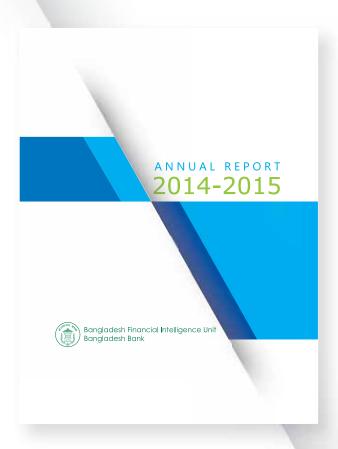
ANNUAL REPORT 2014-2015

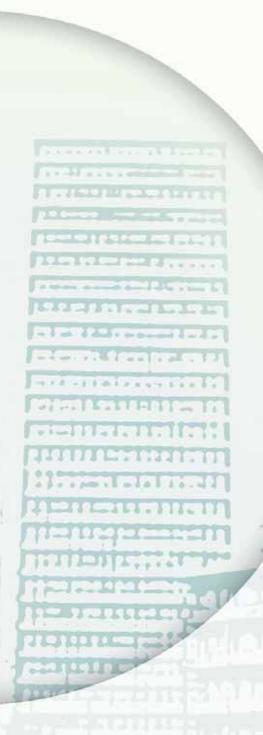


BFIU Annual Report 2014-15





Bangladesh Financial Intelligence Unit Bangladesh Bank



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Message from the governor

I am delighted to know that Bangladesh Financial Intelligence Unit (BFIU) is going to publish the Annual Report of FY 2014-2015. This report is a snapshot of the advancement Bangladesh has made in combating Money Laundering (ML) and Terrorist Financing (TF) with specific focus on BFIU's performance. BFIU is the central agency to fulfill the commitment of Bangladesh in combating Money Laundering and Terrorist Financing. Bangladesh is committed not only to comply with AML & CFT requirements but also to establish herself as a role model in combating ML & TF in the region. As one of the pioneers in establishing legal framework for AML & CFT among the South Asian countries, Bangladesh began her journey towards creating a robust AML & CFT system fulfilling all international requirements. Obtaining Egmont Group membership, signing MoU with Foreign counterparts and sharing intelli-



gence with a number of foreign FIUs Bangladesh has already made steady strides towards ensuring a sure-fire solution to ML & TF menace.

Apart from ensuring legal framework to successfully combat Money Laundering and Terrorist Financing Bangladesh is making all out efforts to ensure effectiveness of the preventive measures through engaging all the concerned agencies and institutions. Taking lessons from the much talked recent financial scams Bangladesh Bank, as central bank of the nation, has established a robust mechanism to effectively supervise all the entities that obtain license from it. Besides formulation of time befitting policies steps have been taken to ensure adequate implementation. Observers from central bank have been appointed to oversee overall activities of some of the banks and financial institutions exposed to recent scams. Integrated Supervision System has been launched for efficient supervision mechanism. To facilitate online foreign exchange transaction monitoring system and curb trade based money laundering Dash Board as well as other required tools has been implemented by the central bank. Steps are also underway to integrate Online Foreign Exchange Transaction Monitoring System of Bangladesh Bank with the software ASYCUDA World used by Bangladesh Customs.

Massive drives were given in the last couple of years to boost financial inclusion to bring the vast majority of the population in the formal financial system paving way for detection and prevention of ML and other financial crimes thwarting informal and underhand transactions. I believe this annual report will successfully give an insight into all major initiatives undertaken in FY 2014-2015.

It is common knowledge here in central bank that BFIU's activities are multidimensional in nature and require multi-agency involvement. Engaging all the related agencies through extraordinary efforts is a mammoth task, and BFIU has been doing this with considerable success, I must say.

I applaud BFIU officials for their rigorous efforts in fulfilling their mission.

Fazle Kabir

Governor Bangladesh Bank

Foreword



Publication of Annual Report of BFIU is not simply fulfilling an obligation rather it brings before us overall achievement Bangladesh accomplishes in combating Money Laundering, Terrorist Financing and related crimes in a fiscal year. This report summarizes the accomplishment for the FY 2014-2015. BFIU is playing key role in fulfilling national obligation in line with international requirements by issuing guidelines and instructions for the reporting entities and also by enforcing and ensuring compliance of all related Acts, Rules and Regulations.

During FY 2014-2015 BFIU emphasized the establishment of a strong system of analysis through online submission of CTR, STR/SAR by the reporting organizations and utilizing goAML software by BFIU Team. Trend of STR/SAR submission increased significantly during 2014-2015. Perceiving increasing importance of strategic

analysis BFIU put more emphasis on conducting strategic analysis. Apart from discharging its role of conducting analysis and policy related activities BFIU worked for ensuring effective coordination among all the relevant ministries and agencies. The Unit ensured a good number of quality intelligence dissemination to different law enforcement agencies in this year and developed an effective mechanism to continue the trend in the coming years as well.

In FY 2014-2015 BFIU was tremendously engaged to face 3rd Round Mutual Evaluation. Preparing and providing detailed data and response on Technical Compliance with FATF 40 recommendations and effectiveness response on 11 Immediate Outcomes on AML & CFT compliance of Bangladesh regime required well crafted coordinated efforts by BFIU and prompt cooperation of all concerned agencies. BFIU, ACC and CID with the assistance of other concerned agencies conducted National Risk Assessment (NRA) under the guidance of National Coordination Committee. BFIU also conducted risk assessment on different sectors in cooperation with relevant stakeholders.

For prevention of money laundering (ML) and combating terrorist financing (TF) and proliferation financing (PF) BFIU, as the central agency of the country, has been maintaining continued engagement with all the international bodies such as APG, Egmont Group, FATF and BIMSTEC to boost international efforts in this arena. Bangladesh actively participated in various international initiatives undertaken by these organizations and other foreign FIUs in this year. Bangladesh was formally endorsed by the APG in September 2014 as the Co-Chair for 2018-2020. Steering Group of APG also approved that APG Annual Meeting, 2016 would be hosted by Bangladesh. Utilizing the opportunities of Egmont Group membership BFIU secured rapid and smooth exchange of information with member countries. It also signed 10 MoU with other foreign FIUs during FY 2014-2015 for information exchange. The Year was indeed a landmark for BFIU in enhancing progress of AML & CFT regime in Bangladesh.

I would like to thank BFIU team for their assiduous efforts in preparing the Annual Report and would extend my heartiest thanks to all relevant agencies fighting against ML, TF and PF offences.

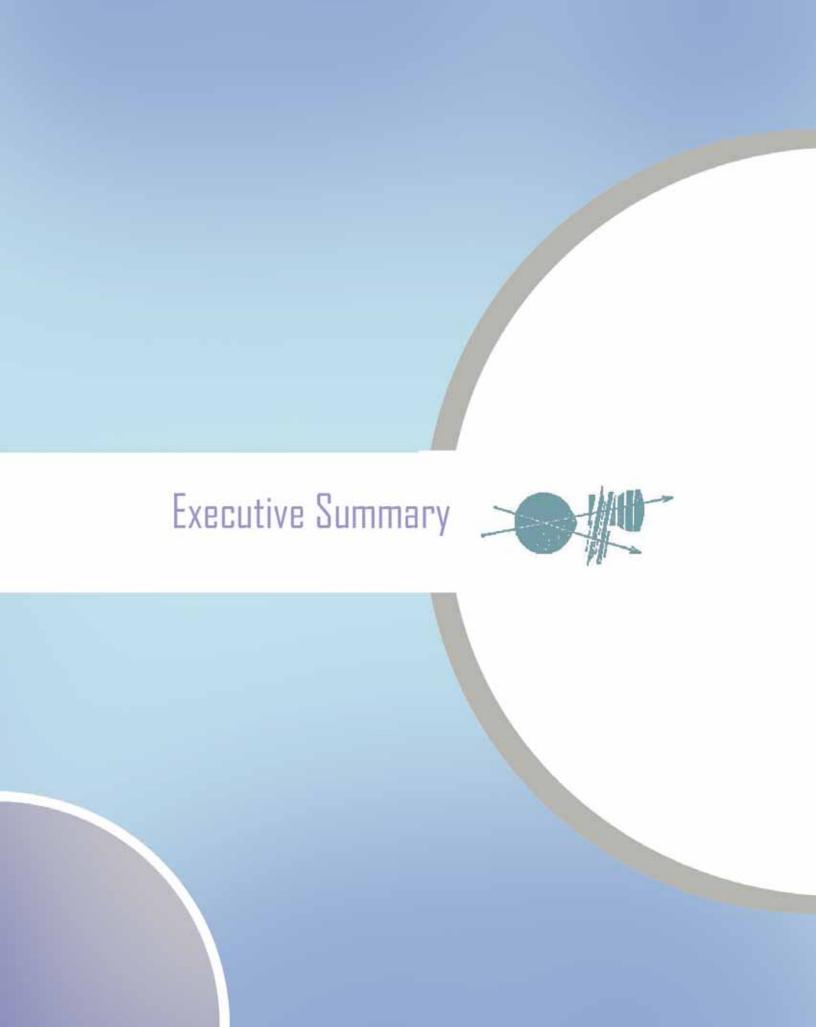
Abu Hena Mohd. Razee HassanDeputy Governor & Head of BFIU
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Executive Summary

With a vision to establish a robust AML and CFT regime in the country and also to become a frontier nation in the region in combating money laundering, terrorist financing and other related crimes, BFIU as a central agency of the country has undertaken a number of seminal steps in FY 2014-15 ranging from policy initiatives, strengthening monitoring and supervision, coordinating National Risk Assessment, enhancing domestic and international cooperation. Global wisdom shows that since banks and non-bank financial institutions are main gateways for money launderers and terrorist financiers, they are most vulnerable to ML & TF risks. BFIU has provided new directions to these two sub-sectors by accomodating global best practices, particularly in line with FATF's latest standards.

In its master circular for banks issued in December 2014 BFIU incorporated international best practices and all the directions given in the previous circulars and circular letters to protect the banking industry from money launderers and terrorist financers. In January 2015 'Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector' was also issued outlining basic ideas of identifying and assessing ML & TF risks that banks may encounter in doing their business. For Financial Institutions also a comprehensive circular was issued in June 2015. In fact in the last two years all the reporting agencies including DNFBPs, NGO/NPOs, capital market intermediaries (CMIs) have been brought under stringent AML & CFT regulations.

Due to policy initiatives, monitoring and supervision and awareness campaign the number of CTR and STR/SAR received by BFIU has significantly increased in the last few years. A gradually increasing trend in the number of CTR and STR/SAR and the transaction volume involved with the reports illustrates the progress in the awareness and advancement in fulfilling legal and social obligations by management and employee of the entities concerned. In FY 2014-15, BFIU has received 36,57,315 CTRs involving BDT 8141707.73 million. The number of CTR is 13.30% higher and the transaction volume involved with CTR is 10.26% higher than that of the FY 2013-14. Compared to 621 STR/SAR of FY 2013-2014 number of STR/SAR BFIU has received from different reporting organizations in FY 2014-15 is 1094 which is 76.17% higher than that of FY 2013-14.

The Unit initiated a number of steps to ensure stringent monitoring and maintain effective onsite and offsite supervision. Increasing number of Head office and branches were brought under checklist inspection. Compared to 14 Head Offices and 67 branches during FY 2013-2014, checklist inspections were conducted in 56 Head Offices and 213 bank branches in FY 2014-15. Checklist inspections on other reporting agencies such as NBFIs, Insurance Companies also rose sharply. 86 Capital Market Intermediaries and 62 Money Changers were brought under on-site inspection during FY 2014-15. To monitor AML & CFT

compliance in the mobile banking business in Bangladesh, BFIU has conducted on-site inspection on 60 MFS providers' head office during 2014-15. BFIU has also conducted 77 special inspections on banks for different purposes during the period. Regulatory penalties were imposed on 15 reporting organizations for breaches of different provisions of the Acts and circulars and for non-compliance detected during on-site inspections. Analysis reveals that 71% of the financial sanction was imposed for failure to ensure due diligence through proper KYC.

Against the backdrop of 3rd round Mutual Evaluation a comprehensive National Risk Assessment (NRA) Report was prepared under the instructions and guidance of National Coordination Committee following both qualitative and quantitative approach. ACC, BFIU and CID played pivotal role in conducting the NRA and the outcomes of the sector-specific risk assessments of banks, non-bank financial institutions, money changers and money remitter, insurance, capital market intermediaries (CMIs), NGO/NPOs and DNFBPs have been taken into account while assessing national ML & TF risks. The NRA identifies human trafficking, illicit drug trafficking, gold smuggling, cross border transaction and illegal smuggling of goods through porous borders as main threats and vulnerabilities. It also identifies cash based economy, inflow and outflow of remittances through informal channel, trade based money laundering as some major risk factors and suggests restructuring investigating agencies with adequate skilled manpower, advanced technologies and separate prosecution and AML & CFT wing, joint task force, access to central AML & CFT database by all relevant coordinating, investigating, prosecutors, supervisory and other agencies, extension and automation of formal financial services to rural areas etc.

As per decision of the 10th NCC meeting National Strategy for preventing Money Laundering and Combating Financing of Terrorism 2015-2017 was formulated by joint efforts of agencies concerned under the leadership of the Head of BFIU. The strategy paper consists of eleven strategies against eleven specific strategic objectives along with expected outcomes, challenges, needed actions, timeframe, budget, supporting legal instruments and responsible agencies to implement the strategies.

In the arena of domestic cooperation BFIU has also achieved landmark progress with active cooperation from all relevant agencies concerned. All the relevant national bodies such as National Coordination Committee, National Committee on the implementation of the UN Security Council Resolutions on Combating Terrorism and Financing of Terrorism, Central and Regional Taskforces for preventing Illegal Hundi Activities, Illicit flow of Fund & Money Laundering, Anti Militants and De-radicalization Committee, Taskforce on strengthening and

coordinating the activities to find out the sources of funds to conduct extremism in the country sat regularly and took various effective initiatives to combat ML, TF & PF through effective interagency cooperation. Despite resource constraints, BFIU played a pivotal role in the national bodies and has facilitated an excellent interagency cooperation. Conviction of criminals in the court of law mostly depends on clear convincing charge sheet and analysis of events and transaction which again rely on clear most intelligence dissemination. In this connection BFIU has made all out efforts to ensure prompt and quality intelligence dissemination. In FY 2014-15, BFIU has disseminated 187 intelligence reports to different law enforcement agencies among which 128 were based on complaints and 59 were based on STRs/SARs. The majority of the complaints and STRs/SARs were disseminated to ACC and CID.

Bangladesh has been maintaining enhanced engagement with all the international bodies such as APGML, Egmont Group, FATF, BIMSTEC and is contributing to boosting international effort to combat ML, TF & PF through expediting smooth exchange of information by BFIU. Bangladesh has formally been endorsed by the APG Membership out-of-session in September 2014 as the Co-Chair for 2018-2020. Furthermore, 2016 APG Annual Meeting is going to be hosted by Bangladesh as approved by steering group of APG. In addition to maintaining cooperation with other FIUs, BFIU also rendered operational intelligence exchange at international level in all possible manners. During 2014-15 BFIU received 17 requests and responded to all the requests promptly. Besides BFIU made 22 requests to the FIUs of different countries. During 2014-15 BFIU has signed MoU with FIUs of 10 countries.

With the passage of time trend and sophistication of financial crime has gone through radical changes and has caused a great havoc to banking and financial sector. The case studies included in the report covering all the notable irregularities detected in the last couple of years show ever changing trend and typology of ML & TF threats.

Bangladesh Financial Intelligence Unit (BFIU) is the central agency of Bangladesh responsible for analyzing Suspicious Transaction Reports (STR), Cash Transaction Reports (CTR) and information related to money laundering (ML) and terrorist financing (TF) received from reporting agencies and other sources and disseminating information/intelligence thereon to relevant law enforcement agencies. BFIU has also been entrusted with the responsibility of exchanging information related to ML and TF with its foreign counterparts. The main objective of BFIU is to establish an effective system for prevention of money laundering, combating financing of terrorism and proliferation of weapons of mass destruction.

FIU of Bangladesh was established in June 2002, in Bangladesh Bank (central bank of Bangladesh) named as 'Anti Money Laundering Department'. To enforce and ensure the operational independence of FIU, Anti Money Laundering Department has been transformed as the BFIU in 25 January, 2012 under the provision of Money Laundering Prevention Act, 2012. The Act has been facilitated and strengthened operational independence of BFIU. The Unit has also achieved the membership of Egmont Group in July, 2013.



Vission

1.1

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

Mission

1.2

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 entities 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 and bolstering detecting and reporting capacities of the reporting entities in different sectors to ensure better compliance;
- Deepening liaisons between BFIU, law enforcement 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 standard.

1.3 Objective

- 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 in 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 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.

1.4 Reporting Organizations of BFIU

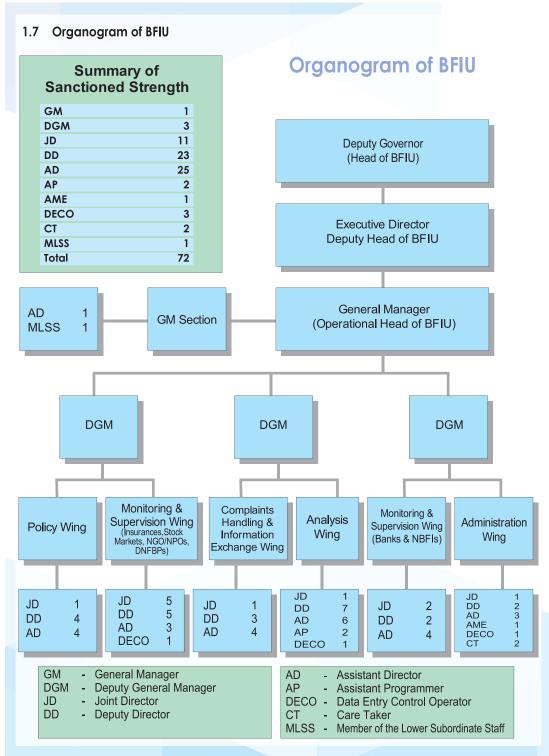
Category of Reporting Organization	Year of Inclusion
Banks Financial Institutions	2002
Insurers Money Changers	2008
Any company or institution which remits or transfers money or money value Any other institution carrying out its business with the approval of Bangladesh Bank	2008
Stock Dealers and Stock Brokers Portfolio Managers and Merchant Bankers Securities Custodians Asset Managers Non-Profit Organizations Non Government Organizations	2010
Cooperative Societies Real Estate Developers Dealers in Precious Metals or Stones Trust and Company Service Providers Lawyers, Notaries, Other Legal Professionals and Accountants	2012

1.5 Regulatory Framework

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

1.6 Functions

- > Receive Suspicious Transaction/Activity Reports (STRs/SARs) from the reporting organizations and Cash Transaction Reports (CTRs) from banks and analyze the same.
- Disseminate ML & TF cases to respective investigating agency for further action.
- Maintain a database of all STRs/SARs, CTRs and related information.
- Issue necessary directions and guidance notes from time to time to reporting organizations to prevent money laundering and terrorist financing activities.
- ➤ Ensure compliance of the respective Acts and Rules/Regulations/Directives issued by this unit through on-site and off-site supervision of the reporting organizations.
- Analyze and examine the complaints received from different sources.
- ➤ Disseminate information related to money laundering or suspicious transaction to ACC and information related to terrorist financing to CID of Bangladesh Police.
- ➤ Monitor the implementation of UNSC Resolutions 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 to the officials of the reporting organizations, investigating authorities, prosecutors, regulatory agencies and other related organizations or institutions.
- > Sign MoU with foreign FlUs to exchange financial intelligence on ML & TF.
- Provide and collect information to/from other FIUs under bilateral arrangements.
- ➤ Cooperate and work together with various international organizations including FATF, APG, World Bank, UNODC regarding AML & CFT issues.
- ➤ Perform secretarial job for National Coordination Committee on AML & CFT (NCC) and take necessary steps to implement the decisions taken in the NCC.
- 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 meeting.
- Arrange regular meeting with ACC, police and other relevant agencies and monitor the implementation of the decisions of the meeting.
- Carry out other related functions to prevent and combat money laundering and terrorist financing activities respectively.
- Create public awareness against ML & TF.





Developments of the AML and CFT Regime

2.1 Regulatory/Supervisory Developments

Money laundering (ML) and terrorist financing (TF) undermine the development of a third world country like Bangladesh. But strong anti money laundering and combating the financing of terrorism (AML & CFT) measures prevent money launderers from abusing financial system. These measures include formulating relevant laws and regulations, issuing directives and other policies. Proper Know Your Customer (KYC) policy, strong Customer Due Diligence (CDD) system along with adequate punitive measures for criminals keep launderers away from the legitimate financial channels.

The Financial Intelligence Units (FIUs) of the respective jurisdictions play the anchor role to combat money laundering, terrorist financing and related offences. In Bangladesh, the FIU i.e., Bangladesh Financial Intelligence Unit (BFIU) is authorized by MLPA, 2012 and ATA, 2009 to issue directives necessary to reporting organizations to prevent money laundering and combating financing of terrorism and proliferation of weapons of mass destruction. BFIU has continued its effort to perform its supervisory role effectively and efficiently and has taken necessary initiatives throughout the FY 2014-15 and issued different circular, circular letters and guidelines for various reporting organizations.

2.1.1 **Banks**

BFIU issued a master circular for the commercial banks in December 2014 incorporating all the directions given in the previous circulars and circular letters. In addition to this, the circular also addressed the issues according to the new methodology of FATF of 2013.

The circular urges all the banks to have their own policy manual that must conform to international standards, laws and regulations in force in Bangladesh and the instructions given by BFIU on preventing money laundering and terrorist financing. According to the directives, every single bank has to have its own customer acceptance policy. In case of politically exposed persons (PEP's), influential persons (IP's) and chief executive of any international organization or any top level official, the bank needs to obtain senior managements' approval before establishing such business relationship and take reasonable measures to establish the source of fund of such account. The bank has to be satisfied about the nature of the business of the correspondent or the respondent bank through collection of information as per the format provided by BFIU. Furthermore, the bank has to develop an effective system to review the accounts based on its magnitude of risk on specific interval; based on the review, Enhanced Due Diligence (EDD) has to be conducted for accounts that are in high risk category. All banks need to preserve necessary information/documents of customer's domestic and foreign transactions for at least 5 (five) years after closing the account. Moreover, instructions for proper compliance with the United Nations Security Council resolutions (UNSCR) have been given through this circular.

BFIU through a circular letter issued 'Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector' in January, 2015. The guideline provides basic ideas of identifying, assessing and mitigating ML & TF risks that banks may encounter in doing their businesses. These risks may arise through/from customers, product and services, business practices or delivery methods and jurisdictions or geographical locations. Bank may also face regulatory risks, i.e., non compliance with the requirements of MLPA - 2012, ATA - 2009 and directives issued by BFIU. In order to address those identified risks banks shall assess the level of risks by blending likelihood and impact of the risks. The guideline should be treated as minimum instructions and indications to identify and assess the risk of ML & TF in their businesses and take effective measures to mitigate the identified risk.

2.1.2 Financial Institutions

BFIU issued a comprehensive circular in June, 2015 for financial institutions working in Bangladesh. According to the circular, all the financial institutions must have their own policy manual that must conform to international standards, laws and regulations in force in Bangladesh and the instructions given by BFIU on preventing money laundering and terrorist financing. Every chief executive of the financial institutions has to announce specific and effective commitments annually on preventing money laundering and terrorist financing to all the officers/employees of all divisions/branches of the organization and give the necessary instructions to fulfill the commitments. Other important instructions include risk based approach, proper compliance of the UNSCRs, record keeping, customer categorization according to risk etc.

To ensure that the financial institutions are free from the risks associated with money laundering and terrorist financing, they have to execute proper Know Your Customer (KYC) procedure. In case of politically exposed persons (PEP's), influential persons (IP's) and chief executive of any international organization or any top level official, the financial institution needs to obtain senior managements' approval before establishing such business relationship and take reasonable measures to establish the source of fund of such account. Every financial institution has to make Suspicious Transaction Report (STR) according to the definition of section 2(z) of MLPA, 2012 and preserve the documents of STR until subsequent instruction given by BFIU.

2.1.3 All Reporting Organizations

BFIU issued a circular letter for all the reporting organizations to circulate the Money Laundering Prevention Rules, 2013 and Anti-Terrorism Rules, 2013. The procedures of complying with the provisions for the reporting organizations of the respective rules have been delineated in the said rules.

Some of the major focuses delineated in the said rules are mentioned below:

Customer Due Diligence (CDD)- Money Laundering Prevention Rules, 2013 suggests that all the reporting organizations have to perform CDD measures when it establishes business relationship with its customers. The rules compelled the reporting organizations to perform enhanced due diligence (EDD) where the money laundering and/or terrorist financing risks are higher according to the risk assessment reports vetted by BFIU.

Compliance with the UNSCRs- Anti-Terrorism Rules, 2013 suggests that all the reporting organizations have to maintain and update the listed individuals and entities in electronic form and regularly run a check at the website of United Nations for updated list. They also need to run regular check on the given parameters, including transactional review, to verify whether individuals or entities listed by the respective UNSCR Committee are holding any funds, financial assets or economic resources or related services or having any form of relationship with them. In the event of a match, they should immediately stop payment or transaction of funds, financial assets or economic resources and report to the BFIU within the next working day with full particulars of the listed and/or the suspected individuals or entities or related or connected individual identities as well as the funds, financial assets or economic resources or related services held by such customer.

Record Keeping- All reporting organizations shall have to maintain all necessary records of all transactions, both domestic and international, for at least 5 (five) years from the date of closing of the account or at least 5 (five) years from the completion of any one-off transaction. The transaction records kept by the reporting organizations should be sufficient to permit reconstruction of individual transactions as the evidence for prosecution of criminal activity.

Special Focus on Designated Non-Financial Businesses and Professions (DNFBP) and Non-Government Organizations (NGO)/Non Profit Organizations (NPO)- Money Laundering Prevention Rules, 2013 has delineated some specific requirements for DNFBP sector and NGO/NPO sector.

2.2 Developments in Domestic Arena

2.2.1 National Risk and Vulnerability Assessment Report

The first ever National ML and TF risk assessment (NRA) of Bangladesh was conducted in 2011-2012 based on the related statistics for the period of 2001 to 2010 by a committee comprising officials from Bangladesh Financial Intelligence Unit, Anti-Corruption Commission and Criminal Investigation Department of Bangladesh Police. Under the auspices of the National Coordination Committee for preventing money laundering and combating financing of terrorism in Bangladesh ACC, BFIU and CID undertook initiatives to conduct a comprehensive NRA.

In the process of preparing the NRA, both qualitative and quantitative approaches were followed while qualitative technique is more emphasized to assess ML and TF risks of the country based on data for the period of 2009-2013. Primary data were mainly collected using various pre-designed templates and sector-specific questionnaire. Major sources of secondary data were previous NRA document, annual reports of BFIU, Bangladesh Bank, Bangladesh Securities and Exchange Commission, Ministry of Home Affairs, Ministry of Law, Justice and Parliamentary Affairs and Department of Narcotics Control. Money laundering and terrorist financing related cases along with various intelligence information are collected from Bangladesh Police, Anti-Corruption Commission, Rapid Action Battalion, Special Branch of Bangladesh Police, CID of Bangladesh Police, Border Guard Bangladesh, Directorate General of Forces Intelligence, National Security Intelligence, and Customs Intelligence & Investigation Directorate. Furthermore, site visits, group discussion and stakeholders' consultation are taken into account to get a comprehensive understanding of ML and TF risks in the country.

The outcomes of sector-specific risk assessment of banks, non-bank financial institutions, money changers and money remitter, insurance, capital market intermediaries, NGO/NPOs and DNFBPs have been taken into account while assessing national ML & TF risks. The cash based economy, inflow and outflow of remittances through informal channel, miss declaration in foreign trade and trade based money laundering were found as few inherent economic factors to be vulnerable for ML & TF. Trade-based money laundering in Bangladesh mainly occurs in the form of over-invoicing and under-invoicing multiple invoicing, over-shipments and under-shipments and falsely described goods and services. The enormous volume of trade flows, which obscures individual transactions and provides abundant opportunity for criminals/criminal organizations to transfer value across borders. Lack of uniform pricing system and database to justify the actual value of the imported or exported goods to identify the under invoicing or over invoicing is another loophole.

Generally banking sector is perceived to be the most vulnerable to AML & CFT threats in Bangladesh. However, all financial institutions are also vulnerable to such threats. Whilst the traditional banking processes offer a vital laundering mechanism, it should be recognized that products and services offered by other types of financial and non-financial sector businesses may also be attractive to the launderers. The sophisticated launderer often involves many other unsuspecting accomplices such as insurance companies, capital/securities market intermediaries, currency exchange houses, gold dealers, real estate dealers, trading companies and others selling high value commodities and luxury goods in Bangladesh.

The report suggests that the solutions for the risk and vulnerabilities are sometimes complex in nature. The legal framework should be restructured; inter-agency cooperation needs to be strengthened to investigate, detect and prevent ML & TF. The investigating agencies must be restructured with adequate skilled manpower, advanced technologies

and separate prosecution wings as well as separate AML & CFT wing. The necessity of a joint task force for AML & CFT investigation has been realized while analyzing the vulner-abilities. All relevant coordinating, investigating, prosecutors, supervisory and other agencies having access to a central AML & CFT database need to be developed to expedite the investigation and coordination activities. The government and other responsible authorities should take steps to enhance ML & TF risk awareness. Formal financial services should also be extended and enhanced to rural areas and automation of financial services also needs to be increased so that this financial transaction can be monitored to prevent/mitigate ML and TF risks in the periphery of the economy.

The core committee has arranged several workshops in finalizations of 2nd NRA report with relevant stakeholders. Through those workshops NRA findings were shared with govt. and private sectors in one hand and on the other hand these sharing stimulated for new ideas and finding that were also incorporated in the 2nd NRA. Later on BFIU has organized three workshops to share the overall findings of 2nd NRA to private and government agencies. Furthermore, the sanitized version of the NRA has already been uploaded in BFIU website for everyone concerned.

2.2.2 National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017

In order to build a robust AML & CFT regime, Bangladesh Government has taken necessary steps to formulate the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017.

As per the decision of 10th NCC meeting, a committee was formed to formulate the strategy paper under the leadership of Mr. Abu Hena Mohd. Razee Hassan, Head of BFIU & Deputy Governor of Bangladesh Bank consisting representatives from Bank and Financial Institutions Division, Ministry of Finance; Legislative and Parliamentary Affairs Division, Ministry of Law, Justice & Parliamentary Affairs; Ministry of Home Affairs; Ministry of Foreign Affairs; National Board of Revenue; Anti Corruption Commission; and Bangladesh Financial Intelligence Unit.

After the successful implementation of the previous strategy paper, this strategy paper is the direct outcome of National ML & TF Risk and Vulnerabilities Assessment Report and gap analysis of Bangladesh's AML & CFT regime against FATF new recommendations. It reaffirms the firm commitment of the government to further strengthen the national AML & CFT regime in Bangladesh. The objectives of this strategy paper is to set a comprehensive medium term target or goal and action agenda in strengthening the capacity of all relevant stakeholders in implementing the provisions of the relevant UN Conventions and Protocols, UN Security Council Resolutions and FATF standards. This strategy paper has been developed in consultation and continued engagement with all relevant ministries, regulators, law enforcement agencies and private sector representatives. National Coordination Committee on AML & CFT has approved National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 in early April of 2015.

The Strategy paper consists of eleven strategies against eleven specific strategic objectives along with expected outcomes, challenges, needed actions, timeframe, budget, supporting legal instruments and responsible agencies to implement the strategies. In fighting against ML, TF & Proliferation Financing (PF) the strategies put proper attention to the root causes of predicate offence, sources of proceeds of crimes and methods and trends of profitable use of those proceeds of crimes having due consideration about rule of law and human rights. Furthermore, the strategy reflects a national commitment to a coordinated and effective effort to fight against money laundering and terrorist financing. In responses to the evolving nature and typology of money laundering and terrorist financing it will be reviewed periodically and corrective measures will be taken accordingly.

2.2.3 NGO/NPO Sector Assessment of Bangladesh

With a view to mitigating the risk of misuse of NPO sector by terrorist organizations, Bangladesh has decided to assess the Terrorist Financing (TF) risk of the NGO/NPO sector including reviewing the effectiveness of the existing regulatory framework for the sector for assessing the robustness of the system in 2014. Previously, an assessment report on the NGO sector regulation of Bangladesh was prepared by NGO Affairs Bureau (NGOAB) in 2008. To conduct the assessment Advisory Committee, Research Supervision Committee and Study Team were formed in May, 2014 with the relevant officials of the NGO Affairs Bureau (NGOAB), Department of Social Services (DSS), Microcredit Regulatory Authority (MRA), Bangladesh Bank and Bangladesh Financial Intelligence Unit (BFIU). The objectives of the assessment were to review the existing regulatory framework of NGO/NPO sector, TF risk assessment and determine strategies to regulate the sector efficiently as well as to implement FATF recommendation-8 efficiently. The research methods include review of the existing laws, regulation of Bangladesh related with NGO/NPO sector, survey and data collection on NGO/NPO monitoring system and consultation with the stakeholders regarding NGO/NPO regulation and TF risk. The following activities of the Assessment have been completed as on June, 2015:

- a) Review of acts, regulations and orders relevant with NGO/NPO sector of Bangladesh;
- b) Literature review;
- c) Data collection from NPO regulatory authorities regarding NGO/NPO supervision methodology;
- d) Data collection from field administration regarding NGO/NPO activities monitoring;
- e) Data collection from field offices of NGOs/NPOs regarding monitoring by local administration and regulatory authorities;
- f) Governance and finance related information collection from top 12 NPOs including perception on TF risk in NGO/NPO sector;
- g) Workshop with NGO/NPO regulatory authorities, Law Enforcement Agencies, intelligence agencies and NGOs/NPOs on TF risk;
- h) A draft report has been prepared based on the analysis, information and opinions collected and send to expert for review.

2.3 Developments in International Arena

2.3.1 Signing of Memorandum of Understanding (MoU)

The signing of MoU will enhance cooperation within the FIUs by sharing and exchanging intelligence and information which are the most important resources to generate leads for a successful case. BFIU has signed 10 Memorandum of Understanding (MoU) during FY 2014-15 with the following FIUs of different countries:

SI no.	Name of FIU	Date of signing
1	BHUTAN	17-Jul-14
2	VIETNAM	22-Jul-14
3	MOROCCO	09-Oct-14
4	BAHRAIN	27-Jan-15
5	BRUNEI-DARUS SALAM	27-Jan-15
6	RUSSIA	09-Jun-15
7	FIJI	09-Jun-15
8	KYRGIZSTAN	09-Jun-15
9	PANAMA	09-Jun-15
10	BARBADOS	12-Jun-15

2.3.2 Co-Chair for Asia Pacific Group on Money Laundering for 2018-2020

Bangladesh is one of the founding members of the Asia/Pacific Group on Money Laundering (APG), consisting of 41 members and a number of international and regional observers. Some of the key international organizations who participate with, and support, the efforts of the APG in the region include the Financial Action Task Force, International Monetary Fund, World Bank, OECD, United Nations Office on Drugs and Crime, Asian Development Bank and the Egmont Group of Financial Intelligence Units. Bangladesh works closely for effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism.

Bangladesh has formally been endorsed by the APG Membership out-of-session in September 2014 as the Co-Chair for 2018-2020. Australia is the permanent co-chair of APG and currently Sri Lanka is the other co-chair for the term 2016-2018. In South Asian region, other than Sri Lanka, India was the co-chair of the group for the term 2010-2012. Bangladesh is hopeful of expediting relationship with the member countries of the group. Furthermore, Bangladesh is going to host the 2016 APG Annual Meeting as approved by the steering group of APG. Bangladesh hosted the 13th APG Typologies Workshop in 2010 and has hosted a number of other APG workshops, and will also host an Annual Meeting during its two-year term as Co-Chair.



Major Initiatives of BFIU in FY 2014 - 15

3.1 CAMLCO Conference of Banks

Bangladesh Financial Intelligence Unit organized Chief Anti Money Laundering Compliance Officers (CAMLCO) Conference-2015 for the compliance officers of all the scheduled banks. The conference aimed at reviewing current year's activities and preparing the work plan for the next year for preventing money laundering and terrorist financing. This program also facilitates different issues with the banks, eg: compliance standard, trend of ML & TF activities, etc. This year the main focus of this conference was the upcoming Mutual Evaluation.

The conference was held during 27–29 March, 2015 in Ocean Paradise, Hotel & Resort at Cox's Bazar. Dr. Atiur Rahman Honorable Governor of Bangladesh Bank inaugurated the three daylong conference on 27th March, 2015. Deputy Head of BFIU and Executive Director of Bangladesh Bank Mr. M. Mahfuzur Rahman was present as a Special Guest on the inaugural session as well as the chief guest of working session. Mr. Muhammad Mijanur Rahman Joddar, Executive Director of Bangladesh Bank, Chittagong addressed as a special Guest. Operational Head of BFIU and General Manger of Bangladesh Bank Mr. Md. Nasiruzzaman presided over the inaugural session. Managing Director of some Commercial Banks, Country Head of Wells Fargo, Financial Sector Specialist of World Bank group were present as Panel Members in the working session. CAMLCOs, Deputy CAMLCOs of commercial banks and officials of BFIU were present in the conference.

In his speech the honorable chief guest Dr. Atiur Rahman declared zero tolerance for preventing money laundering and terrorist financing. He emphasized on experience sharing for detection of suspicious transaction. He also instructed to submit case studies regarding STR to BFIU and instructed it to take necessary steps to publish the case studies. In the conference, AML & CFT related topics were presented by CAMLCOs and Deputy CAMLCOs of some commercial banks. The main key points in the working session were:

- APG Mutual Evaluation on Bangladesh 2015
- Implementation of National Integrity Strategy
- Process to comply with UNSCRs
- Risk Based self assessment
- KYC Procedure
- Combating Terrorism and Terrorist Financing in Bangladesh
- Feedback from BFIU (NRA draft findings, Compliance issues)

Operational head of BFIU Mr. Md. Nasiruzzaman presented a paper on "Implementation of National Integrity strategy". Another presentation on DNFBPs was made by Ms. Priyani Malik, Financial Sector Specialist, World Bank Group.

Main recommendations of the conference were as follows:

- Implement a risk based approach managing ML & TF risk;
- Prepare Risk Assessment Guidelines to identify, assess, manage and mitigate AML & CFT risk;
- AML & CFT related measures of reporting organizations to face the Mutual Evaluation -2015;
- Comply with United Nation Security Council Resolutions;
- Identify suspicious transaction and awareness of the employees of the banks regarding trade based money laundering;
- Compliance status regarding AML & CFT of banks;
- Arrange AML & CFT training program in 13 districts by commercial banks;
- Take necessary measures to implement AML & CFT in their foreign subsidiaries by the banks

3.2 CAMLCO Conference of Financial Institutions (Fls)

Bangladesh Financial Intelligence Unit (BFIU) arranged Chief Anti Money Laundering Compliance Officers (CAMLCO) Conference-2015 for the compliance officers of all the Financial Institutions. The program was held during 29-30 March, 2015 at Ocean Paradise Hotel in Cox's Bazar, Bangladesh. CEOs from 12 Financial Institutions, CAMLCO and Deputy CAMLCO of each Financial Institution were present in the program. Mr. Shitangshu Kumar Sur Chowdhury, Deputy Governor of Bangladesh Bank was present as the Cheif guest on the occasion and urged the Financial Institutions to fulfill compliance requirements on preventing money laundering and combating financing of terrorism strictly. He also urged the Financial Institutions to follow the Know Your Customer (KYC) procedures to keep the FIs free from ML & TF risk, In the opening session Mr. M. Mahfuzur Rahaman, Deputy Head of BFIU; Mr. Mohammad Mizanur Rahman Joarder, Executive Director, Bangladesh Bank Chittagong Office and Mr. M Shah Alam, Genearal Manager, Department of Financial Institution and Market, Bangladesh Bank were present as special quests. The program was presided over by Mr. Md. Nasiruzzaman, Operational Head of BFIU. He mentioned that Bangladesh came out of ICRG process and achieved success in AML & CFT compliance issues as per international standard. He also urged to give utmost attention for upcoming 3rd Mutual Evaluation to maintain this achievement. In the working session of the opening day, Mr. Solaiman Alam, Risk Management Consultant of Wells Fargo delivered his speech on "AML & CFT regime in Southeast Asia". He focused on the regulatory sanctions for non compliance of KYC. He also discussed about Product Risk Classification, Customer Risk Classification, Transaction Monitoring, Sanction Screening and updating FI's website with information that shows awareness on AML & CFT. Deputy CAMLCO of NCC Bank limited Mr. Jagadis Chandra Debnath presented a paper on "AML & CFT Compliance Procedures in Bank". In the 2nd day of the conference the following sessions were conducted by the officials from BFIU and Financial Institutions:

- AML/CFT Regime in Southeast Asia
- Compliance with AML & CFT laws and Consequences;
- KYC & KYE Procedure;
- Implementation of National Integrity Strategy;
- Process of Identifying STR & Reporting;
- Combating Terrorism and Terrorist Financing in Bangladesh;
- Feedback from BFIU (NRA draft findings, Compliance issues)

In addition to the sessions mentioned above, there was a feedback session where Mr. Abul Munim Khan, CAMLCO of Union Capital Limited discussed regarding the future obligations of Fls for AML & CFT compliance and Mr. Mohamad Mahbub Alam, Joint Director of BFIU highlighted the observations found in the on-site inspections. In the conference 14 recommendations were taken. Major recommendations were Fl's obligation for facing upcoming 3rd round Mutual Evaluation, conducting branch level inspection on AML & CFT issues by ICC of Fl, ensuring AML & CFT training for all the officials of Fl, taking initiative to increase identification of suspicious transaction and reporting thereof, ensuring UNSCR and local sanction list screening, following risk based approach, issuance of Master Circular for AML & CFT compliance, uploading own AML & CFT policy, procedure in the Fl's website and update the same time to time, ensuring effective KYE procedure in the Fl.

Finally the participants from Financial Institutions expressed their gratitude for organizing CAMLCO conference and committed to comply with the recommendations of the conference.

3.3 CAMLCO Conference of Capital Market Intermediaries (CMI)

Bangladesh Financial Intelligence Unit (BFIU) arranged Chief Anti Money Laundering Compliance Officers (CAMLCO) Conference-2015 for the compliance officers of all the Capital Market Intermediaries (CMI) on 17 June, 2015 in Chittagong. Mr. Shitangshu Kumar Sur Chowdhury, Deputy Governor of Bangladesh Bank inaugurated the conference as the Chief Guest. Mr. M. Mahfuzur Rahaman, Deputy Head of BFIU & Executive Director of Bangladesh Bank chaired the meeting. High officials from Bangladesh Securities & Exchange Commission (BSEC), Chittagong Stock Exchange Ltd and Bangladesh Bank were present as the special guest. The Deputy General Manager (DGM) of BFIU, Mr. Md. Nazrul Islam delivered welcome speech to the audience.

The Chief Guest in his speech addressed ML & TF as not only the problem of a single country, but also a problem across the globe. He mentioned that ill-gotten money as foreign investment entered the capital market by the strategic and systematic weaknesses of the developing countries for laundering and went out through cash. He urged the stock exchanges and capital market intermediaries to play an effective role to prevent money laundering through the capital market of Bangladesh. The special guests urged the capital market intermediaries to follow the circulars and guideline issued by BFIU in order to prevent money laundering and financing of terrorism.

In the working session of the conference, following sessions were conducted:

- Role of BSEC in monitoring and supervision of AML & CFT;
- Challenges in implementing AML & CFT measures in capital market intermediaries;
- Compliance requirements for capital market intermediaries as per MLPA, 2012 and ATA, 2009;
- Mutual Evaluation: Relevance with capital market intermediaries;
- Introduction of Risk Based Approach & Implementation of UNSCR.

3.4 Capacity Building Initiatives for DNFBP sector

Designated Non-financial Businesses and Professions (DNFBPs), include Real Estate agents, dealers of precious metals and precious stones, accountants, lawyers and trust and company service providers. The DNFBPs are attractive venues for criminals. DNFBPs are consistently targeted by criminals for criminal influence and criminal exploitation. Criminals attempt to penetrate or influence both the financial industries and DNFBPs to facilitate theft, fraud, money laundering and other crimes. Thus, the risks related to this sector lie in the potential misuse for ML & TF. Taking into cognizance these risks, necessary measures have been adopted to prevent the misuse of non-financial businesses and professions for ML & TF.

BFIU issued Guidelines on Prevention of Money laundering & Combating Financing of Terrorism for Designated Non- Financial Businesses and Professions on 29 Oct 2013. This guideline is designed to assist accountants, lawyers, real estate developers, dealers in precious metals and stones and trust and company service providers (as referred to as Reporting Organization in section 2 (w) of Money Laundering Prevention Act, 2012), and their employees to gain a better understanding of Money laundering and terrorist financing, Suspicious Transaction Reporting and Suspicious Activity indicators, Complete Compliance Program including Customer Due Diligence and International Regulatory Standards.

BFIU has arranged several workshops to make the staffs of this sector aware of the issues related to money laundering & terrorist financing. With the help of World Bank, the AML & CFT risk assessment of this sector is going on and BFIU developed a compliance ques

tionnaire to initiate a pilot project for off-site supervision of the sector more effectively. The plan for on-site inspection of DNFBPs is under active consideration of BFIU.

3.5 Implementation of Automated Screening Mechanism of relevant UNSCRs in Banking sector

Anti-Terrorism Rules, 2013 suggests that all the reporting organizations have to maintain and update the listed individuals and entities in electronic form and regularly run a check at the website of United Nations for updated list. They also need to run regular check on the given parameters, including transactional review, to verify whether individuals or entities listed by the respective UNSCR Committee are holding any funds, financial assets or economic resources or related services or having any form of relationship with them.

BFIU has given necessary instructions to all the scheduled banks to implement automated screening mechanism that could prohibit any listed individuals or entities to enter into the banking channel. The banks have been advised to establish such a mechanism so that they could detect any listed individuals or entities prior to establish any relationship with them. In particular, banks need to emphasize on account opening and any kind of foreign exchange transaction through an automated screening mechanism so that any listed individuals or entities could not use the formal financial channel. In a word, bank shall ensure that screening has done before-

- establishing any international relationship or transaction;
- opening any account or establishing relationship domestically.

All the scheduled banks have successfully implemented the instructions from BFIU through either the procurement of sanction screening software or the development of own sanction screening software which was commensurate with them.

BFIU is working closely with other Reporting Organizations (ROs) to implement the automated screening mechanism and expecting that other ROs shall come under the purview of the automated screening mechanism with the effective guidance of BFIU.



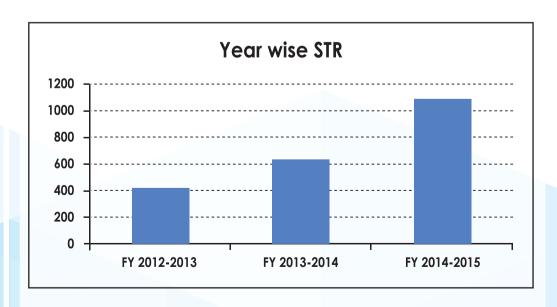
Intelligence Management

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

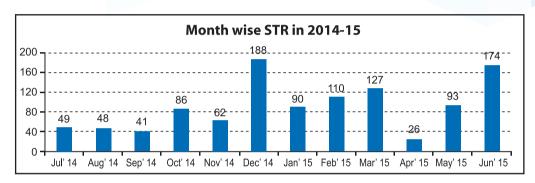
4.1 Suspicious Transaction Report (STR)/Suspicious Activity Report (SAR)

The reporting organizations, under the provisions of section 25(1)(d) of the MLPA-2012 and section 16(1) of the ATA-2009, are obliged to submit STRs/SARs to BFIU. A reasonable number of STR/SAR is one of the indicators of the existence of a strong AML & CFT regime. Suspicious transaction or suspicious activity reporting system is also an effort to protect the reporting organizations from being abused by the money launderers and terrorist financers, and it also ensures the soundness of the AML & CFT program of that organizations.

The number of STR/SAR received by BFIU has significantly increased in the last few years. In FY 2014-15, BFIU has received 1094 STRs/SARs from different reporting organizations. This number is 76.17% higher than that of FY 2013-14.



Almost 91 STRs, on an average, were received in each month of FY 2014-15. The highest number of STRs was received in the month of December, 2014 followed by June, 2015. On the other hand, the number of STR received in April, 2015 was the lowest. The number of STR received in December of 2014, and February, March, May and June of 2015 was higher than the average benchmark.



4.1.1 STR/SAR from each reporting organization

Banks constitute the largest financial sector in Bangladesh. The 2nd National Risk Assessment on ML & TF reveals that the banking sector bears the highest risk of money laundering and terrorist financing due to its wide range of products involving monetary transactions. This is why banks are considered as the primary and premier reporting organizations and the majority of the STRs are received from banking sector. In FY 2014-15, BFIU has received 856 STRs (which is 78.24% of the total STRs) from different banks.

Although the number of STRs received from banks increased gradually over the last few years, the contribution of banks in submission of STR has declined from 97.71% (in FY 2013-14) to 78.24% (in FY 2014-15). Conversely, the percentage of STRs received from other than banking sector has increased from 2.09% to 21.76% during the corresponding period. BFIU's initiatives to raise awareness among the reporting organizations to submit STR played significant role for this change.

4.1.2 STRs/SARs from different categories of banks

Banking sector in Bangladesh is categorized into five groups, namely state owned commercial bank, state owned specialized bank, private commercial bank, foreign bank and islamic bank. Foreign banks, although lowest in terms of coverage and branch number, submitted highest number of STR (463) in FY 2014-15. The number of STRs submitted by different bank groups, except the specialized bank which did not submit any STR, has increased in FY 2014-15 as compared to those of the previous year.

The contribution (as percentage of STR received from banks) of foreign banks and private commercial banks in submitting the STR has fallen in FY 2014-15 as compared to the previous year, whereas the contribution of Islamic banks has increased significantly. Contributions of submitting the STRs from foreign banks, private commercial banks and islamic banks were 54.09%, 28.27% and 16.94% respectively of the 856 STRs received from them during FY 2014-15, whereas these percentages were 59.87%, 33.06% and 6.91% respectively in FY 2013-14.

Reporting Organization	2012-13	%	2013-14	%	2014-15	%
State Owned Commercial Bar	nk 0	0.00%	1	0.16%	6	0.70%
Specialized Bank	8	1.94%	0	0.00%	0	0.00%
Private Commercial Bank	212	51.33%	201	33.06%	242	28.27%
Foreign Bank	177	42.86%	364	59.87%	463	54.09%
Islamic Bank	16	3.87%	42	6.91%	145	16.94%
Total	413	100%	608	100%	856	100%

4.1.3 STRs/SARs by Geographical Location (by Division)

Bangladesh is administratively divided into seven divisions. The majority of the STRs are received from two divisions- Dhaka and Chittagong. In FY 2014-15, 800 STRs, out of 1094, were received from different branches of reporting organizations located in Dhaka, whereas 200 STRs were received from Chittagong. The share of the remaining five divisions was only 8.59% of the STRs indicating their marginal contribution.

Division	2013-2014	%	2014-15	%
Dhaka	451	72.62%	800	73.13%
Chittagong	97	15.62%	200	18.28%
Rajshahi	14	2.25%	13	1.19%
Rangpur	8	1.29%	2	0.18%
Khulna	31	4.99%	17	1.55%
Barisal	0	0.00%	12	1.10%
Sylhet	20	3.22%	50	4.57%
Total	621	100.00%	1094	100.00%

4.1.4 STRs/SARs by Account Type

In FY 2014-15, the highest numbers of STRs (515) were linked to savings bank account, followed by current account (267). The mobile banking account was the third highest (62) category among the submitted STRs.

Account Type	No. of STR/SAR	%
Current Account	267	24.41%
Fixed Deposit Receipt	23	2.10%
Margin	69	6.31%
Mobile Banking Account	62	5.67%
Non-Margin	58	5.30%
Savings Account	515	47.07%
Others	100	9.14%
Total	1094	100.00%

Rearranging the accounts in terms of person or entity, it is observed that 187 STRs were in the category of entity account while 907 STRs were in the category of personal account.

4.2 Complaints received by BFIU

BFIU looks into the allegations or complaints relating to ML & TF offences from individuals and various organizations. The BFIU analysts collect information relating to the complaint, analyze it and try to find out evidence for the complaint received. If any evidence of ML & TF is found, the case is disseminated to the competent authority for further investigation. BFIU has received 388 complaints from different sources in FY 2014-15, which is 44.8% higher than the previous year.

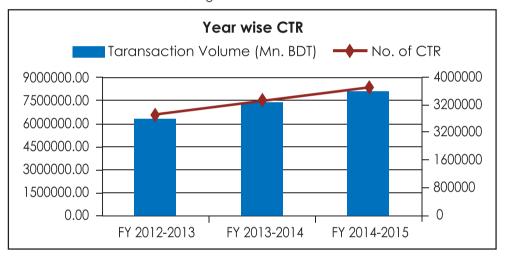
Source/ Sender Org.	FY 2013-2014	FY 2014-2015
General Public	14	36
ACC	40	53
CID	32	26
Media	8	5
Others	174	268
Total	268	388

4.3 Cash Transaction Report (CTR)

Section 23(1)(a) of the MLPA-2012 has empowered BFIU to analyze the Cash Transaction Report (CTR) received from the reporting organizations. BFIU has instructed Banks and Non Bank Financial Institutions (NBFIs) to submit CTR. For both banks and NBFIs, BFIU has defined CTR as any kind of cash deposit or withdrawal of BDT 10.00 lac (1.00 million) or

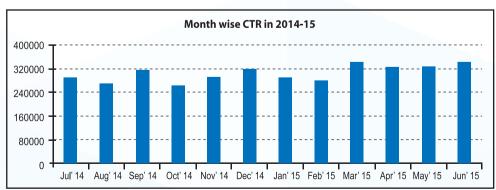
more (or foreign currency of equivalent value) through one or more transactions in an account in a single day. The CTR has to be submitted to BFIU on monthly basis. The information contained in the CTR is preserved in the database to be used for analysis of STR/SAR and complaints, off-site supervision and other purposes relevant to AML & CFT issues.

The statistics show a gradual increasing trend in the number of CTRs, and also the transaction volume involved with CTR. In FY 2014-15, BFIU has received 36,57,315 CTRs involving BDT 8141707.73 million from banks. The number of CTR is 13.30% higher and the transaction volume involved with CTR is 10.26% higher than that in the FY 2013-14.



On average 304776 CTRs were received in each month of FY 2014-15. The highest number of CTR was recorded in the month of June, 2015 and on the other hand, the lowest number of CTR was recorded in October, 2014.

The number of received CTRs fluctuated throughout the FY 2014-15. The number of CTRs in the last four months (March to June, 2015) of FY 2014-15 was more stable than the previous eight months (July, 2014 to February, 2015). The number of CTRs in these four months as well as September and December of 2014 was above the average benchmark.



4.3.1 CTRs from different categories of banks

The private commercial banks submitted the highest number of the CTRs in FY 2014-15, followed by Islamic banks. Their contribution to the CTRs was 70.59% and 22.14% respectively, whereas foreign banks contributed 2.06% and State owned banks contributed 5.22% to the CTRs.

The number of CTRs received from different categories of banks, except the foreign banks, has increased in FY 2014-15 as compared to that of the previous year. For the state owned commercial banks and the specialized banks, the increasing rates of CTR submission were significant as they were 32.9% and 57.8% respectively.

Category wise Bank	FY 2013-14	%	FY 2014-15	%
Specialized Bank	3619	0.11%	5711	0.16%
State Owned Commercial Bank	139234	4.31%	185102	5.06%
Private Commercial Bank	2329667	72.17%	2581632	70.59%
Foreign Bank	88378	2.74%	75317	2.06%
Islamic Bank	666981	20.66%	809553	22.14%
Total	3227879	100.00%	3657315	100.00%

4.3.2 CTRs by Transaction Type

Five types of transactions e.g., cash deposit, cash remittance; cash withdrawal, online deposit and online withdrawal are prevalent in the CTR. In FY 2014-15, the highest number of transaction occurred through cash withdrawals (41.88%), followed by cash deposits (40.63%) and online deposits (12.64%). The online deposit and withdrawal in FY 2014-15 increased more rapidly than cash deposit and withdrawal, as compared to previous year.

Transaction Type	FY 2013-14	FY 2014-15	Change (%)
Cash Withdrawal	1382354	1531607	10.80%
Cash Deposit	1340178	1485904	10.87%
Online Deposit	368108	462364	25.61%
Online Withdrawal	107453	137720	28.17%
Cash Remittance	16906	21689	28.29%
Others	12880	18031	39.99%

4.3.3 CTRs by Account Type

Five categories of accounts— Cash Credit (Hypo), Current Account, Fixed Deposit, Savings Account and SND Account significantly contributed to the CTRs in FY 2014-15. The highest numbers (64.72%) of the CTRs were linked to current account, followed by SND account (9.49%) and savings account (8.31%). The CTR involving all types of account, except the fixed deposit account, increased in the FY 2014-15.

Account Type	FY 2013-14	FY 2014-15	Change (%)
Fixed Deposit	79398	69293	-12.73%
Cash Credit (Hypo)	96083	107696	12.09%
Savings Account	268365	303812	13.21%
SND Account	309121	346990	12.25%
Current Account	2081998	2366971	13.69%
Others	392914	462553	17.72%

4.3.4 CTRs by Geographical Location (by Division)

The number of CTRs in terms of seven geographic locations (Dhaka, Chittagong, Khulna, Barisal, Sylhet, Rajshahi and Rangpur) reveals that the highest number of CTRs was received from Dhaka (2229929) in FY 2014-15, followed by Chittagong (600948).

Division	2013-2014	2014-2015	Change (%)
Dhaka	1984200	2229929	12.38%
Chittagong	533221	600948	12.70%
Rajshahi and Rangpur	352266	423152	20.12%
Khulna	225428	259646	15.18%
Barisal	52613	60863	15.68%
Sylhet	80151	82778	3.28%

4.4 Dissemination of Intelligence

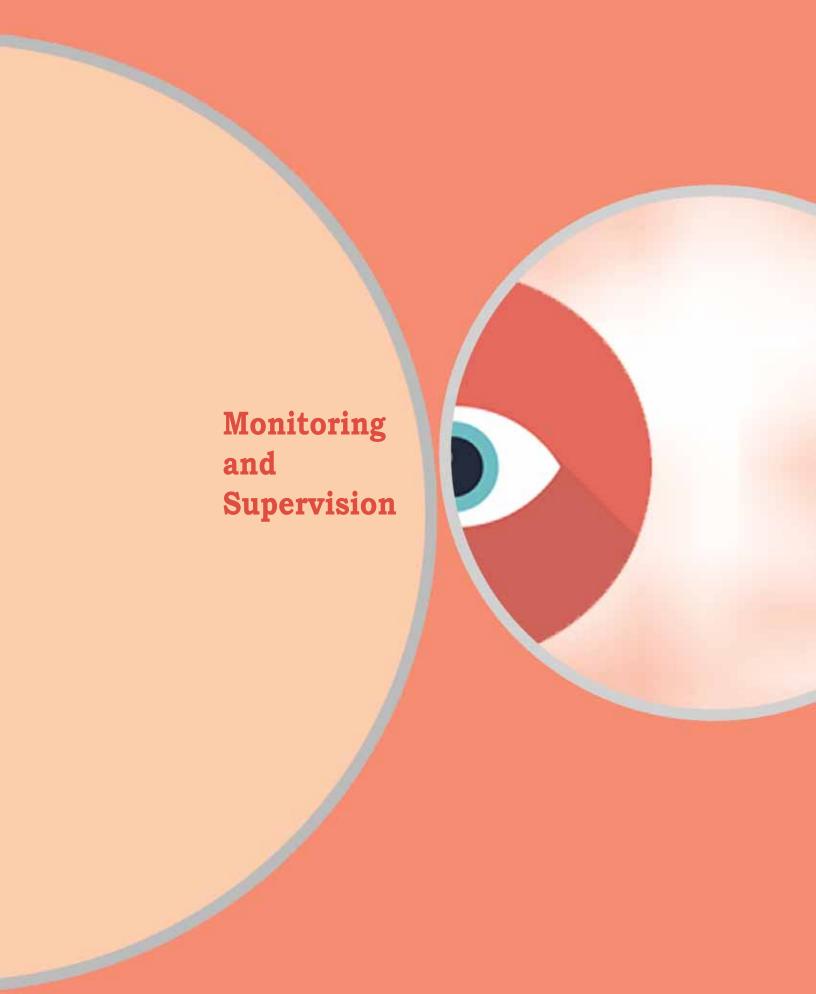
As per section 23(2) of the MLPA-2012, BFIU, on the basis of request by any investigation agency, provides ML or suspicious transaction related information. Besides, BFIU, as per section 15(2) of the ATA-2009, provides information regarding TF or suspicious transaction to Police and other law enforcement agencies, as well as extend cooperation to them for the investigation of such cases. BFIU is also authorized to spontaneously provide information relating to ML & TF to law enforcement agencies as per section 24(3) of the MLPA-2012. The MLPA-2012 and ATA-2009 have empowered BFIU to analyze CTR and STR/SAR received from reporting organizations and collect additional information for the purpose of analysis. After analyzing the CTR and STR/SAR, if it is assumed that there is any element of ML & TF or related predicate offence, BFIU proactively disseminates those cases to ACC, CID or other law enforcement/investigation agencies.

In FY 2014-15, BFIU has disseminated 187 intelligence reports to different law enforcement agencies among which 128 were based on complaints and 59 were based on STRs/SARs. The majority of the complaints and STRs/SARs were disseminated to ACC and CID.

Name of Agency	No. of Complaints Disseminated	No. of STR/SAR Disseminated
ACC	33	11
CID	29	34
Bangladesh Police	5	-
Bangladesh Bank	15	1
Ministry	4	12
NBR	-	1
Others	42	-
Total	128	59

The majority of the intelligence reports based on complaints and STRs/SARs that were disseminated to different agencies for next course of action were related to kidnapping (19.25%), fraud (10.16%), human trafficking (9.63%), corruption (8.56%) and murder (8.56%).

Predicate Offence	No. of Complaints Disseminated	No. of STR Disseminated
Fraud	13	6
Corruption	16	-
Currency smuggling, hundi or	8	1
illegal money remitting		
Bribery	2	-
Financing in Terrorism	10	-
Murder	1	15
Over/Under Invoicing	1	-
Illegal trade in narcotic drugs	9	2
Illegal Asset Accumulation	2	-
Forgery	13	-
Kidnapping	7	29
Human Trafficking	16	2
Tax related offences		1
Others	30	3
Total	128	59



Monitoring and Supervision

BFIU is empowered under section 23(1)(e) of the MLPA-2012 and section 15(1)(c) and (e) of the ATA-2009 to supervise the activities of the reporting organizations (ROs) and carry out on-site inspections. As part of its surveillance program, BFIU carries out on-site and offsite supervision of the AML & CFT activities of the reporting organizations.

The BFIU has chosen to adopt a risk-based approach to supervise the ROs more effectively and to show adherence to FATF recommendation-1. As such, in FY 2014-15 supervisory activities were focused on sectors and entities that are most vulnerable to money laundering or terrorist financing and/or are at highest risk of being non-compliant with legislative and regulatory requirements. While implementing risk based approach BFIU took account of a number of risk factors faced by ROs including sectoral, client, geographic, delivery channel or services/product risks. In order to identify the important risks faced by ROs and to better mitigate the risks by choosing the appropriate response to correct compliance deficiencies and better plan and prioritize supervisory programs BFIU considered the following four (4) different types of risk assessments:

- National risk assessment;
- Sectoral risk assessment;
- Risk assessment of the ROs by the supervisory body (e.g., BFIU); and
- Risk assessment prepared by the RO (about its customers, products/services, countries and geographic areas, and distribution channels).

5.1 BFIU's mechanism to monitor and supervise the AML/CFT compliance:

The BFIU's AML/CFT supervisory program is a continuous process divided into four (4) steps. At each step, more detailed information is collected about the RO and its potential risks of ML/FT and non-compliance. These four (4) steps are:

- 1) Off-Site Supervision;
- 2) On-site inspections
- 3) Corrective actions; and
- 4) Follow-Up.

5.2 Off-site Supervision

Off-site Supervision involves a variety of surveillance methods including desk-based activity using both quantitative and qualitative information available to the authorized person with respect to individual ROs. Conducting Such desk-based analysis BFIU gets a solid foundation for developing a risk-based approach for onsite inspection, especially for planning the onsite inspection cycles and for the allocation of supervisory resources. Off-site monitoring is comprises of two principal activities: conducting a risk assessment of the RO's ML/FT and non-compliance risks and assessing key documents including compliance questionnaires, documents prepared by the RO as instructed by BFIU, AML/CFT Internal Audit and Independent Testing Reporting (ITP) Form, Suspicious Transaction Reports (STR) and Cash Transaction Reports (CTR) and other documents and information.

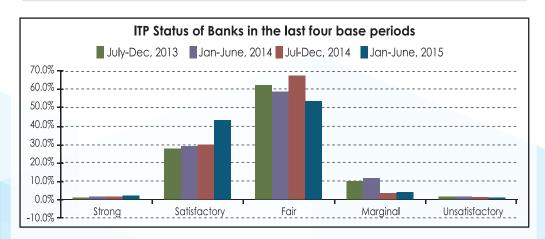
5.2.1 Offsite Supervision for banks:

Each and every bank branch is obliged to prepare a Self Assessment Report based on a check list twice a year and send it to the Internal Audit Department and Central Compliance Unit (CCU) of head office. Moreover, the Internal Control Department, while inspecting the branches as its regular program, will prepare a report on the status of prevention of ML & TF system of the branches and award the rating to the branches. This process is termed as the Independent Testing Procedures (ITP). The Internal Control Department will send the report regarding ITP to the CCU. Then the CCU will evaluate the two reports (self assessment and ITP) to prepare a check list based biannual evaluation report.

The ITP results of the last four base periods (July-December, 2013 to January-June, 2015) shows that 'Strong' and 'Satisfactory' status of the banks have increased gradually, whereas 'Fair', 'Marginal' and 'Unsatisfactory' status show decreasing tendency .

Table: Status of Banks under ITP in the previous four base periods

Base Period	Strong	Satisfactory	Fair	Marginal	Unsatisfactory	No of Br.
Jul-Dec, 2013	23	917	2102	309	39	3390
	0.7%	27.1%	62.0%	9.1%	1.2%	100%
Jan-Jun, 2014	41	1100	2211	419	40	3811
	1.1%	28.9%	58.0%	11.0%	1.0%	100%
Jul-Dec, 2014	39	1043	2391	102	3	3578
	1.1%	29.2%	66.8%	2.9%	0.1%	100%
Jan-Jun, 2015	48	1664	2074	123	2	3911
	1.2%	42.5%	53.0%	3.1%	0.1%	100%



BFIU also conducts off-site supervision on NBIs, Insurance Companies, Money Changers, Money Remitters and Capital Market Intermediaries through different procedures.

5.3 Onsite Supervision

5.3.1 Preparing annual on-site inspection plan

The BFIU prepares an annual on-site inspection plan. Basically two types of onsite supervision e.g., system check inspection and special inspection are carried out by BFIU.

5.3.2 System Check Inspections

AML & CFT system check inspections are conducted on half yearly basis to oversee the compliance of the provisions under MLPA-2012 and ATA-2009 and the instructions contained in the circulars issued by BFIU. AML & CFT risk management procedures of the reporting organizations are also examined during the inspection.

Based on the findings of the system check inspection, the reporting organizations are awarded a rating (Unsatisfactory, Marginal, Fair, Satisfactory or Strong) combining ratings of their head offices and branches.

5.3.2.1 System Check Inspections on Banks

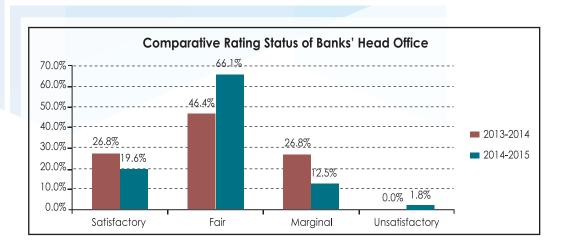
BFIU has conducted system check inspection on head offices of all the banks during FY 2014-15. In the same period, BFIU inspected 213 bank branches throughout the country. The number of inspections has increased to a large extent as compared to that of the previous year because of its stringent monitoring.

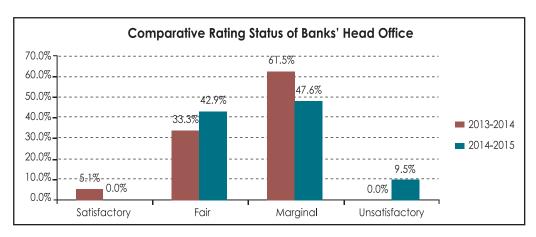
Table: Statistics of Bank inspection (Head office and Branches)

FY	Head Office	Branches
2013-2014	14	67
2014-2015	56	213

The results of the system check inspection of the FY 2013-14 and FY 2014-15 reveal that no head office or branch of any bank got 'Strong' rating, whereas the majority of them got 'Fair' and 'Marginal'. For both the head office and branches of different banks, the 'Satisfactory' and 'Marginal' rating have decreased in FY 2014-15 as compared to those in FY 2013-14, whereas 'Fair' and 'Unsatisfactory' rating have increased.

In FY 2014-15, the head offices got more 'Satisfactory' and 'Fair' rating (19.6% and 66.1% respectively) than branch offices (0% and 42.9% respectively). On the other hand, the branch offices got more 'Marginal' and 'Unsatisfactory' rating (47.6% and 9.5% respectively) than head offices (12.5% and 1.8% respectively).





In FY 2014-15, the system check inspection of different banks (both head office and branches), covered six administrative divisions out of seven— Dhaka (56.52%), Chittagong (15.22%), Khulna (8.70%), Rajshahi (8.70%), Sylhet (6.25%) and Barisal (4.35%). 5.3.2.2 System Check Inspections of NBFIs

BFIU has conducted system check inspection on 21 head offices of NBFI and their 22 branches throughout the country. The number of inspections of head offices falls to some extent as compared to that of the previous year, whereas the number of inspections of branches has increased significantly.

Table: Statistics of NBFI inspection (Head office and Branches)

FY	Head Office	Branches
2013-2014	24	9
2014-2015	21	22

In FY 2014-15, the system check inspection of different banks (both head office and branches), covered six administrative divisions out of seven— Dhaka (56.52%), Chittagong (15.22%), Khulna (8.70%), Rajshahi (8.70%), Sylhet (6.25%) and Barisal (4.35%).

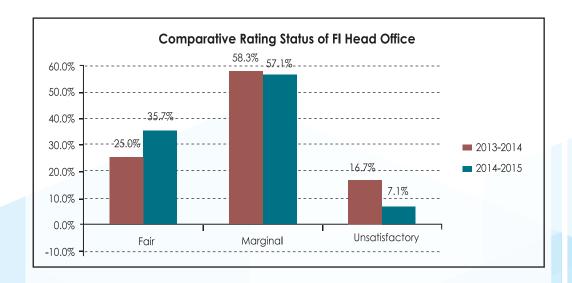
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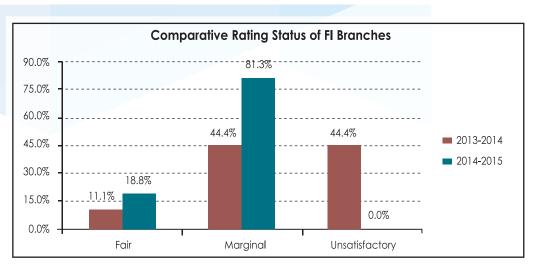
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Table: Statistics of NBFI inspection (Head office and Branches)

FY	Head Office	Branches
2013-2014	24	9
2014-2015	21	22

The system check inspection result of the FY 2014-15 reveals that 35.7% of the NBFI head offices got 'Fair' rating, 57.1% got 'Marginal' and 7.1% got 'Unsatisfactory'. On the other hand, 18.8% of the NBFI branches got 'Fair' rating and 81.3% got 'Marginal' (no branches got 'Unsatisfactory').





In FY 2014-15, The system check inspection of NBFIs (both head office and branches), covered six administrative divisions out of seven — Dhaka (58.1%), Sylhet (14%), Chittagong (9.3%), Khulna (11.7%), Rajshahi (4.7%), and Rangpur (2.3%).

5.3.2.3 On-site Inspections of other reporting organizations

A) Insurance Companies:

Insurance Development and Regulatory Authority (IDRA) is the regulatory authority for the insurance companies in Bangladesh. BFIU, in cooperation with IDRA, monitors the AML & CFT activities of the insurance companies.

BFIU has conducted on-site inspection on 69 head offices of insurances companies (both life insurance and general insurance) and their 30 branches during FY 2014-15. The number of inspection has increased significantly in both head offices and branches as compared to that of the previous year.

Table: Statistics of inspection of Insurance Companies (Head office and Branches)

FY	Head (Head Office		hes
	Life Ins.	Gen. Ins.	Life Ins.	Gen. Ins.
2013-2014	25	26	16	
2014-2015	24	45	15	15

B) Capital Market Intermediaries (CMI):

Bangladesh Securities and Exchange Commission (BSEC) is the regulatory authority for the capital market of Bangladesh which comprises Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). BFIU closely works with BSEC, DSE and CSE to monitor the AML & CFT activities of the capital market intermediaries.

BFIU has conducted on-site inspection on 86 capital market intermediaries (head office) located in Dhaka (71 inspections), Chittagong (12 inspections) and Sylhet (3 inspections) during FY 2014-15.

C) Money Changer

BFIU has issued guidance notes on prevention of money laundering and combating financing of terrorism for money changers in 2011. To monitor the activities of money changers and ensure their AML & CFT compliance, BFIU has conducted onsite inspection on 62 money changers during FY 2014-15.

D) Mobile Financial Service Providers (Money Remitter)

Mobile Financial Service (MFS) sector has grown rapidly in Bangladesh due to its fast and cost effective transaction even to the remote area of Bangladesh, and easy access to modern banking services for the unbanked people. To monitor the AML & CFT issues in the mobile banking business in Bangladesh, BFIU has conducted onsite inspection on 60 MFS providers' (head offices and agents) during FY 2014-15.

5.3.3 Special Inspection

A reporting organization is brought under special inspection, if it gets lower rating repeatedly in the system check inspection or is detected to have any irregularity in the compliance during the system check inspection.

Some special inspections are carried out by BFIU to examine whether the banks are submitting STRs/CTRs and Non-Bank Financial Institutions (NBFIs) are submitting STRs, which they are obliged to do, properly, accurately and regularly. The NBFIs started to submitting CTRs since July, 2015. Special inspections on the compliance of submitting CTRs/STRs are conducted as and when required. The branches of the banks and NBFIs for conducting inspection are selected based on the volume of transaction, operational importance, location etc. Special inspections are also conducted for further analysis of some STRs/SARs.

In addition to this, BFIU conducts special inspections to look into the allegations and complaints received from individual, media and different organizations, and intelligence report obtained from law enforcement agencies, intelligence agencies and stakeholders.

BFIU has conducted 77 special inspections on banks (2 head offices and 75 branches) during FY 2014-15 for different purposes.

5.4 Sanction Imposed

BFIU has imposed fine (total BDT 69.00 lac) on 15 reporting organizations for violation of the provisions of the respective laws and/or BFIU instruction and for non-compliance detected during the on-site inspection in the FY 2014-15. 14 banks were imposed fine of BDT 68.00 lac and 1 NBFI was fined BDT 1.00 lac. Analyzing the reason for penalty, it is found that 71% of the total financial sanction was imposed on 10 banks for non-compliance of KYC.

Table: Fine Imposed on Reporting Organizations

Reason	Fine (Lac BDT)
Non compliance of KYC	49.00
Providing wrong information	2.00
Non response to explanation asked by BFIU	2.00
Violation of BFIU instruction	6.00
Non submission of STR	9.00
Not to submit CTR properly	1.00

Domestic Cooperation



Domestic Cooperation

Introduction:

To strengthen country's AML & CFT regime numerous steps were taken to facilitate domestic cooperation in line with national statutes and international best practices. Institutional framework as well as operational mechanism was established in a manner so as to ensure reflection of high level commitment in the overall activities of all agencies concerned.

6.1 National Coordination Committee

National Coordination Committee (NCC) is the apex body to formulate policies and procedures to prevent money laundering and terrorist financing in Bangladesh. The committee is headed by the honorable Finance Minister and the Deputy Governor & head of BFIU is the member secretary of the committee. The committee met twice in FY 2014-15 and made some important recommendations.

The prevailing Money Laundering Prevention Act, 2012 empowers the Anti Corruption Commission (ACC) solely to investigate and lodge cases before the court under the provisions of the said Act. However, any investigating agency can investigate and lodge cases before the court taking approval from ACC. The process of taking permission from other agency hinders other investigating agencies in lodging cases before the court under this Act. The situation needs to be resolved and the issue was discussed in the 13th meeting of the committee. The committee decided to further review the relevant section regarding investigation and to take final decision at the next meeting. The committee also decided that the inclusion of 'Smuggling of Migrant' as predicate offence under MLPA, 2012 would not be the right decision for the time being. Ministry of Foreign Affairs (MoFA) was requested to review the issue and to send its comments to Bank & Financial Institutions Division (BFID). The committee decided to amend the Section 17 of MLPA, 2012 regarding corresponding value of the confiscated property according to the FATF recommendations. The committee also permitted BFIU to include the provision of 'Influential Persons' in lieu of Domestic 'Politically Exposed Persons' in their circulars to meet the FATF recommendations. The committee also decided to request the Ministry of Commerce to include the provision of collecting information of Beneficial owner, Fit & proper test, Bearer Share and Bearer Share Warrant of a company in the existing Company Act. The committee in its 14th meeting took decision to amend the investigation and prosecution related provisions of Money laundering Prevention Act, 2012. The committee also decided to request the Ministry of Information to include BFIU in the schedule of Right to Information Act, 2009 under the section 32 of the Act. The inclusion will protect BFIU and mass people and journalists will not be able to seek information from the BFIU. Moreover, the committee approved the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 which delineated the roles and responsibilities of the concerned ministries /divisions/agencies.

6.2 National Committee on the Implementation of the UN Security Council Resolutions on Combating Terrorism and Financing of Terrorism

National Committee on the Implementation of the United Nations Security Council Resolutions on Combating Terrorism and Financing of Terrorism has been formed in Bangladesh to coordinate and monitor effective implementation of the relevant UNSC resolutions. This inter-ministerial Committee is chaired by the Foreign Secretary and comprises officials ranking Deputy Secretary or above:

- Ministry of Home Affairs (MOHA);
- Bank & Financial Institutions Division, Ministry of Finance (MOF);
- Legislative & Parliamentary Affairs Division, Ministry of Law, Justice and Parliamentary Affairs (MLJPA);
- Bangladesh Bank; and
- Director General (UN) of Ministry of Foreign Affairs (MoFA) as Member Secretary.

The Committee issued a guideline titled 'GUIDELINES ON IMPLEMENTATION OF THE UN SECURITY COUNCIL RESOLUTIONS CONCERNING TARGETTED FINANACIAL SANCTIONS, TRAVEL BAN, AND ARMS EMBARGO' to help government officials in ministries and agencies in Bangladesh to gain a better understanding of the provisions of UNSC resolutions related to terrorism and terrorist financing. The Guideline was uploaded to the BFIU website for everyone concerned.

The guideline focuses on the international obligations upon Bangladesh to give effect to the UNSC resolutions; the nature and scope of those obligations; the national legal framework empowering agencies to take actions to comply with the resolutions; coordination and communication arrangements; and specific actions required by each agency. The guideline is an effective apparatus to make the officials in each relevant ministry and agency abreast of the actions required to implement the SROs and other enabling legislation, to give effect to the listed resolutions. It should be used to enhance operational procedures, so that agency processes and procedures are adjusted to incorporate required actions into the normal business activities of each agency.

The guideline also provides information, which will assist strengthening the capacity of government agencies through increased knowledge of what is required for effective implementation. During implementation of the provisions of the SROs, and other legislative obligations, officials may identify additional capacity building requirements for their agency. Such development needs should be reported to the National Committee, through the relevant Focal Point, which can assist agencies to identify bilateral and multi-lateral opportunities for requesting technical assistance to build additional capacity within agencies in Bangladesh.

6.3 Central and Regional Task Force for preventing Illegal Hundi Activities, Illicit flow of Fund & Money Laundering

The central taskforce to prevent Illegal Hundi Activities, Illicit flow of Fund & Money Laundering in Bangladesh headed by Deputy Governor of Bangladesh Bank and head of BFIU has met 7 times (73rd meeting- 79th meeting) during FY 2014-15. The taskforce discussed the minutes of 7 regional taskforces (Chittagong, Rajshahi, Bogra, Sylhet, Rangpur, Khulna and Barisal) in its meeting.

The central taskforce urges for the awareness regarding prevention of money laundering and terrorist financing among the mass people. The taskforce decided to request Bangladesh Telecommunication Regulatory Commission (BTRC) to send Short Message Service (SMS) to all mobile customers regarding prevention of money laundering and terrorist financing. The taskforce discussed the verification system of National Identity Document (NID) card for Banks and other financial institutions. It was decided that BFIU would propose Election Commission (EC) giving access to NID database by Banks and other financial institutions. The taskforce decided to request Bank & Financial Institutions Division of Ministry of Finance to form another regional taskforce for Mymensingh area.

Bank & Financial Institutions Division of Ministry of Finance has formed another regional taskforce for newly established Mymensingh division. The authority issued a notification for the establishment of 8th regional taskforce on 12 January, 2015. The General Manager of Mymensingh office of Bangladesh Bank will be the convener of that taskforce. The taskforce arranged its first meeting on 06 May, 2015.

The Deputy Governor & convener of the central taskforce emphasized and described the importance of 3rd round Mutual Evaluation conducted by Asia/Pacific Group on Money Laundering (APG) in 2015-2016. The Deputy Governor asked all concerned to prepare for the upcoming Mutual Evaluation (ME). The committee requested all relevant agencies to give all out effort to face the ME in such a manner so that Bangladesh would be able to achieve a respected outcome.

6.4 Meeting with Law enforcement agencies

BFIU regularly meets with Law Enforcement agencies to get update from them about the cases sent by BFIU. For this purpose BFIU and Bangladesh Police met bi-monthly to discuss the progress of the cases filed in different Police stations under Money Laundering Prevention Act and Anti-Terrorism Act. The representatives from Police Headquarters, Criminal Investigation Department (CID), Dhaka Metropolitan Police (DMP) attended the meeting. During the FY 2014-15, BFIU and Police met 6 times (56th meeting-61st meeting). The Deputy General Manager (DGM) of Complaints Handling & Information Exchange (CHIE) wing of BFIU chaired the meeting. The meeting discussed the progress of the cases pending before different courts for trial under Money Laundering Prevention Act and Anti-Terrorism Act.

6.5 Anti Militants and De-radicalization committee

As part of the Government's stringent stance against extremism and to prevent extremists and their organizations, an inter-ministerial committee headed by the Minister of Home Affairs is in place. The committee comprised high officials from different ministries and law enforcement and security agencies. As a member of the committee, the Deputy Governor and Head of BFIU has an important role to implement the decision taken by the committee.

During the FY 2014-15, the committee met 3 times to find out more sensitive and sophisticated ways to create awareness among the people about the disastrous impact of terrorism. The committee decided to take necessary initiatives to circulate and broadcast the documentary, short film and advertisement against the terrorism through print and electronic media. The committee instructed all intelligence agencies to increase their surveillance on extremism through electronic media like, facebook, twitter, cyber space etc. The committee also decided to request Ministry of Education to arrange a meeting with the Vice Chancellors of all private universities to create awareness among the students of those universities about its adverse impact. The committee also decided to request Ministry of Religion to ensure continuing the speeches by the `lmam' on every Friday in all the mosques of Bangladesh that includes the negative impact of terrorism.

6.6 Taskforce on strengthening and coordinating the activities to find out the sources of funds to conduct extremism in the country

Bangladesh denounces terrorism in all its forms and manifestations. The country believes that a terrorist must be identified as a terrorist only, irrespective of his or her color, creed and religion. Bangladesh condemns all acts of terrorism in the name of Islam or any values and political ethics and pursues actively with international community to eliminate extremism.

In this aspect, the Government has formed a high level taskforce to further strengthen and coordinate the activities to find out the sources of funds to conduct extremism on 20 August, 2014. The committee comprises following ministers and officials from different organizations-

1.	The Minister, Ministry of Industries	-	Chairman
2.	The State Minister, Ministry of Finance	_	Member
3.	The State Minister, Ministry of Home Affairs	-	Member
4.	The State Minister, Ministry of Foreign Affairs	-	Member
5.	Governor, Bangladesh Bank		Member
6.	Senior Secretary, Ministry of Home Affairs		Member
7.	Inspector General of Police, Bangladesh Police		Member
8.	Secretary, Bank & Financial Institutions Division		Member
9.	Secretary, Law and Justice Division		Member
10.	Secretary, Ministry of Foreign Affairs		Member
11.	Deputy Governor & Head of BFIU, Bangladesh Bank	-	Member
12.	The Director General, Rapid Action Battalion		Member
13.	The Director General, Border Guards Bangladesh	-	Member
14.	The Director General, Bangladesh Ansar and VDP		Member
15.	The Director General, National Security Intelligence		Member
16.	The Director General, Directorate General of Forces Intelligence		Member
17.	The Additional IGP, Special Branch		Member
18.	Commissioner, Dhaka Metropolitan Police		Member
19.	The Director General, Islamic Foundation	-	Member
20.	The Director, National Telecommunication Monitoring Cell	-	Member
21.	Additional Secretary (Political), Ministry of Home Affairs	-	Member Secretary

The committee met twice during the FY 2014-15. The committee instructed all intelligence agencies to increase their surveillance on the remittance coming from Middle East countries so that these funds cannot be abused for terrorism. The intelligence agencies were also instructed to look into the activities of large Non-Government Organizations (NGO) that got funds from foreign jurisdictions. Moreover, the committee instructed all relevant agencies to prevent cross border cash smuggling along the country's border.

6.7 BFIU's access to different databases of other organizations

BFIU works as the central analysis center for analyzing the Suspicious Transaction/Activity Report (STR/SAR) and Cash Transaction Report (CTR) received from the reporting organizations and disseminate the intelligence to law enforcement agencies if deemed necessary. In order to analyze effectively, BFIU started using the National ID card database of Election Commission (EC) to verify the authenticity of the ID card. This has increased the operational efficiency of BFIU and also the quality of intelligence reports. BFIU also started using the database of Credit Information Bureau (CIB), Bangladesh Automated Clearing House (BACH) and Dash Board of Bangladesh Bank (Import, Export, Travel and Miscellaneous and Inward Remittance) and other respective databases of different agencies in its analysis process.



International Cooperation

Money laundering and financing of terrorism tend to be transnational in nature, which demands an effective international cooperation for prevention and in some cases for further investigation. Bangladesh Financial Intelligence Unit (BFIU) always understood the need for international cooperation and continued to cooperate and exchange information with FIUs around the world. Besides, BFIU believes that through participating in various international committee/program the international cooperation could be strengthened which ultimately helps to formulate a robust AML and CFT regime and to build the capacity of the respective personnel.

7.1 Asia Pacific Group on Money Laundering

The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organization founded in 1997 in Bangkok, Thailand consisting of 41 members and a number of international and regional observers. Bangladesh is one of the founding members of the group and participated in all the annual meetings of the group.

7.1.1 17th Annual Meeting of APG

The 17th Annual Meeting of the Asia Pacific Group on Money Laundering was held in 15–18 July 2014 in Macao, China. The meeting was attended by all the members and observers of the group. The annual meeting is the primary policy and decision-making vehicle for the APG. Decisions made at the Annual Meeting will set the course for the APG's work over the next year. The Technical Assistance Forum is a key opportunity to discuss technical assistance coordination, including priorities for bilateral and regional assistance.

APG members and observers will have the opportunity to meet with the APG Donors and Providers Group in individual sessions to discuss technical assistance. These individual sessions are held in the margins of the Annual Meeting and provide an opportunity for APG members to identify their technical assistance priorities and discuss those issues with donors. In addition, members of the Donors and Providers Group will meet to share information and discuss donor coordination issues.

Bangladesh attended the meeting with a delegation headed by Attorney General Mr. Mahbubey Alam consisting of members from ACC, Ministry of Finance, Prime Minister's Office, and BFIU. This year's meeting was very important for Bangladesh due to the Mutual Evaluation of the country which is scheduled to be held in 2015. Bangladesh attended the technical seminar that was arranged for the countries that are going to have their assessment in the next year. The seminar draws on lessons learned to date from mutual evaluations that have commenced using the 2013 FATF assessment methodology. Speakers from the FATF and APG share lessons learned on how to (i) prepare the TC update and effectiveness response (ii) address ML & TF risks identified, and (iii) prepare for the onsite visit including the types of questions that will be asked. Bangladesh presented about the preparation of the country for the upcoming Mutual Evaluation in the seminar. Meanwhile, BFIU signed a Memorandum of Understanding (MoU) with the Bhutan FIU on 17 July 2014 during the annual meeting.

7.1.2 APG Assessor Training Workshop

APG has arranged a workshop with the help of Korea Financial Intelligence Unit (KoFIU) to train experts to participate as assessors in mutual evaluations or APG review teams, in Seoul, Korea from 18 to 22 August 2014. This workshop was best suited to individuals who are senior officials with: (i) legal, financial/regulatory or law enforcement/FIU responsibilities; and (ii) significant practical experience in implementing AML & CFT requirements within their own jurisdiction. 2 senior officials from BFIU participated in the workshop. The workshop was designed to provide the participants with a detailed understanding of 2013 FATF methodology and ability to assess compliance and effectiveness with FATF standards.

7.1.3 APG Typologies workshop

The 2014 Joint FATF/APG Experts' Meeting on Typologies and APG Technical Seminars took place in Bangkok, Thailand on 24-28 November 2014, hosted by the Government of Thailand. This event brought together law enforcement, prosecutors, financial intelligence units and regulatory practitioners from the FATF and APG membership/observers to share knowledge and expertise in order to improve regional cooperation and AML & CFT implementation. A 5 member delegation from BFIU attended the workshop. This year's typology meeting was divided into 3 breakout sessions-Transparency of Beneficial Ownership, Third Party Money Laundering and Trade-Based Money Laundering. BFIU participated in TBML workshop and presented the current situation of TBML in Bangladesh.

7.1.4

a) APG Regional Workshop on Implementing Targeted Financial Sanctions against Terrorism

APG has arranged a workshop on 29-30 April, 2015 in Myanmar to ensure that APG members understand the importance of effective implementation of legal and institutional frameworks/mechanisms to implement targeted financial sanctions (TFS) against terrorism, through sharing experience with regional colleagues and technical experts. One official in the rank of Joint Director from BFIU attended as a speaker and another Assistant Director attended as a participant in the workshop.

The workshop was aimed at considering best practice in the region for interagency coordination to implement targeted financial sanctions (TFS). It also discussed risk-based approaches to targeted financial sanctions and also emphasize on the frameworks/mechanisms of jurisdictions that are recently removed from ICRG process.

b) APG Regional Workshop on Implementing Targeted Financial Sanctions against Terrorism and Study visit to PPATK Office

APG has arranged a workshop during 22-26 September 2014 in PPATK (FIU of Indonesia), Jakarta Pusat, Indonesia to ensure that APG members understand the importance of effective implementation of legal and institutional frameworks/mechanisms to implement targeted financial sanctions (TFS) against terrorism, through sharing experience with regional colleagues and technical experts. Two Joint Directors from BFIU, one as a resource person and another as a participant attended the workshop.

General scope of the workshop were as follows:

- gain a more detailed understanding of the requirements of FATF Recommendation 6;
- consider best practice for inter-agency coordination mechanisms to implement targeted financial sanctions;
- discuss how risk-based approaches can support implementation of targeted financial sanctions; how to assess effectiveness;
- discuss the frameworks and mechanisms of jurisdictions that have been successfully removed from the ICRG process;
- receive technical comments/feedback on draft instruments or policy directions
- develop draft plans of action (key steps and timelines) to bring mechanisms into force and commence effective implementation.

Besides arranging the workshop, the PPTK organized a study visit for the officials of BFIU. General scope of the study visit were to share the experience regarding the report processing & analysis process, supervision risk ranking application for DNFBPs and conducting National Risk Assessment.

7.2 Egmont Group

7.2.1 EGMONT Committee and Working Group Meeting and Egmont Plenary

Egmont Committee and Working Group Meetings and Egmont Group Regional Meetings and Heads of FIU and Observers Intersessional Meeting

Egmont Committee and Working Group Meetings and Egmont Group Regional Meetings and Heads of FIU and Observers Intersessional Meeting were held in Berlin, Germany during 25-30 January, 2015,. A 3 member representative group led by the Operational Head of Bangladesh Financial Intelligence Unit (BFIU) participated in that meeting. The main focus of the meeting was the prevention of terrorist activities. According to the regular management of the Egmont Group, representatives from different FIUs and other organizations were divided into 5 working groups eg: Legal Working Group(WG), Outreach Working Group(WG),

Operational Working Group (WG), Training Working Group and IT Working Group and topic wise discussions took place within each group. BFIU representatives mainly participated in three WGs but in general took the reports from all of the WGs.

In the Outreach Working Group meeting, BFIU informed the chair that BFIU had been working as a co-sponsor with Korean FIU for Bhutan FIU with a view to achieving its Egmont Group membership. The current status of Bhutan FIU was also informed in the meeting.

The representative of BFIU who took part in the Operational Working Group meeting expressed the interest to work in FIU and Law Enforcement Cooperation Project as it is an emerging one.

In the Egmont Group Regional Meetings and in Heads of FIU and Observers Intersessional Meeting BFIU was elected as the Regional Representative of the Asia Pacific region for the 25 member FIUs from Asia Pacific region. The Operational Head of BFIU was nominated as the regional representative. Furthermore, in the MoU signing sessions BFIU signed MoU with the FIUs of Bahrain and Brunai-Darus-Salam

b) Egmont Plenary

The 23rd Egmont Plenary was held in Bridgetown, Barbados during 07-12 June, 2015. A 4 member delegation led by the Deputy Head of Bangladesh Financial Intelligence Unit (BFIU) participated in the Plenary. The first two days of the program was allocated for the Egmont Committee Meeting. Being one of the regional representatives for the Asia Pacific Region, BFIU representative participated actively in the Egmont Committee Meeting. On behalf of the Head of the BFIU, the Deputy Head attended the Heads of FIUs' Meeting and shared Bangladesh's experience regarding conducting National Risk Assessment and facing the 3rd round Mutual Evaluation. As a regular management practice of the Egmont Group, representatives from different FlUs and other organizations were divided into 5 working groups eg: Legal Working Group(WG), Outreach working Group(WG), Operational Working Group(WG), Training Working Group and IT Working Group and topic wise discussions took place within each group. BFIU representatives participated all the WGs except the IT WG. However, BFIU representatives updated themselves with the activities and information of the IT WG. It is worth mentioning that according to the strategic plan the new 5 WGs are going to be introduced from the next June, 2016. Interim Committee was formed for the transition period so that the activities of the ongoing projects would not be hindered.

In the Outreach Working Group meeting, BFIU shared the updated status of Bhutan as a co-sponsor with Korean FIU for Bhutan to get its Egmont Group membership. Besides this, BFIU also gave its consent to be one of the sponsors for the FIU of the Maldives for its Egmont Group membership. Furthermore, in the MoU signing sessions BFIU signed MoU with the FIUs of Russia, Fiji, Kirgizstan, Barbados, and Panama.

7.2.2 Technical Assistance to Bhutan for getting Egmont membership

Bangladesh FIU is working as a co-sponsor with KoFIU (FIU of Korea) in the Egmont Group membership process of Bhutan. In order to provide Technical Assistance to Bhutan FIU a team consisting of BFIU and KoFIU officials visited Bhutan during 2-3 December 2014. The team met with the heads of all the departments of Royal Monetary Authority of Bhutan (RMA), representatives of reporting organizations and FIU employees and found some issues as for example, FIU operational issues, operational independence, legal framework, IT infrastructure etc. that are needed to be addressed. Bhutan FIU has prepared draft law related to anti-money laundering and anti-terrorist financing with the technical assistance provided by IMF. BFIU and KoFIU are supervising the progress of the AML and CFT regime of Bhutan. After enactment of the necessary legal provisions and upgradation of other related issues KoFIU and BFIU in consultation with Bhutan FIU and Egmont Group secretariat shall decide the time for on-site visit in Bhutan.

7.3 7th Meeting of BIMSTEC Sub-Group on Combating Financing of Terrorism

The Seventh Meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism (SG-CFT) was held during 27-28 May 2015 in Thimphu, Bhutan, at the invitation of the Royal Government of Bhutan. A delegation headed by the Deputy Head of Bangladesh Financial Intelligence Unit (BFIU) and Executive Director of Bangladesh Bank Md Mahfuzur Rahman participated in the meeting. The other member of the delegation was Mr. Abdur Rab, Deputy Director BFIU. According to the existing BIMSTEC practice, Mr. Sonam Topgay, Director General, Ministry of Home and Cultural Affairs, Royal Government of Bhutan, as the Leader of the Delegation of the Host Country and Ms. Pranee Kaoian, Director of the International Cooperation Division, Anti-Money Laundering Office (AMLO), Thailand, as the Leader of the Delegation of the Lead Shepherd Country, were elected as Chair and Co-Chair of the Meeting, respectively.

The Bangladesh Delegation proposed that under Agenda Item 7 (other matters), the Meeting might deliberate on the extension of the mandate of the Sub-Group to cover the financing of other types of transnational crime including money laundering. The Meeting unanimously adopted the Agenda incorporating the suggestions made by the delegations of Bangladesh and Thailand. The Co-Chair briefed the Meeting on the Report of the Sixth Meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism held during 05-07 February2014 in New Delhi, India, wherein the Member States also agreed to the suggestion made by Bangladesh along with others ie: provide

additional Contact Points as suggested by Bangladesh. The Bangladesh delegation informed the Meeting that they had already signed bilateral MoU with all BIMSTEC Member States, the latest MoU being signed with Bhutan during the last Asia Pacific Group (APG) Annual Meeting in 2014.

7.4 Cooperation with Other International Partners (Other FIU or agencies)

7.4.1 International Monetary Fund (IMF)

International Monetary Fund (IMF) and the Government of Singapore jointly organized a 5-day long workshop on Enhancing AML & CFT Frameworks at the IMF – Singapore Regional Training Institute (STI) in Singapore from September 1 – 5, 2014. The organizer invited BFIU to join the workshop and 1 official participated in the workshop.

This one-week workshop, presented by the IMF's Legal Department, aims to enhance and strengthen the capacities of various groups of officials engaged in anti-money laundering (AML) and combating the financing of terrorism (CFT). The workshop was designed for the government officials involved in the various aspects of the AML & CFT framework of their own country. The workshop was involved in in-depth discussions on the implementation of the FATF 40 Recommendations and practical exercises designed to assist in improving understanding of the application of the requirements and standards.

7.4.2 Technical Assistance from KoFIU

Upon invitation from the KoFIU, two officials of BFIU participated in a workshop titled "Bhutan and Bangladesh Workshop in Seoul: Partnership Enhancement" held in Seoul, Korea during 22 to 24 April, 2015. The participant officials attended a dialogue with their Korean and Bhutanese counterparts regarding their respective AML & CFT system, STR analysis tool and IT system, and exchanged their knowledge and experiences.

The participants learned about organizational and legal framework of the AML & CFT system of Korea, KoFIU organization, IT system of KoFIU, STR analysis tool and data flow, Rule based system and scoring system, and AML & CFT supervision and inspection mechanism in Korea.

7.4.3 Experience sharing on 3rd round ME with Sri Lanka FIU

Experience sharing session on 3rd round Mutual Evaluation of Asia/Pacific Group on Money Laundering was conducted during 09-12 March, 2015 in Financial Intelligence Unit, Central Bank of Sri Lanka. A 04 member delegation from Bangladesh consisting of Mr. Abu Hena Mohammad Razee Hassan, Deputy Governor & Head of BFIU, Md. Rizwanul Huda, Deputy Secretary, Ministry of Finance, A.K.M. Ramizul Islam, Joint Director and Kamal Hossain, Joint Director of BFIU attended the workshop.

The general scope of the workshop were

- National Threat and National Vulnerability Assessment;
- Sector Vulnerability Assessment;
- Financial Inclusion Risk Assessment;
- Completing the Technical Compliance Template;
- Completing the Effectiveness Template;
- Experience Sharing with Finance Sector, Preparation for the on-site visit;
- Experience Sharing with Attorney General's Department
- Discussion with Sri Lanka Police regarding on-site visit
- Experience Sharing with Securities and Exchange Commission
- ME experience sharing with Controller of Exchange
- Discussion with Insurance Board

7.4.4 Experience sharing on goAML user with Ajerbaijan FIU

A team headed by a Joint Director of BFIU visited the Financial Monitoring Service, Azerbaijan (Azerbaizan FIU) to gather experience on the goAML software during 28-30 April, 2015. Three Deputy Directors joined the said team. General scope of the workshop were to gain a more detailed understanding of the requirements of using goAML software, consider best practice for STR analysis, inter-agency coordination mechanisms implementing the goAML software, develop workflow analysis and report generation procedure through goAML software. Besides this, the team from BFIU also gained knowledge regarding goAML workflow, report processing process in goAML software, uses of SQL software and strategic analysis procedure.

7.4.5 KoFIU visits BFIU

A delegation of 5 officials headed by the Commissioner of KoFIU Mr. Hae-Sun Lee visited BFIU on 30 November, 2014. Both BFIU and KoFIU share their experiences regarding Korea's and Bangladesh's AML and CFT systems including process of STR analysis through formal sessions and informal discussions.

7.5 Intelligence Exchange at the International Level

As an Egmont Group member BFIU has the access to share information through Egmont Secure Web(ESW) with the member FIUs of different countries. Besides, BFIU also shares information on the basis of MoU with the FIUs of those countries which are not the member of the Egmont Group. Moreover, there are instances of information sharing even without having a MoU. During the FY2014-15 BFIU received 17 requests from the FIU of different countries and provided the information accordingly. BFIU also made 22 requests to the FIU of different countries.



3rd Round Mutual Evaluation, 2015

8.1 Mutual Evaluation Process

The Mutual Evaluation (ME) is a process of reviewing a country on an ongoing basis to assess levels of implementation of the Financial Action Task Force (FATF) recommendations, providing an in-depth description and analysis of each country's system for preventing criminal abuse of the financial system. The process determines the levels of compliance of a country against the international AML & CFT standards. It usually involves a desk-based review of the country's AML & CFT system as well as an on-site visit to the country by a team of experts including legal experts; financial and regulatory experts; and law enforcement experts.

The FATF has adopted complementary approaches for assessing technical compliance (TC) with the FATF recommendations and, for assessing whether and to what extent the AML & CFT system is effective. The TC assessment addresses the specific requirements of the FATF recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities. These represent the fundamental building blocks of an AML & CFT system. The effectiveness assessment seeks to assess the adequacy of the implementation of the FATF recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML & CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results.

Together, the assessments of both technical compliance and effectiveness will present an integrated analysis of the extent to which the country is compliant with the FATF standards and how successful it is in maintaining a strong AML & CFT system, as required by the FATF recommendations.

8.2 Previous Mutual Evaluation (ME) of Bangladesh

8.2.1 1st round ME of Bangladesh

The 1st round ME of AML and CFT regime of Bangladesh was conducted jointly by IMF and World Bank under Financial Sector Assessment Program (FSAP) in 2002. The APG discussed the results of the ME i.e. Mutual Evaluation Report (MER) at its Annual Plenary in September 2003. In most of the cases Bangladesh was rated noncompliant and partially compliant.

8.2.2 2nd round ME of Bangladesh

The 2nd round ME of the AML & CFT regime of Bangladesh was conducted by APG against 40+9 Recommendations of FATF.

The evaluation was conducted based on the laws, regulations and other materials supplied by Bangladesh, and information obtained by the evaluation team during its onsite visit to Bangladesh from 18-29 August 2008, and subsequently. During the on-site visit, the evaluation team met with officials and representatives of all relevant government agencies and the private sectors of Bangladesh.

The MER was adopted in 2009 APG Annual Meeting. In this report, Bangladesh was rated as below:

Non Compliant (NC)	Partially Compliant (PC)	Largely Compliant (LC)	Compliant (C)	Not Applicable
13	29	5	1	1

The report suggested that Bangladesh was facing significant risks of money laundering (ML) and some risks of terrorism financing (TF). Based on the ratings of MER, Bangladesh was included in the International Co-operation Review Group (ICRG) of FATF to face the ICRG process. To minimize the risks, MER included 120 recommendations for Bangladesh. Bangladesh Government developed a time bound action plan to mitigate the deficiencies and gaps identified in the MER against 16 core and key recommendations consulting with APG. The Honorable Finance Minister expressed the highest political commitment of the government to FATF President and submitted the time bound action plan in October 2010 FATF Plenary.

8.2.3 Removing from ICRG Process

In line with the action plan, Government of Bangladesh with the dynamic coordination of BFIU has made a significant progress in strengthening country's AML & CFT framework. National Coordination Committee (NCC) headed by Honorable Finance Minister has been formed to formulate AML & CFT policies. A working committee headed by Secretary, Bank and Financial Institution Division, Ministry of Finance has also been formed to support the NCC. During the period NCC met 12 (twelve) times to give proper direction to meet the time line of the action plan.

After a long laborious and persistent series of coherent attempts, Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) regime of Bangladesh has achieved international standards. Bangladesh has achieved this status which conforms to the relevant United Nations conventions and protocols, UN Security Council Resolutions (UNSCR) and FATF standard. On February 13, 2014, in a plenary meeting of FATF in Paris, France, it was unanimously decided that Bangladesh would be under no more continuous monitoring of ICRG. By this time, Bangladesh also implemented all the 120 recommendations in the MER 2009. At the end of the ICRG process, Bangladesh hs decided to face the 3rd round ME of APG.

8.3 3rd round ME of Bangladesh

8.3.1 Important Dates for 3rd round ME

Actions	Time
Decision for 3rd Round ME of Bangladesh	December, 13
Report to NCC about the ME with an action plan	February, 14
Designation of Contact Persons in respective agencies	March, 14
Formed a core committee for NRA by NCC	March, 14
Formed a high level committee for the National Strategy by NCC	March, 14
Review of Previous NRA and strategy paper	April, 14
NRA Outreach Programs/Data Collections	May-August, 14
Workshop on TC response	January, 15
Primary Inputs by BFIU into TC response	February, 15
Inputs from respective agencies into TC response	March, 15
Finalization of TC response and send to APG	April, 15
Visit to APG Secretariat for discussing TC response	April, 15
Inputs from different agencies into Effectiveness response	April-May, 15
Sharing experiences of NRA with other agencies	June, 2015
Finalization of Effectiveness response and send to APG	June, 15
Pre ME meeting with APG and assessors	July, 15
Response of supplementary questions on TC and Effectiveness	May-October, 2015
Drafting of risk scoping note by ME team	September, 15
ON-SITE VISIT (2 weeks)	October, 15
ME Team will provide 1st draft MER to Bangladesh	December, 15
ME Team and Bangladesh will work to finalise MER	April-May, 16
Face to Face meeting	01-05 May, 16
Consider and adopt MER at APG Annual Meeting	July, 16

Most important obligations to face upcoming Mutual Evaluation were preparing a comprehensive NRA, National Strategy Paper on AML & CFT, preparing Technical Compliance Response and Effectiveness Response. Details of NRA & National Strategy Paper on AML & CFT have been discussed in chapter 2. Other parts of the preparation have been detailed below.

8.3.4 Preparation of Technical Compliance (TC) Response

According to the 2013 methodology of FATF, the technical compliance component refers to the implementation of the specific requirements of the FATF Recommendations, including the framework of laws and enforceable means; and the existence, powers and procedures of competent authorities.

Taking into cognizance the importance of upcoming Mutual Evaluation (ME), Bangladesh Government took every possible steps to clearly present the AML & CFT regime of

the country. BFIU, with the consultation of Bank and Financial Institutions Division, Ministry of Finance, arranged a workshop to make all the Government agencies aware of the upcoming Mutual Evaluation. According to the decision taken at the workshop, primarily, BFIU officials gave all the inputs into responses on TC. Then BFIU arranged another workshop for all the Government agencies to give input into the TC responses and additional information was collected from all the respective agencies and was incorporated into the TC responses.

To verify the authenticity of the TC responses, a review team has been formed to scrutinize the TC responses with the officials from the following agencies-

- 1. Bank and Financial Institutions Division, Ministry of Finance
- 2. Ministry of Home Affairs
- 3. Ministry of Foreign Affairs
- 4. Anti Corruption Commission
- 5. Criminal Investigation Department (CID), Bangladesh Police and
- 6. Bangladesh Financial Intelligence Unit (BFIU).

The review team sat together for several times and finalized the TC response. The legal system, compliance structure, coordination among the agencies working in Bangladesh was reflected in the TC response. Finally, the TC response was sent to APG on 12 April, 2015.

8.3.5 Preparation of Effectiveness Response

According to the 2013 methodology of Financial Action Task Force (FATF), the effectiveness assessment seeks to assess the adequacy of the implementation of the FATF recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML & CFT system.

Effectiveness of a country's AML & CFT system is evaluated through the 11 (eleven) immediate outcomes. Bangladesh Government engaged all of its relevant ministries/divisions/agencies to prepare the effectiveness response with the active initiatives from Bank & Financial Institutions Division (BFID) and BFIU. Every organizations identified the core elements for effectiveness, identified the action items and relevant documents to ensure the action items. The related statistics, workflow and coordination mechanism of relevant ministries/divisions/agencies was reflected in the effectiveness response. The effectiveness response was sent to APG on 24 June, 2015.

8.3.6 Preparation for On-site visit

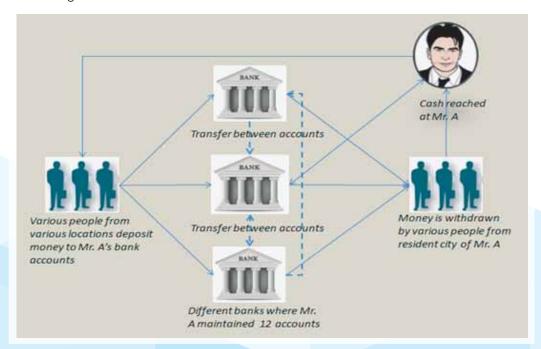
Bangladesh Government has formed an inter-ministerial committee to meet the upcoming Mutual Evaluation. Every ministries/divisions/agencies have been urged to nominate their 'primary contact point' and notify BFIU. It is to be expected that with the coordination of BFID and BFIU and help from other relevant ministries/ divisions/agencies, the upcoming Mutual Evaluation will help Bangladesh to reflect the commitment of its willingness to prevent money laundering and terrorist financing in the country.



Case Study 01

Proceeds of illicit drug business transacted in different bank accounts

Various national newspaper reports on a top Yaba (an illegal drug) dealer, Mr. A drew the attention of BFIU. Mr. A was reported as the Yaba King and his Yaba trading network was spreaded all over the country. BFIU took initiative to collect account information of Mr. A, and subsequently found 13 accounts in his name or in the name of his business entity in different banks. His legitimate business was mobile wholesaling. According to media reports, sometimes earlier Mr. A, was the leader of a mobile thief syndicate. Later he engaged himself in Yaba dealing in 2010 and his business reached to the peak in 2014. BFIU analysis revealed that ten of Mr. A's accounts were opened in 2014, while one in 2013, one in 2012 and another in 2007. There was no significant transaction in the latter one. But in 2014 when his business soared, a total of BDT 1115.5 million was transacted in his remaining twelve accounts and these accounts had a balance of BDT 53.6 million. Money from various parts of the country including Dhaka and its surrounding areas was deposited into these accounts and later the deposited money was withdrawn from the resident city of Mr. A. Different types of people were involved in depositing and withdrawing the money. All the transactions were in round figure and maximum of these were in cash. There were also some irrational transfers among these accounts. The turnover in these accounts and nature of transactions were not commensurate with his mobile business. The motive of his transaction was to conceal the source of income, i.e. proceeds from Yaba dealing, BFIU froze all the A/Cs of Mr. A and A/Cs in the name of his business entity exercising the power conferred by section 23(1)(c) of MLPA, 2012. BFIU sent the case to ACC and CID to initiate further legal action.



Offence	Illicit trade in drugs
Customer	Individual, Proprietorship Business
Industry	Bank
Channel	Physical
Report Type	STR
Jurisdiction	National
Designated Service	Account Services
Indicators	Sudden rise in cash transaction
	transaction conducted in round figures
	Transaction don't match with declared business

Case Study 02

Embezzlement of a donor aided project funds by misusing cheques On receiving a complaint from the project director regarding anomalies in one of the donor aided projects, BFIU initiated the primary analysis. Primary analysis revealed the aim and modus operandi of the project as to-

- (i) Help keeping poor children in schools by providing them or their legal guardian monetary assistance;
- (ii) Prevent early marriages of school going girl-child and keep them in school by providing them or their legal guardian monetary assistance;
- (iii) Destitute children were selected by the prominent NGOs and monetary assistances were provided to the children through issuance of cheques in formal programs; and
- (iv) The preference was to issue cheques in favor of the destitute child himself/herself. In case it is not possible to issue cheques in favor of the destitute child, only then cheques will be issued to selected child's legal guardian
- (v) Project Accounts Officer (Ms. X) had the custody of bank issued new cheques.

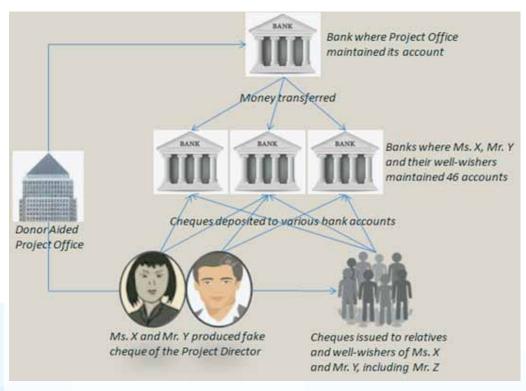
Preliminary analysis also revealed that a certain group of adult people received cheques in their names instead of their destitute children even though the project's modus operandi was to issue cheques directly favoring the selected children.

Based on the initial findings, BFIU inspected concerned 11 banks and their related branches to gather more information. Through inspection, BFIU team was able to identify 46 accounts into which money was transferred fraudulently from the account of the project via cheques. The team also identified three key persons involved in the fraudulent activity. Among the three persons, two were related to the project in the capacity of

Accounts Officer (Ms. X) and Program Officer (Mr. Y), and the remaining one (Mr. Z) was the relative of the program officer (Mr. Y). Mr. Z appeared to have arranged these accounts to receive donor funds fraudulently. Most of the 46 accounts had Mr. Z as the introducer of the accounts. The accounts holders were mostly senior citizens living in remote areas. Instead of opening accounts in their nearby branches, the accounts were opened in the City most notably nearer the addresses of Mr. Y and Mr. Z.

Ms. X produced fake signature of the project director in collaboration with Mr. Y. They issued cheques in favor of their relatives and other well-wishers in disguise of helping children in need. These cheques were then deposited to the 46 accounts of relatives and other well wishers of Ms. X and Mr. Y.

BFIU then applied provisional measure in the form of account freezing in order to stop the movement of funds from these 46 accounts. Based on the findings, BFIU prepared a report and sent it to the ACC to initiate legal procedure on the case.



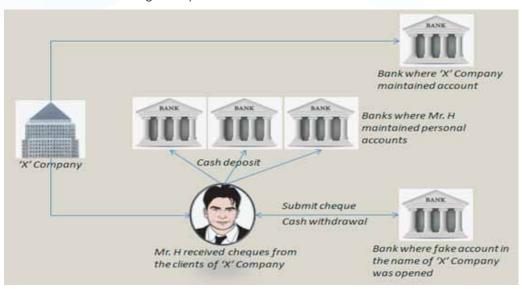
Offence		Fraud/Forgery
Customer		Individuals
Industry		Banking
Channel		Forged cheques
Report Type		Complaint
Jurisdiction		National
Designated Se	ervice	Account services
Indicators		Forged signature of the project director, Funds divert to various accounts who are not really the true beneficiary of the project. Accounts were opened in distant locations.

Fake Account used to misappropriate a Company's cheque

Mr. H, an employee of a private company, namely 'X' opened a fake bank account in the name of the said company. Then he began to deposit the cheques that he received, as the billing officer of the company, from its clients. Thus in two years, he deposited cheques worth BDT 25.4 million. He withdrew BDT 25.2 million from the account and all the withdrawals were in cash. Two years later the company came to know that some of their clients' cheques were missing and had been collected through other account. In this connection, it was found that a fake account in the company name was opened in a bank and was being maintained by one of the employees of the company. The concerned bank, knowing the matter, submitted an STR against the fake account to BFIU.

In order to analyze the STR, BFIU collected relevant documents of the fake account as well as the original documents. The analysis revealed that the fake account was opened using the fake Article of Association, fake Memorandum of Association, fake Certificate of Incorporation and fake address of the company. The account holder (Mr. H) also submitted fake National ID Card. Instead of a 13-digit NID he used a 12-digit NID. Bank employees failed to identify the fake NID which was apparent. Besides Mr. H presented himself as the Managing Director of the company and two other persons as the directors. BFIU identified the weaknesses in the process of account opening and lack of performing due diligence on the part of the bank branch, as they didn't verify the submitted documents and the address of the company properly. Even they didn't verify the name and incorporation date of that limited company, although this information was available on the website of Registrar of Joint Stock Companies and firms (RJSC). BFIU found that A/C payee cheques with various names (not fully matched with the account title) were cleared through the account with the help of the bank employees. BFIU also found some other accounts in the name of Mr. H in different banks. Cash-out and cash-in links within the accounts were detected by the analysts of BFIU. Mr. H used to withdraw the same amount in cash immediately after depositing a cheque into the fake account. He then deposited the amount to

his other accounts. BFIU froze all of Mr. H's accounts including the fake one exercising the power conferred by section 23(1)(c) of MLPA, 2012 and sent the case to ACC to initiate further legal action. BFIU imposed sanction on the bank for lack of performing due diligence. Bank took administrative actions against the related employees (two were sacked and one was degraded).

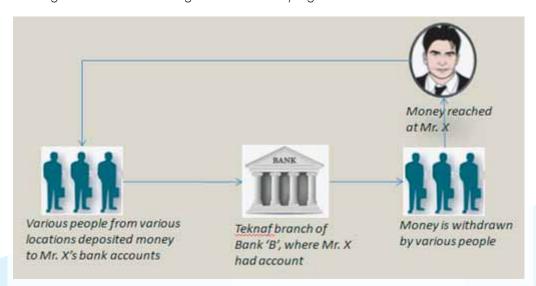


Offence	Embezzlement of cheque
Customer	Private Ltd. Co.
Industry	Bank
Channel	Physical/Electronic
Report Type	STR
Jurisdiction	National
Designated Service	Account Services
Indicators	Opening account with fake documents/address; Transfer money by A/C payee cheques violating the responsibilities of a collecting bank

Proceeds of human trafficking accumulates into the bank account of the suspect

Mr. X, who had a grocery business, was maintaining a savings account with a branch of bank 'B', which is located at Teknaf, a border area with Myanmar. It is alleged that huge amount of transaction involving proceeds of human tracfficking took place in his account for 6 months. People from various parts of the country deposited money that amounting from TK. 100 to 300 thousands to his account frequently. The money was withdrawn from Teknaf by different people immediately or by next day from the deposit date. The transactions were not commensurate with the business of Mr. X. When asked, Mr. X, the account holder could not give any satisfactory answers about the sources of money and its uses to the bank officials, and sometimes his explanation was not relevant to his declared business. However, when several reports on human trafficking were published in the media nationwide, the transactions in his account came down. The bank lodged an STR against the account to BFIU.

The activities in the account were suspected to have link with human trafficking by the BFIU analyst. Afterward an analysis report was prepared based on the information obtained from bank and other sources, and had been subsequently sent to ACC and CID of Bangladesh Police for taking further necessary legal actions.



Offence	Human trafficking
Customer	Individual
Industry	Bank
Channel	Cash and Electronic
Report Type	Complaint, STR
Jurisdiction	National, International
Designated Service	Account Services
Indicators	Transaction does not commensurate with nature of business,
	wash nature of transaction

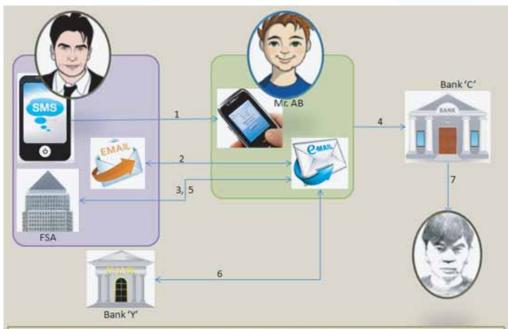
Fake mobile SMS/email allured an individual to deposit money to the fraudster's bank account

Mr. AB, who visited country 'X' and availed roaming facilities of one of the mobile operators of that country, received a short message (SMS) in his cell phone after returning Bangladesh. Through the SMS, the so called mobile operator of country 'X' informed that Mr. AB had been selected as one of their three valued subscribers on the basis of lottery and would be awarded USD 3.00 million as a lottery winner. He was also requested to contact with them through email, if he had interest in getting the prize money. When communicated through email, the operator mailed back a lottery winning certificate in favor of Mr. AB and told him to contact with Financial Services Authority (FSA) of that country to release the lottery fund. Accordingly Mr. AB contacted with the FSA which directed him to obtain Fund Release Order (FRO) certificate from FSA to release the fund.

For obtaining the FRO certificate, the winner had to deposit money (foreign currency equivalent to BDT 126 thousand approximately) as processing fee in favor of FSA to a bank account in country 'X'. When Mr. AB faced difficulty to send the fee in foreign currency, the FSA informed him to deposit the fee to an account of bank 'C' which is the correspondent agent of FSA in Bangladesh. As directed, Mr. AB deposited the processing fee in that bank account, an account in the name of a dairy farm. After that, the FSA issued FRO certificate in favor of Mr. AB and directed him to contact with bank 'Y' of that country to get the lottery fund. When Mr. AB contacted with bank 'Y' and requested it to make an arrangement to release the fund, the bank informed that as per law of country 'X', he had to pay a tax of USD 4,500 on the winning prize which was not deductable from the winning prize. At this stage, Mr. AB understood that he was fooled by a group of fraudster.

Meanwhile, the issue came to the notice of BFIU as an STR from the bank 'C'. The so called correspondent agent's bank account of FSA in Bangladesh had been frozen with some balance on it. To verify the mentioned entities in 'X' country, a request was sent to the FIU

of that country through EGMONT Secure Web (ESW). The FIU of 'X' country responded that there was no such address or entity in their country. The case was then disseminated, as per provision of the MLPA 2012, to the ACC to initiate legal actions. ACC is working on the case.



1) Mr. AB received fake SMS, 2) Fraudster instructed to contact with FSA, 3) FSA instructed to obtain FRO certificate by sending processing fee to bank 'Y,' 4) Facing difficulty to send money in foreign currency, Mr. AB deposited money to bank 'C', as per instruction of FSA, 5) FSA issued FRO certificate and directed to contact with bank 'Y' to get the lottery fund, 6) Bank 'Y' instructed to pay tax on the winning prize, 7) The deposited money was withdrawn from bank 'C'

Offence	Fraud
Customer	Business Entity (Dairy Farm)
Industry	Bank
Channel	Physical/Electronic
Report Type	STR
Jurisdiction	National
Designated Service	Account Services
Indicators	Attempt to deposit same amount at the same time by three clients to a single account

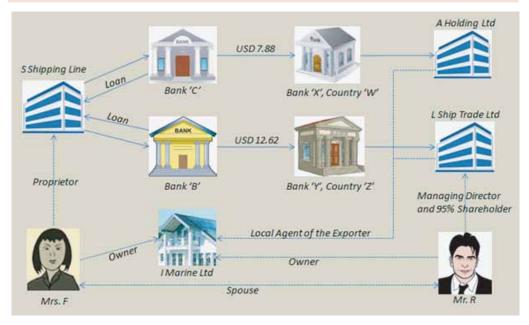
Fund transfer to foreign country in the disguise of export-import payment between two shipping companies owned by same owners

`S Shipping Line' (a domestic shipping company) paid USD 12.62 million in favor of a foreign company, namely 'L Ship Trade Ltd' to import an ocean-going vessel ('MV JA') for the 'S Shipping Line'. But in reality, payment was made against a scrap vessel. The transaction was made through a branch of Bank 'B' with the assistance of CEO of the bank. Moreover, the same company ('S Shipping Line') paid USD 7.88 million to import ocean-going live vessel ('MV ML') through a branch of Bank 'C'. The 'MV ML' was brought to Bangladesh after one year, delivered at offshore and was sold as scrap afterwards. The bank was not informed of the condition or usage of the ship during this period. No income of the ship was brought back via the bank. However, the 'S Shipping Line' informed the Department of Shipping, Bangladesh that the ship had carried commercial goods through various international routes during this period. Presumably, if any income was generated, it was received at some other country rather than Bangladesh which is a violation of the MLPA, 2012. After its return to Bangladesh, the vessel was anchored for more than a year and finally sold as scrap. The exporter of 'MV ML' was 'A Holding Ltd'. In both cases of the import, the local agent for the exporting companies was 'I Marine Ltd'. Mr. R is the Managing Director and 95% Shareholder of the exporter 'L Ship Trade Ltd', his wife Mrs. F is proprietor of the importer 'S Shipping Line' and both persons are the owners of 'I Marine Ltd'.

The 'S Shipping Line' created huge loan in two bank branches and paid USD 20.50 million to foreign countries. USD 0.449 million deposited as margin at Bank 'B' had been declared as freight income. So, either the sale proceeds of the ship 'MV ML' (that was purchased with the finance of Bank 'C') had been received by the exporter 'A Holding Ltd' or income proceeds earned from some other sources had been brought to Bangladesh as freight income, deposited at Bank 'B' as margin of loan. The deposited amount was then paid to the 'L Ship Trade Ltd' to purchase another ship ('MV JA'). No freight or commercial income of the stated two ships had been repatriated into Bangladesh via the respective banks which financed the purchases. Moreover, one of the two ships has already been sold as scrap and the other is also in the process of being sold as scrap.

In brief, the 'S Shipping Line', with the assistance of the CEO of Bank 'B' and Bank 'C', purchased two scrap vessels declaring as live vessels and transferred USD 20.50 million to foreign countries. Of the stated amount, USD 12.62 million that was taken as loan from Bank 'B' had been transferred to 'L Ship Trade Ltd' (owned by the same owners) of country 'Z'. The remaining USD 7.88 million had been transferred to a bank account (of Bank 'X') maintained by 'A Holding Ltd' in country 'W'. The ownership of 'A Holding Ltd' cannot be confirmed but its local agent was 'I Marine Ltd'. Hence the possibility of 'A Holding Ltd' being owned by Mr. R and Mrs. F remains. In both cases money had been transferred to foreign countries by over invoicing and creating large loans at two local banks. The case was disseminated as per provision of the MLPA, 2012 to the ACC for further investigation.

Mrs. F	'S' Shipping Line (proprietor), 'I' Marine Ltd (owner), Mr. R (spouse)
Mr. R	'I' Marine Ltd (owner), L Ship Trade Ltd (MD and shareholder), Mrs. F (spouse)
'A' Holding Ltd.	'I' Marine Ltd (local agent), Bank 'X'
'S' Shipping Line	Mrs. F (proprietor), Bank 'B', Bank 'C'
'L' Ship Trade Ltd	'I' Marine Ltd (local agent), Mr. R (MD and shareholder), Bank 'Y'
'I' Marine Ltd	'A' Holding Ltd (local agent), L Ship Trade Ltd (local agent),
	Mrs. F (owner), Mr. R (owner)



Offence	Smuggling of currency
Customer	Business entity
Industry	Shipping, Banking
Channel	Banking channel (Over invoicing and create large loan)
Report Type	Complaint
Jurisdiction	National
Designated Service	Use of Banking products like loan and L/C
Indicators	Importer, supplier and supplier's local agent company were owned by the same owners

Bank official transacted huge amount of money, earned by fictitious service delivery to clients, in fake accounts

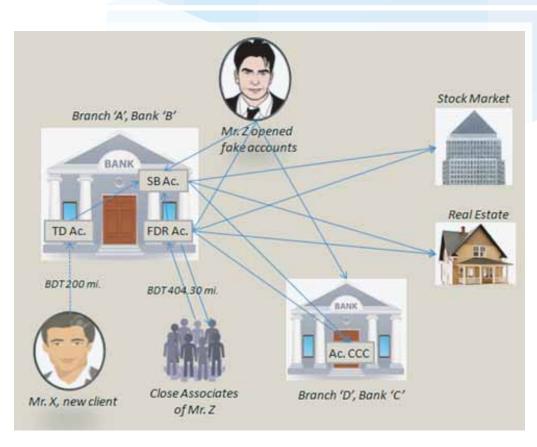
An inspection team of BFIU while conducting AML & CFT system check inspection on branch 'A' of Bank 'B' found large number of transactions involving huge amount in the account of a client, namely Mr. Z (who is actually a manager of branch 'D' of Bank 'C'). When asked, the Branch Anti Money Laundering Compliance Officer of the branch replied that the client's father-in-law is very much affluent and a portion of the transacted money was gifted by client's father-in-law.

In the account opening form, the client mentioned that his profession is private service and source of fund is his father-in-law. Thus he concealed his real profession (branch manager of Bank 'C') in the account opening form.

The team, analyzing the account statement, found that BDT 500 million transacted in a year and most of the transactions were related to stock buy-sale. Examining the transaction vouchers, it was revealed that the account was credited from the accounts of several borrowers of that branch instead of his father-in-law's money.

Afterwards BFIU sought explanation from the bank 'B' for its failure to report the account as STR to BFIU and at the same time, instructed its Internal Audit department to conduct comprehensive inspection on branch 'A'. Additionally BFIU conducted a comprehensive inspection on branch 'D' of Bank 'C'. The inspection team found that the branch manager Mr. Z (client of bank 'B' and a branch manager of Bank 'C') suddenly deposited BDT 200 million into his fake account. Further analysis found out that the money was supposed to be deposited to a newly created term deposit account for a client. The new client Mr. X was given a term deposit receipt amounting to BDT 200 million without creating a corresponding term deposit account. Rather the money was deposited in a fake account of the branch manager. The manager then transferred BDT 200 million to the stock market. In similar fashion, the branch manager opened 13 FDR accounts worth BDT 404.30 million under fictitious names. Keeping those FDRs as lien, Mr. Z then disbursed loans to accounts of his associates. From his associates' accounts he then transferred BDT 500 million (approximately) to different stocks, banks and real estate companies. Including aforesaid fraudulent activities, he embezzled a total of BDT 1140 million (approximately) through different other frauds and irregularities which were unearthed by the BFIU inspection team.

16 officials of the branch, zonal office and head office, and local clients of that region were abused by the branch manager in these fraudulent activities. Subsequently BFIU froze all the concerned accounts of Mr. Z, and the case was disseminated to ACC. Bank dismissed the officials involved in the fraudulent activities. The ACC took legal action against them. Currently the accused officials are imprisoned and the case is under trial.



Offence	Fraud
Customer	Individual (Branch manager of a bank)
Industry	Bank, Stock market, Real Estate
Channel	Cash and Electronic
Report Type	BFIU's observation in inspection
Jurisdiction	National
Designated Service	Account Services
Indicators	Sudden deposit of large fund, Source of fund is suspicious

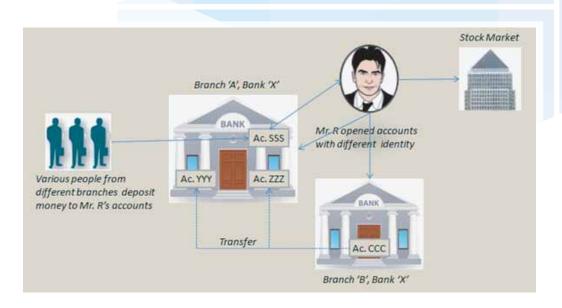
A teacher transacted huge amounts in his bank accounts to promote terrorist and militant activities

An inspection team of BFIU, while conducting AML & CFT system check inspection in branch 'A' of the bank 'X', found huge transaction in a savings account of a madrasa (religious educational institution) teacher, namely Mr. R. He was maintaining four accounts in the same bank.

In the account opening form, Mr. R disclosed his profession as an Imam (who conducts prayer) of a mosque (prayer hall) and his source of income as salary. Upon analysis, it was revealed that before 2009, the average monthly transaction in his account did not exceed 100 thousand, but the transaction rose abruptly after 2009. A total of BDT 26.8 million was deposited into his account after 2009 and almost equal amount of money was withdrawn. In most of the cases, money was deposited by online deposit from different branches of the bank 'X' or by cheque, and was withdrawn in the form of cash, transfer or cheque. The nature of transactions is unusual for an imam or a madrasa teacher.

The inspection team found two fixed deposit accounts involving huge amount in the name of Mr. R in the same branch. In one account, he declared that his source of fund was salary, while in another, he declared that his source of fund was land purchase and sale, and private service. His address was found different in the two fixed deposit accounts. Analyzing the transactions in these accounts, it was found that huge of amount of money had been transferred into these accounts from an account of branch 'B'. This account was also owned and maintained by Mr. R. But he brought some change in the spelling of his name and used an ID card issued by the local municipality (Union Parisad) rather than national ID when he opened this account. Here he declared his profession as service and he used a different address which the inspection team could not trace. The team was able to identify 16 persons who were found to have link with the transaction in the accounts of Mr. R. It was also found that Mr. R had invested BDT 63.8 million in the stock market. Finally an analysis report was prepared based on the activity in the accounts of Mr. R and findings obtained from the inspection. The report was disseminated to CID of Bangladesh Police to initiate legal actions.

Upon investigation, CID found Mr. R's involvement with the activities related to terrorism and militancy. He was the commander of a banned militant group in Bangladesh and used the madrasa where he worked to run his activities. CID filed two cases against him under the provision of Anti-Terrorism Act- 2009 and ICT Act-2006, and was able to arrest Mr. R and his 30 fellows. They are now imprisoned and the two cases are under trial.



Offence	Terrorism
Customer	Individual
Industry	Bank, Stock market
Channel	Cash and Electronic
Report Type	System check
Jurisdiction	National
Designated Service	Account Service
Indicators	Huge transaction inconsistent with profession

Purchase pay orders by cash withdrawal of huge loan fund to divert the fund otherwise and disguise the beneficiaries

The Financial Integrity and Customer Services Department (FICSD) of Bangladesh Bank made a complaint that one of the state owned banks (Bank 'B') had approved loans amounting approximately BDT 50,000 million to various fictitious borrowers. Among the 68 branches of the bank 'B', two branches located in Dhaka (namely branch 'S' and branch 'G') have been found to have link with the loan scam. The FICSD detected 62 suspicious transactions in the two said branches and forwarded this matter to BFIU for further actions.

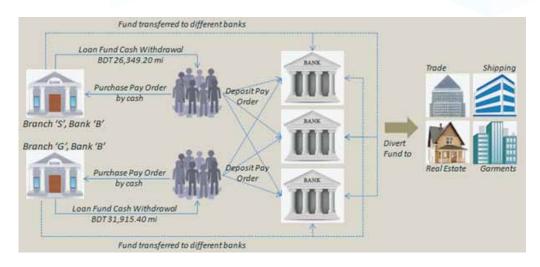
After receiving the information from FICSD, BFIU formed two teams for on-site inspection on the aforesaid branches. BFIU inspection team found that branch 'G' disbursed BDT 31,915.40 million loan, out of which BDT 23454.30 million was classified as bad loan by the bank. On the other hand, branch 'S' disbursed BDT 26,349.20 million loan, out of which BDT 11,319.60 million was classified as bad loan by the bank. But actual non performing loan was much higher than the stated amount. BFIU team found that most of the loans were disbursed without proper documentation and scrutiny. The bank's top management, senior officials of the head office, officials of credit department and officials at the branch level were found to be associated with the loan scam. The bank disbursed loans to the nonexistent companies, promptly approved the loans to the clients just after they had opened accounts, and in some cases, the bank's Board of Directors sanctioned loans before the branch sent the proposal to the bank head office.

Although Bank 'B' has 18 enlisted Surveyors for the valuation of collateral securities of its borrowers, the said two branches evaluated collateral security, in most cases, by a firm (namely SD Surveyor) that is not enlisted. The surveyor evaluated the collateral security according to the intention of bank and borrowers. It overvalued borrowers' property without considering market price rather it considered the amount of loan for showing adequate collateral facility covering the loan amount.

BFIU found that, after disbursement of the loan, the customers immediately approached for cash withdrawal in most cases. In many cases, the withdrawn cash amount was beyond the vault limit of the branch. After cash withdrawal, the customers purchased pay orders by cash to transfer the funds to other banks. It was also found that account payee pay orders were cashed within the branch without crediting to payee accounts to disguise the destination or beneficiaries.

Although the transactions were not commensurate with the customers' business and even the nature of transactions seemed to be suspicious, the bank 'B' didn't report any STR/SAR to BFIU. Bank's top management and branches had been aware that many borrowers diverted their funds at will, but it did not take any action. Violating the banking rules, the bank 'B' showed interests as income against this type of loans that had not been realized.

After analyzing all the incidents happened in bank 'B', BFIU had been able to identify the beneficiaries as well as destination of the funds, and prepared four intelligence reports which were sent to ACC for next course of action. ACC filed a number of cases against the alleged bank officials and individuals to the court, which are currently under trial.



Offence	Loan Fraud
Customer	Fictitious Business Entity
Industry	Banking, Shipping, Real estate, Garments and Trading business
Channel	Cash and electronic
Report Type	Complaint made by FICSD of BB
Jurisdiction	National
Designated Service	Cash withdrawal and Pay orders
Indicators	Non repayment of loan, fund diversion and nature of
	transactions not commensurate with business

A group of companies created fictitious firms to divert fund of local L/C and IBP otherwise

One of the inspection departments of Bangladesh Bank, Financial Integrity and Customer Services Department (FICSD), detected that a branch of one of the state owned commercial bank (namely branch 'R, bank 'S') lent 'H' Group of Companies and five other companies BDT 35,470 million during 2010 to 2012 based on fake documents. Out of BDT 35,470 million, 'H' Group of Companies alone took away BDT 26,861.4 million while T & B, P Group, N Knit, D Sports and Mr. A took away BDT 6,096.9 million, BDT 1,466.0 million, BDT 663.6 million, BDT 332.5 million and BDT 49.6 million respectively. Thus the 'H' Group of Companies, among the six borrowers, had been found to be the biggest fraudster.

It was found that the scandal resulted from collusion between officials of 'H' Group of Companies and Bank 'S', in particular between Mr. T, Managing Director of 'H' Group, and Mr. A, branch manager of Bank 'S'. The said branch issued local Letter of Credit (L/C), purchased Inland Bill (IBP) and also issued guarantee to other banks in Bangladesh for purchasing IBP. For example, Bank 'S', on behalf of 'H' Group, opened local L/C worth BDT 5,000 million in favor of 'X' Spinning Mills, 'Y' Spinning Mills and 'Z' Spinning Mills to buy yarn from the latter companies. The three companies were also clients of the bank's same branch. Following the 'H' Group of Companies' guarantee, the bank 'S' purchased the accepted bills and disbursed the money to the accounts of the three spinning mills. A few days later, the three mills asked the bank branch to transfer the money to the account of H Group of Companies and the branch duly obliged. Later, H Group of Companies transferred the money to various banks and intentionally diverted the same to purchase land/factory premises.

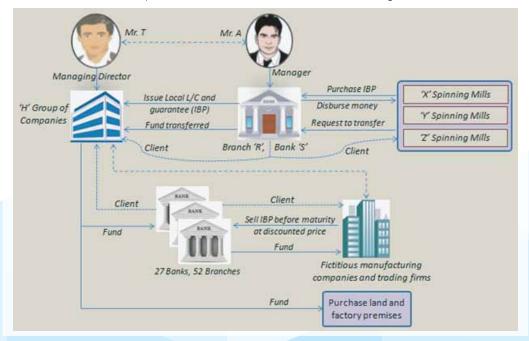
Similarly, 'H' group of companies established many other fictitious manufacturing companies and trading firms. Then these companies and trading firms prepared fake documents to show that they supplied raw materials to the other concerns of the same group for production of garments items. The fictitious companies and firms then sold the documents (IBP) before maturity at a discounted price to 52 other branches of 27 banks in Bangladesh under the guarantee of the concerned branch of bank 'S' and took the fund away without any physical movements of the goods traded. In most of the cases, fictitious companies and 'H' Group of Companies had their accounts at the same bank branch as such on paper it looked like the branch's assets and liabilities were balanced out.

FICSD conducted a total of 62 on-site inspections in the bank branches which purchased those bills in order to find out irregularities related to the IBP facilities provided to their clients. Besides, BFIU also conducted a number of on-site inspections in those branches in order to oversee the compliance issues regarding money laundering. Taking a coordinated approach BFIU sat together with FICSD and Department of Bank

Inspection (DBI) of BB to share the experiences as to what prompted this collusion between banker and party. A brief view of the irregularities observed is stated below:

- Factory visit report was not prepared to assess the production capacity of the supplier and also to confirm whether it is in production in line with the purchase order
- Branch did not ensure that the transactions made were actually for genuine business purposes and there were actual movement of goods.
- Violation of rules/norms such as purchasing of bills even though buyer and seller came from the same group of companies, granting IBPs more than the limit approved by the head office etc.
- Proper KYC was not done by the bank branch while opening the account.
- Proper monitoring of the transactions in the accounts was not conducted. It was observed that in most cases after getting the IBP proceeds, customer withdrew the money and sent the fund to the LC applicant. The customer used cash withdrawal and cash pay orders to make it difficult for following the money trail.

BFIU conducted a series of inspections in the concerned bank branches on money laundering compliance issues and fund movement i.e., destination of fund. BFIU analysts were able to identify 39 officials of bank 'S' who were involved in the loan scam and 250 accounts linked to it. All of these accounts were frozen amounting BDT 302.5 million immediately. BFIU also imposed penalties on 04 banks and imposed administrative sanctions on the alleged banks officials. BFIU prepared 04 (four) intelligence reports related to this issue and disseminated the same to ACC for next course of action. BFIU also maintained continuous cooperation with ACC to assist them in investigation.



Offence	Loan Fraud
Customer	Fictitious Business Entity
Industry	Export oriented Garments business and Banking
Channel	IBP
Report Type	Complaint
Jurisdiction	National
Designated Service	Account services, IBP
Indicators	Non repayment loan of bill (IBP), Formation of fictitious entity, fund diversion



LIST OF ABBREVIATIONS

ACC Anti Corruption Commission
ADB Asian Development Bank

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

BACH Bangladesh Automated Clearing House

BAMLCO Branch Anti Money laundering Compliance Officer

BB Bangladesh Bank
BDT Bangladesh Taka

BFID Bank and Financial Institutions Division
BFIU Bangladesh Financial Intelligence Unit

BGB Border Guards Bangladesh

BSEC Bangladesh Securities and Exchange Commission

BSA Bangladesh Standard Accounting

BTRC Bangladesh Telecommunication Regulatory Commission

CAMLCO Chief Anti Money laundering Compliance Officer

CDD Customer Due Diligence
CIB Credit Information Bureau

CID Criminal Investigation Department
CMI Capital Market Intermediaries
CTR Cash Transaction Report

DGFI Directorate General of Forces Intelligence

DMP Dhaka Metropolitan Police
DNC Department of Narcotics Control

DNFBP Designated Non-Financial Businesses and Professions

EC Election Commission

EDD Enhanced Due Diligence

FATF Financial Actions Task Force

FCBs Foreign Commercial Banks

FIU Financial Intelligence Unit

FSAP Financial Sector Assessment Program

FSRB FATF Style Regional Body
GoB Government of Bangladesh

ICAB Institute of Chartered Accountants of Bangladesh ICRG International Cooperation and Review Group

IMF International Monetary Fund

IP Influential Persons

KoFIU Korea Financial Intelligence Unit

KYC Know Your Customer

MFSP Mobile Financial Services Provider
MIS Management Information System

ML Money Laundering
MLA Mutual Legal Assistance

MLPA Money Laundering Prevention Act

MLM Multi Level Marketing
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

MoLJPA Ministry of Law Justice & Parliamentary 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

NID National Identification
NPOs Non Profit Organizations
NRA National Risk Assessment
NSI National Security Intelligence

OECD Organization for Economic Cooperation and Development

PC Partially Compliant

PCBs Private Commercial Banks
PEPs Politically Exposed Persons
RAB Rapid Action Batallion

SB Special Branch

SMS Short Message Service StAR Stolen Asset Recovery

STR Suspicious Transaction Report

TC Technical Compliance
TF Terrorist Financing
TP Transaction Profile

UNCAC United Nations Convention against Corruption
UNODC United Nations Office on Drugs and Crime
UNSCR United Nations Security Council Resolutions

PHOTO GALLERY



A group of participants in CAMLCO conference 2015 at Cox's Bazar with the Governor of Bangladesh Bank



Delegation of KoFIU headed by the Commissioner met the Governor of Bangladesh Bank while visiting BFIU



The officials of Sri Lanka FIU and BFIU in the experience sharing session on Mutual Evaluation of Srilanka



Deputy Governor of Bangladesh Bank and other Guests in CAMLCO conference of Financial Institutions, 2015



The Bangladesh delegation with the Assessors for the 3rd round Mutual Evaluation in APG Annual Meeting, Macao, China



The Banglaesh delegation in the FATF Plenary and working Group Meetings held in Paris, France, October, 2014



Chief Executives of scheduled Banks attended the Banking Dialogue arranged by the US Embassy, Dhaka held in the USA under the leadership of the Deputy Head of BFIU



The Bangladesh Delegation attended in the 7th Meeting of BIMSTEC Sub-Group on Combating Financing of Terrorism, Thimpu, Bhutan



Signing of MoU between BFIU and FIU of BHUTAN



Signing of MoU between BFIU and FIU of VIETNAM



Signing of MoU between BFIU and FIU of PANAMA



The Bangladesh Delegation in the FATF/APG Joint Experts Meeting on ML & TF Typologies, Bangkok, Thailand



Signing of MoU between BFIU and Fiji FIU



The Deputy Head of BFIU handed over souvenir to the head of FIU of RUSSIA while signing of MoU between the FIUs



Signing of MoU between BFIU and FIU of BAHRAIN



BFIU official along with the participants in the Enhancing AML & CFT Frameworks Workshop in Singapore, September 1-5, 2014



The Deputy Head of BFIU handed over souvenir to the head of FIU of Kyrgiz Republic while signing of MoU between the FIUs



Signing of MoU between BFIU and FIU of BRUNEI-DARUS SALAM



The PPATK officials handed over the souvenir to BFIU officials in a Study visit to PPATK Office, Jakarta in Indonasia



The officials of BFIU and KoFIU while providing Technical Assistance to Bhutan in December, 2014



The BFIU officials handed over souvenir to the officials of Azerbaizan FIU while attending in the Experience Sharing program on goAML software



Good Giving: Countering Terrorist Financing and Violent Extremism in the Charity Community" organized by US Department of State & Dept of Justice - Hotel Sarina, Dhaka, December 8-10, 2014



The BFIU officials among the participants of APG Assessor Training Workshop in Seoul, Korea



BFIU official with the Head of Fiji FIU working as a Regional Representatives in the Regional meeting in 23rd Egmont Plenary

Published by:



Bangladesh Financial Intelligence Unit Bangladesh Bank, Head Office, Dhaka

Website:

www.bb.org.bd/bfiu/index.php

Graphics:

Dibbendu Udas

Printed by:

Srout Advertising, 241/1 Moghbazar, Dhaka

DCP-10-2016-1050