICRG | International Cooperation and Review Group |
| KYC | Know Your Customer |
| MIS | Management Information System |
| ML | Money Laundering |
| MLA | Mutual Legal Assistance |
| MLPA | Money Laundering Prevention Act |

| MLM | Multi Level Marketing(Pyramid Scheme) |
|-------|--|
| MER | Mutual Evaluation Report |
| MLPO | Money Laundering Prevention Ordinance |
| MoU | Memorandum of Understanding |
| MoF | Ministry of Finance |
| MoFA | Ministry of Foreign Affairs |
| MFIs | Micro-Finance Institutions |
| MRA | Micro Credit Regulatory Authority |
| NBR | National Board of Revenue |
| NBFIs | Non-Bank Financial Institutions |
| NC | Non Compliant |
| NCBs | Nationalized Commercial Banks |
| NCC | National Coordination Committee |
| NGOs | Non Government Organizations |
| NPOs | Non Profit Organizations |
| NSI | National Security Intelligence |
| PC | Partially Compliant |
| PCBs | Private Commercial Banks |
| PEPs | Politically Exposed Persons |
| StAR | Stolen Asset Recovery |
| STR | Suspicious Transaction Report |
| TF | Terrorist Financing |
| TP | Transaction Profile |
| UNCAC | United Nations Convention Against Corruption |
| UNODC | United Nations Office on Drugs and Crime |
| WC | Working Committee |
| | |

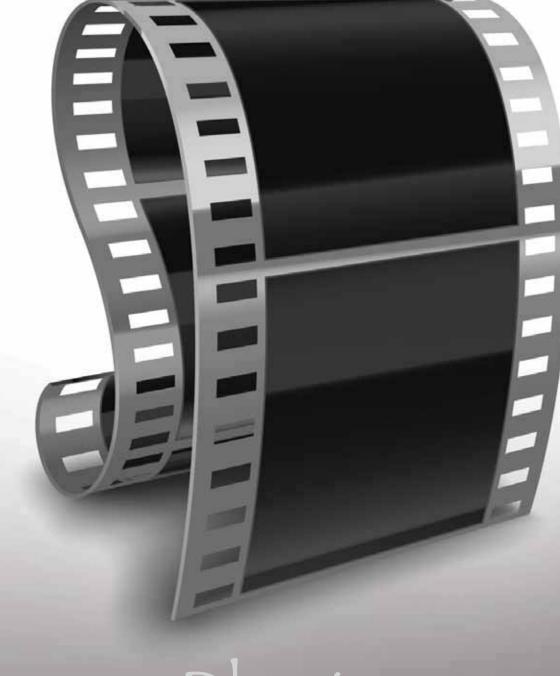
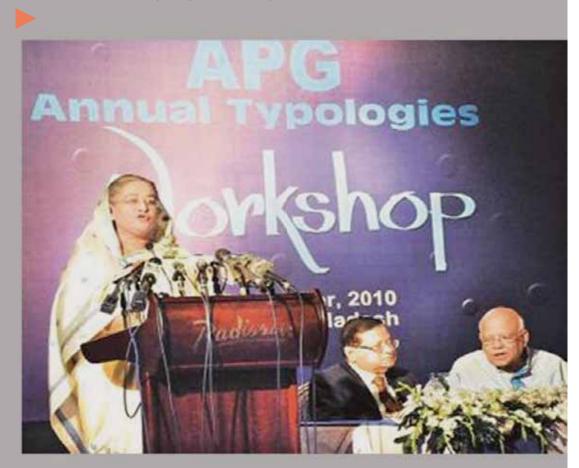


Photo Gallary Honourable Prime Minister Ms. Sheikh Hasina is inaugurating the APG Typology Workshop-2010 in Dhaka.



Participants of APG Typology Workshop-2010 in Dhaka



Governor of Bangladesh Bank is inaugurating the ROAD SHOW

প্রধান মানিলন্ডারিং প্রতিরোধ পরিপালন কর্মকর্তা সম্মেলন

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২-৪ মার্চ ২০১২ খুলনা

প্ৰধান অতিথি আবু হেনা মোহাঃ রাজী হাসান ভেগুটি গতর্নর, বাংলাদেশ স্মুক্তে

Mass people are awaiting both sides of the road while passing the car parade

Head of BFIU delivering the inaugural speech in the Chief Anti Money Laundering Compliance Officers Conference of Banks-2012 AR AR

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বাংলাদেশ ব্যাংকের উদ্যোগে আয়েজিত

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Regional Conference on Terrorist Financing mbat

> Participants of Lead bank training program for the bank officials in Cox's Bazar

Bangladesh delegates in APG annual meeting, 2012 in Brisbane, Australia

BIFU official with FATF president in the public consultation meeting of FATF in Milan, Italy, 2011

Head of the BFIU along with the other officials attended the FATF/APG Joint Typologies workshop , 2011 in Seoul, South Korea

The deputy head of the BFIU along with other officials participated in the BIMSTEC sub-group meeting on CFT in 2012 held in Bangkok.

Bangladesh

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Bangladesh delegates attended the FATF Plenary in Amsterdam, Netherlands

BFIU official worked as the Mutual Evaluation assessor

BFIU officials attend departmental meeting regularly

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BFIU officials are engaged with drafting the country's ML/TF risk vulnerability assessment report

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MoU signing ceremony with FIU of Srilanka

Operational Head of the BFIU is giving instructions to the BFIU officials

Analysis/Searching is being conducted in the CTR database regularly

PULL

The analysis team of BFIU is analyzing STR

BFIU officials are working to draft National AML/CFT Strategy paper

In-house Training Session

BFIU official is delivering speech as resource person in CAMS workshop in China.

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BFIU official delivering a presentation in a seminer on revised FATF standerd in Kualalampur in 2012 as a south asian representative of APG Ad-hoc working group.

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