

ANNUAL REPORT 2021-22



Bangladesh Financial Intelligence Unit

Annual Report 2021-22



Bangladesh Financial Intelligence Unit

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Message from the Governor

Despite gloomy and more uncertain world economic outlook, Bangladesh is expected to grow by 7.2 percent of its real GDP. Thus, Bangladesh Bank (BB) responded with an expansionary and accommodative monetary policy stance for supporting broad based economic activities to come out from the aftermath of covid-19 pandemic in close sync with the government fiscal plan. Besides, it undertook a wide range of supportive policies for the financial sector with a view to investment recovery and employment generation. With efficient implementation of stimulus packages and policy measures, a solid and broad based economic recovery was evident in FY 2021-22.



However, Russia-Ukraine war induced commodity price hike, supply chain disruption, more than expected inflation in the large economy, sharp appreciation of USD against major currencies including BDT create some discomfort in maintaining balance of payments. At this juncture, Bangladesh Bank and Bangladesh Financial Intelligence Unit (BFIU) have to take various initiatives including, but not limited to, discouraging the import of luxury items, close surveillance of foreign exchange (FX) market, curbing Hundi/Hawala activities etc. With this whole government approach FX market is being stabilized and that will also tame the inflation spiral.

These unprecedented challenges are also threatening the stability and integrity of financial sector, stimulating financial crimes as criminal are astute and more likely carpetbagger who change their modus operandi with time and take advantage of volatile situation. It is evident from BFIU's findings that crimes like abuse of international credit cards to buy illegal products or psychotropic drugs, trading/using of virtual currency illegally, counterfeiting of medicines, vaccines and personal protective equipment, exploitation of stimulus funds through fraudulent activities, abuse of e-commerce and digital platforms have been increased and changed the prevalent landscape of crimes during the pandemic.

I am very pleased that BFIU as the key ML & TF watchdog over the Bangladeshi financial system has been quite vigilant in handling the issues firmly. As a proactive intelligence agency, it has done a commendable job in detecting the threats, vulnerabilities and challenges associated with financial sector and addressing those by taking time befitting initiatives and policy measures. It is altogether encouraging that BFIU has disseminated a good number of intelligence reports in the previous year. The Unit has also been continuously trying to raise awareness and enhance the capacity of the officials of the ROs and other stakeholders. It is also appreciating that BFIU as part of its statutory obligation is going to publish its Annual Report for the FY 2021-22.

This year, BFIU is celebrating glorious 20-year anniversary in the AML & CFT regime of Bangladesh. The two decades have witnessed an immense progress in establishing a strong AML & CFT regime in Bangladesh reflecting the achievement of the status of a compliant country and BFIU was identified as the 'strongest building block' of the AML & CFT regime of Bangladesh. I hope BFIU's stern initiatives against money laundering and terrorist financing will help to ensure a more resilient economy and sustainable economic growth in line with the vision of the Government to enlist the country in the developed economies by 2041.

Finally, I'd like to extend my heartfelt thanks to the BFIU team for publishing this comprehensive but succinct overview of their activities done in the previous financial year. I would like to commend the officials of BFIU and all relevant agencies that are working relentlessly to sustain the status of a compliant AML & CFT regime and uphold the country's image in international arena. As part of legal obligation and shared mission in establishing a stable financial sector, I would like to mention that Bangladesh Bank looks forward to continuing its human resources, financial, technical and logistical support to BFIU.

A handwritten signature in black ink, appearing to read 'Abdur Rouf Talukder'. The signature is fluid and cursive, with a large loop at the end.

(Abdur Rouf Talukder)
Governor, Bangladesh Bank



Foreword

In materializing the vision of establishing a robust financial system in Bangladesh effectively deterring money laundering, terrorist financing, proliferation financing and other related offences, Bangladesh Financial Intelligence Unit (BFIU) works in close coordination with all the relevant national as well as international stakeholders and making its best effort in executing its responsibilities assigned by the provisions of Money Laundering Prevention Act, 2012 and the Anti-Terrorism Act, 2009.

The financial year 2021-22 is historically memorable for BFIU which marks the glorious 20-year anniversary of its journey. On this occasion, the Unit published booklet, adjunction etc. to give a glimpse picture of its achievements where our honorable Prime Minister H.E. Sheikh Hasina conveyed her felicitation and best wishes for continued prosperity of BFIU. The Unit also organized a day-long seminar with two sessions for the stakeholders and the reporting organizations on 18 June 2022. Through these 20 years, BFIU is actively engaged with various regulatory bodies, law enforcement agencies (LEAs), intelligence agencies and other counterparts for information and intelligence sharing. In this journey, notable achievements attained by BFIU are the membership status of Egmont Group in 2013, attainment of compliant country status in MER 2016, nominated as APG Co-Chair during 2018-2020, signing of MoU with 79 foreign FIUs.

As a central agency in the country for collecting and collating financial information for developing intelligence to be used in investigation, BFIU has received a record number of STRs/SARs, CTRs from the ROs and information exchange request from the LEAs in the year 2021-22. After analysis, BFIU has disseminated substantial numbers of intelligence reports and exchanged them to the respective LEAs. Furthermore, as part of the international engagement and cooperation, BFIU shared a number of information on request and spontaneously with other foreign FIUs through the Egmont Secure Web (ESW). The Unit has issued a circular to be followed by insurance companies for prevention of money laundering, terrorist financing and proliferation financing.

The present age is the age of artificial intelligence and machine learning technology where financial products are being digitalized day by day. This digital transformation of financial products opens the door for expanding financial inclusion and ensures the integrity of financial system. However, it also poses some underlying risk of money laundering, terrorist financing and other related offences. Eying to minimize such risks, BFIU has issued an e-KYC Guidelines for financial institutions earlier to adopt digital technology in the process of customers' due diligence. To implement and scale up this guideline, the Unit has signed a cooperation agreement with International Finance Corporation (IFC) in this FY.

To raise awareness and enrich the compliance capabilities of the ROs, several workshops, meetings and training programmers have been arranged in this FY. The Unit also provides resource persons to different ROs, LEAs, and other regulatory bodies to enhance their understanding of AML & CFT issues.

Finally, I extend my heartfelt thanks to my BFIU team and feel honored to present this Annual Report 2021-22 for your kind perusal where you can find a comprehensive but succinct overview of activities and achievements of BFIU during this period. I hope it would benefit the stakeholders in our AML & CFT regime.

(Md. Masud Biswas)
Head of BFIU

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BFIU in FY 2021-22

01

Receipt of STRs/SARs & CTRs

8571 STRs/SARs¹ from ROs and other sources
810 information exchange requests from LEAs and other sources
36,894,039 CTRs from Banks & NBFIs

02

Intelligence Sharing with the LEAs and Other Relevant Agencies

84 intelligence reports
833 information exchange

03

International Cooperation

26 requests received from the FIU of different countries/jurisdictions
103 requests made to the FIU of different countries/jurisdictions

04

Monitoring and Supervision of ROs

146 system check inspections
67 special inspections

05

New Regulations

Circular regarding instructions to be followed by insurance companies for prevention of money laundering, terrorist financing and proliferation financing

06

Capacity Building Initiatives for ROs and Stakeholders

4 CAMLCO conferences
13 lead bank training programs
BFIU provided resource person in 150 training programs

07

Participation of BFIU Officials in

40 training programs, workshop, seminar, etc.

08

Mutual Evaluation of Bangladesh

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

¹ Number of STRs/SARs includes STRs or SARs received from ROs and Complaints received from individuals or other sources.



BFIU

at a glance

Chapter 1

Background

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

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

In fulfilling its mission, the Unit renders cooperation and assistance to a number of members and jurisdictions and receives cooperation and assistance from a number of agencies, donors, and providers. For effective analysis and as part of international cooperation BFIU obtained Egmont Group membership in July 2013 and signed MoU with 79 FIUs till June 2022.

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

Against such backdrop, the activities of BFIU encompass analyzing Suspicious Transaction/Activity Reports (STRs/SARs), Cash Transaction Reports (CTRs), and information related to ML, TF&PF received from reporting agencies & other sources and disseminating information/intelligence thereon to relevant law enforcement and investigative agencies, exchanging information related to money laundering and terrorist financing with its foreign counterparts, participating and contributing to various domestic and international AML & CFT initiatives and performing everything relevant to fulfilling the objectives of combating these crimes. This Annual Report like the previous ones presents all such activities and initiatives undertaken during FY 2021-22.

VISION

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



MISSION

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

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

Objectives

To establish an effective and operational FIU;

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

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

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

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

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

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

Functions

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

A central graphic consisting of several concentric circles in shades of light blue and green. The circles are not perfectly solid, with some segments missing, creating a sense of motion or a circular path. The text is centered within the innermost circle.

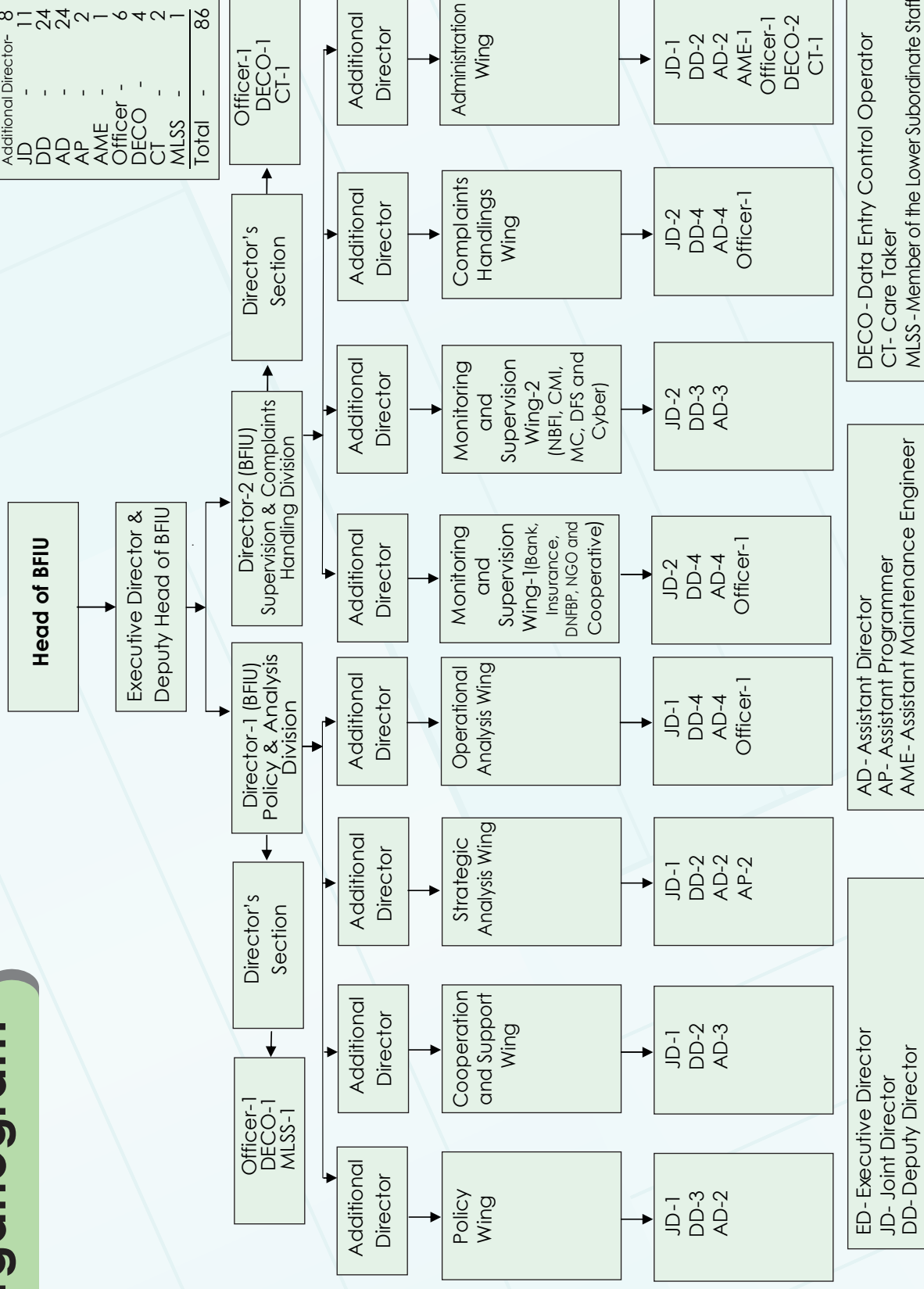
Regulatory Framework

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

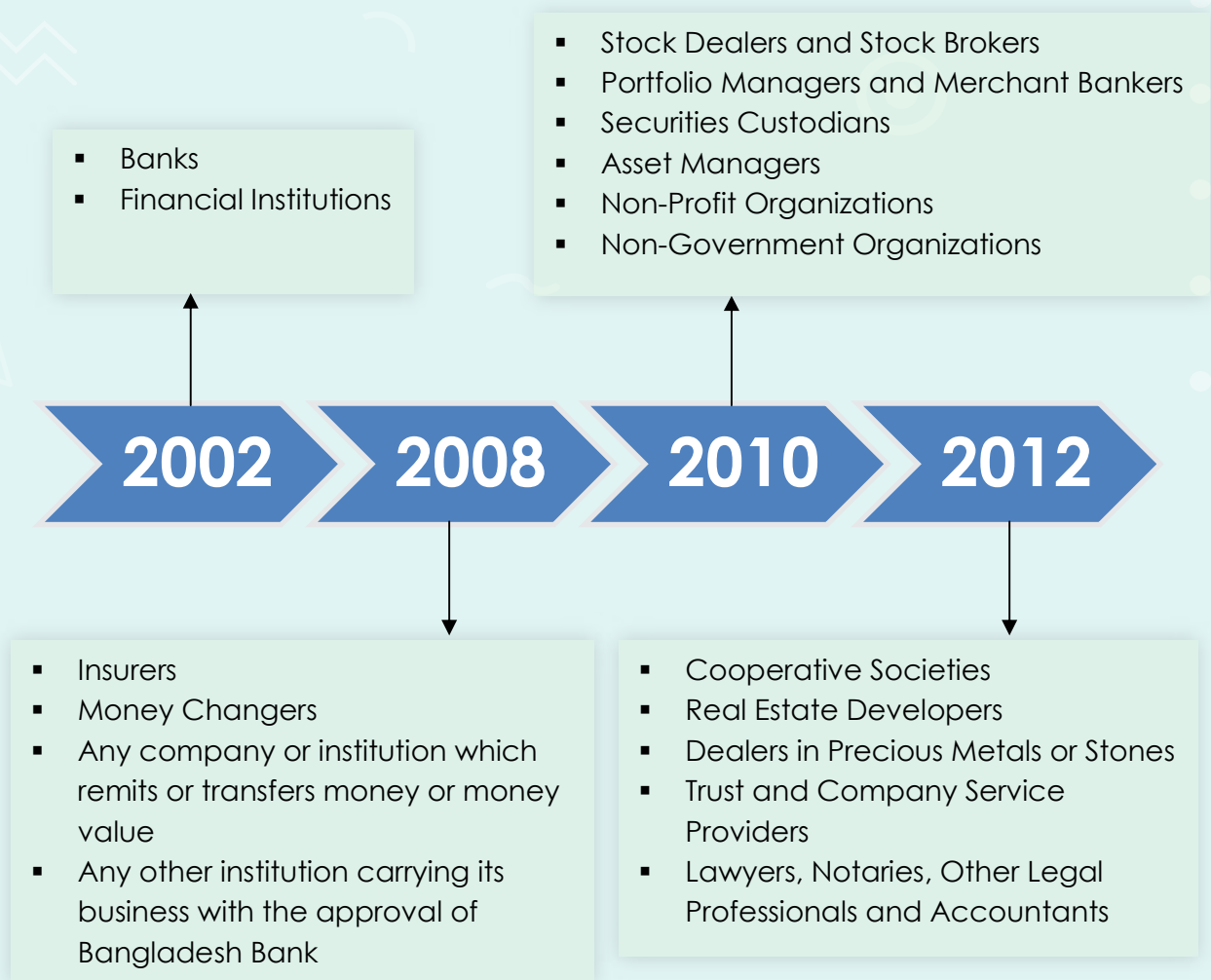
Organogram

Summary of Sanctioned Strength

ED	-	1
Director -	-	2
Additional Director-	-	8
JD	-	11
DD	-	24
AD	-	24
AP	-	2
AME	-	1
Officer -	-	6
DECO	-	4
CT	-	2
MLSS	-	1
Total	-	86



Reporting Organizations



1.9 20-Year Glorious Journey of BFIU in AML & CFT Regime of Bangladesh

The year 2022 marks the glorious 20-year anniversary of BFIU in AML & CFT regime of Bangladesh. The two decades have awarded Bangladesh with much acclamation from the world with the most prestigious achievement of a compliant country status. The journey of BFIU towards that end was not even, rather full of experience gathering in each stage and goes one step further from the learning which has led BFIU as the strongest building block of AML & CFT regime of Bangladesh as commented by APG in MER 2016.

To celebrate the 20-year glorious journey, BFIU arranged a daylong seminar with two sessions for the stakeholders and the reporting organizations, published special supplement for the national dailies and booklet. Honorable Prime Minister H.E. Sheikh Hasina encouraged BFIU by providing her esteemed message and good wishes on that occasion. The reporting organizations also arranged different types of awareness raising programs including AML & CFT week, broadcasting programs on electronic and print media, publishing special pages on print media and showcasing leaflet, banner-festoons in the branches and important public places among the country. The programs got momentum in achieving the purpose of raising awareness among the general public on AML & CFT. Overall, the initiatives taken by BFIU on that occasion got much response from all the stakeholders.

Bangladesh became a founding member of the Asia/Pacific Group on Money Laundering (APG) in 1997. But till 2002 there was no formal framework for the AML & CFT regime in Bangladesh. In January 2002, a central task force with the leadership of Deputy Governor of Bangladesh Bank and 07 regional task forces based on the regional offices of Bangladesh Bank had been formed for the prevention of money laundering and illegal hundi activities. In April 2002, Bangladesh promulgated Money Laundering Prevention Act (MLPA) for the first time that helped securing the status to be the first country in the South-Asia Region to enact such Act. To implement and carry out the responsibilities vested in the said Act, a separate department named Anti Money Laundering Department (AMLDD) was established within Bangladesh Bank in June 2002.

1st and 2nd Round Mutual Evaluation of Bangladesh

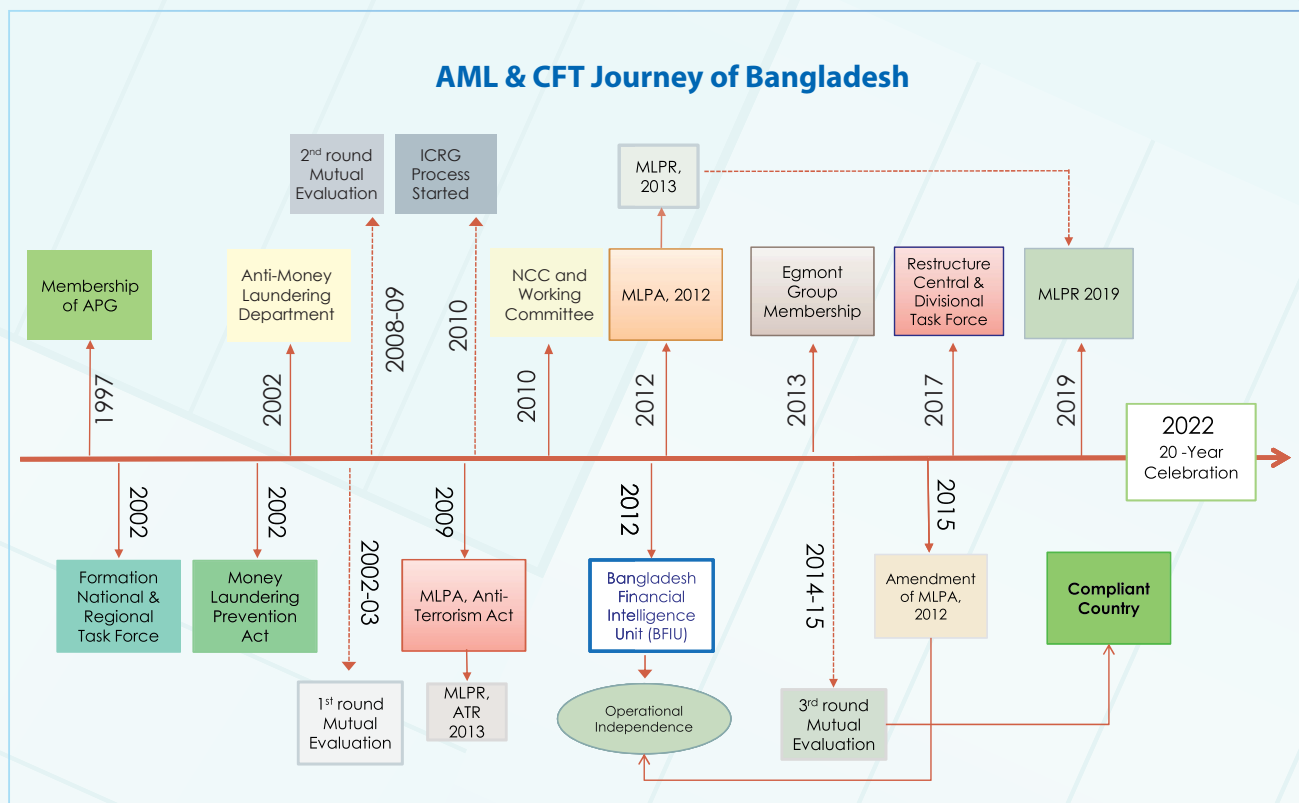
Bangladesh had to face mutual evaluation for the first time during 2002-03. As the journey of AML in Bangladesh was relatively new at that time and the MLPA could not fulfill many of the recommendations of FATF and the mandatory provisions of UN Conventions regarding AML, Bangladesh was rated non-compliant against most of the FATF recommendations by the joint evaluation of the World Bank and the IMF in 2002-03. Bangladesh took several initiatives to address the deficiencies. Yet, in the 2nd round



mutual evaluation conducted by APG during 2008-09, Bangladesh was rated non-compliant and partially compliant against all 16 core and key recommendations and due to these significant shortcomings Bangladesh was enlisted into the International Cooperation Review Group (ICRG) process of FATF in October 2010.

3rd Round Mutual Evaluation by APG

It was a great challenge for Bangladesh to tackle the situation emerged because of the inclusion of Bangladesh in the grey list of FATF (ICRG process). Bangladesh Government took time bound action plan with the mission to come out of ICRG process. National Coordination Committee on AML & CFT headed by the honorable Finance Minister and 21-member Working Committee consisting of different ministries, divisions and agencies were formed in 2010, just after the 2nd round mutual evaluation report was published. To cover the shortcomings of MLPA and to comply with the updated recommendations of FATF, MLPA, 2012 was issued repealing the previous one and with the Act, Bangladesh Financial Intelligence Unit (BFIU) was established abolishing the then AMLD. With those time bound action plans and initiatives, Bangladesh became successful in coming out of the grey list of FATF in February 2014. Meanwhile, BFIU got membership of Egmont Group on 3rd July 2013 which is another exemplary achievement of BFIU in its history. Furthermore, Bangladesh achieved the status of a Compliant Country in the Mutual Evaluation conducted during 2014-15 by the APG. The strives to handle the challenges with firm hand and to be successful in achieving the status of a fully compliant country will always be a great example for the days ahead in AML & CFT regime of Bangladesh.



The journey towards a strong AML & CFT regime goes one step further when BFIU has been provided with operational independence by MLPA, 2012 and to carry out its mission and activities staying aloof from any internal or external influence or intervention. On the other hand, a two-layered task force i.e. central task force and divisional task force on deterring and preventing ML and illegal hundi activities is formed in 2017 restructuring the previous one formed in 2002. Furthermore, to address the recommendations of MER 2016 and to make AML & CFT regime of Bangladesh efficiently strong, Money Laundering Prevention Rules (MLPR) 2019 was issued repealing the MLPR, 2013.

Major Achievements in the Last Two Decades

- Establishment of operationally independent national central agency for the prevention of ML & TF i.e. BFIU and this was strengthened further with the amendment of MLPA in 2015
- Coming out from ICRG process of FATF
- Membership of Egmont Group in 2013
- Attainment of Compliant Country Status in MER 2016
- APG Co-chairship during 2018-2020
- Signing of MoU with 79 foreign FIUs
- Participation as expert reviewer and assessor in APG ME

Initiatives for Celebrating 20-Year Anniversary of BFIU

- **Daylong seminar on 18 June 2022**

The morning session of the daylong seminar was arranged for the MDs, CAMLCOs and Deputy CAMLCOs of the Financial Institutions, Capital Market Intermediaries, NGO/NPOs, DNFBP, Cooperative Society and DFS. The Head of BFIU, Mr. Md. Masud Biswas, was the chief guest of the session whereby Mr. Golam Sarwar Bhuiyan, Vice Chairman of Bangladesh Leasing and Finance Companies Association, was present there as special guest and Mr. A.B.M. Zahurul Huda, Director of BFIU, convened the session. At the session, directors of different departments of Bangladesh Bank and all other officials of BFIU attended the program.



Honorable Governor Mr. Fazle Kabir along with Other Guests of the Evening Session; 18 June 2022, International Convention City Basundhara, Dhaka

On the other hand, the evening session was arranged for the MDs/CEOs, CAMLCOs and Deputy CAMLCOs of all the scheduled banks. The honorable Governor of Bangladesh Bank, Mr. Fazle Kabir, enlightened the session as chief guest where Mr. Sheikh Mohammad Salim Ullah, Secretary of the Financial Institution Division, Ministry of Finance and Mr. Selim R.F. Hossain, Chairman of the Association of Bankers Bangladesh (ABB), honored the session as special guest. The Head of BFIU, Mr. Md. Masud Biswas, chaired the session. Furthermore, several high officials of Bangladesh Bank including Deputy Governor, Mr. Kazi Sayedur Rahman and Mr. A. K. M Sajedur Rahman Khan were present as special invitees.

Special Supplement of the Event


BFIU also took the initiative to publish a special supplement on the occasion. Her Excellency Honorable Prime Minister Sheikh Hasina provided message and extended good wishes on the occasion of the 20th Anniversary of BFIU in AML & CFT regime of Bangladesh. In her message Honorable Prime Minister acclaimed all the concerned stakeholders, ministries, agencies including BFIU for their immense efforts to establish a strong and effective AML & CFT regime and expect to strengthen it further. Furthermore, honorable finance minister Mr. A H M Mustafa Kamal, honorable Governor Mr. Fazle Kabir, Secretary of the Financial Institution Division, Ministry of Finance Mr. Sheikh Mohammad Salim Ullah, the Head of BFIU Mr. Md. Masud Biswas and the Chairman of ABB Mr. Selim R F Hossain provided individual message for the special supplement. This was published on 18 June 2022 in two national dailies (Bangla and English) of Bangladesh.

Booklet (Special Supplement)

On the occasion of its 20-year anniversary, BFIU published a booklet. In the booklet, the mission, vision, function of BFIU, major initiatives and achievements in the last 20 years in the AML & CFT regime has been outlined. Furthermore, evolution of AML & CFT regime of Bangladesh written by Mr. Kamal Hossain, Additional Director of BFIU has been included in the booklet. The booklet earned special acclamation from its readers.

Way Forward

Bangladesh is now a compliant country as per assessment of the APG on compliance (technical compliance and effectiveness) of FATF recommendations having compliant in 8, largely compliant in 27 and partially compliant rating in 5 recommendations. The most satisfactory thing is that currently we have no non-compliance in any of the recommendations. The AML & CFT framework, both legal and institutional, is much better in terms of international standards, even it is better than some developed countries of the world. APG in the MER 2016 commented that BFIU is the strongest building block of AML & CFT regime of Bangladesh. This recognition means a lot for AML & CFT regime of Bangladesh. The experts of BFIU are now serving as the assessor and reviewer of mutual evaluation of other countries/jurisdictions and providing expertise lectures in different international forums very frequently. Moreover, BFIU sponsored Bhutan and supported Maldives to be member of the Egmont group. It also provided technical assistance to other neighboring countries. We will have to go forward with our mission towards fighting money laundering and countering financing of terrorism. The perpetrators of money laundering and terrorist financing are more astute and always change their modus operandi. To tackle them, we will have to ensure a dynamic AML & CFT regime with digital transformation in this arena.

The background features a series of light blue, three-dimensional rectangular blocks arranged in a stepped, pyramid-like structure. These blocks are positioned in the upper and lower portions of the frame, leaving a clear, white rectangular area in the center for text. The lighting creates soft shadows, giving the blocks a sense of depth and volume.

Major Activities in FY 2021-22

Chapter 2

Major Activities in FY 2021-22

Bangladesh Financial Intelligence Unit (BFIU) is the central agency on AML, CFT and CPF in Bangladesh. In addition to intelligence development, it is working as a regulator and supervisor taking into account domestic ML, TF & PF risks along with global norms, mandates and strategy proposals on AML & CFT issues. BFIU consistently updates its policy directives by reviewing AML & CFT circulars, circular letters and delivers mandates through different guidelines on convenient issues and gives bearings to the ROs to guarantee a viable AML & CFT system in Bangladesh. Besides, BFIU also coordinates national initiatives against ML, TF and PF, cooperate with national and international stakeholders, raises awareness of the ROs and other stakeholders.

BFIU assesses the risks associated with ML & TF and manages to take action against those who are engaged in various irregularities to disrupt the unstoppable progression of the country. The portion of major activities carried out by BFIU in FY 2021-22 is presented below:

2.1 Issuance of Circular for Reporting Organizations

Under the provisions of Money Laundering Prevention Act (MLPA), 2012 and Anti-Terrorism Act (ATA), 2009; BFIU issues necessary directives (circular, circular letter, guidance etc.) from time to time to the Reporting Organizations.

On 18 April 2022, BFIU issued 'BFIU Circular No-27' outlining guidelines to be followed by insurance companies to prevent money laundering and counter financing of terrorism. As the insurance sector has been identified as less vulnerable sector in the 2nd National Risk Assessment (NRA) Report thus the required number of regulatory reporting to BFIU has been reduced. Besides, instructions have been given to implement BFIU Circular No-25 for the collection and preserving of complete and accurate customer information (KYC) by using modern technology.

The new circular provides detailed instructions regarding risk-based approaches. This will enable insurance companies to identify and prevent risks related to money laundering and terrorist financing more effectively. Additionally, Instructions have been given on the implementation of the commitment of the Board of Directors, top executives and other senior officials of insurance companies to ensure institutional compliance according to the laws, regulations and circulars on AML & CFT. New issues have been added to the circular as well, like- effective implementation of United Nations Security Council resolutions (UNSCRs) on the financing of terrorist activities and proliferation financing of weapons of mass destruction.

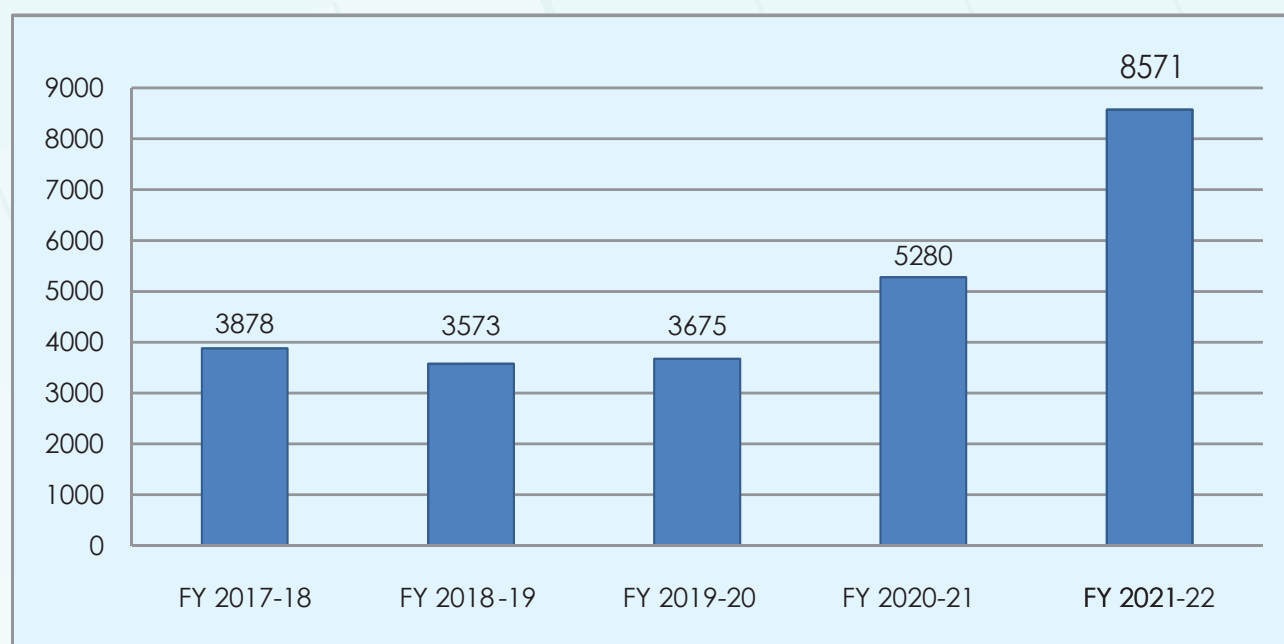
2.2 Intelligence Management

As the central agency of Bangladesh to fight against money laundering and terrorist financing, BFIU's most important function is to receive different types of reports (STR, SAR, CTR and other) from reporting organizations. BFIU also entertains complaints and information from individuals or organizations very sincerely. Any individual or organization can lodge complaints or provide information regarding ML, TF & PF to BFIU. Moreover, the information provided by the regulatory authorities and supervisory bodies, intelligence shared by the intelligence agencies and LEAs, and information provided by the foreign FIUs or other foreign counterparts add value to the intelligence development of BFIU.

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

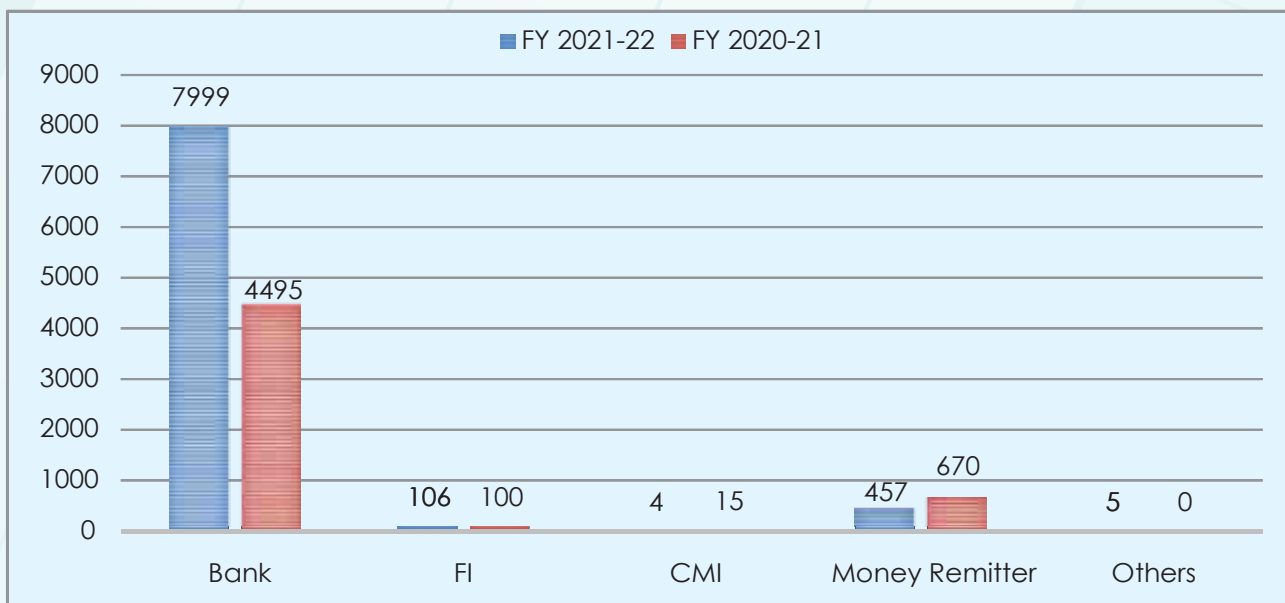
2.2.1 Suspicious Transaction Report (STR) and Suspicious Activity Report (SAR)

Under the provisions of section 25(1)(d) of the MLPA, 2012 and section 16(1) of the ATA, 2009, the reporting organizations are legally obliged to submit STR and SAR. When any sort of anomaly is found, the ROs submit STR and SAR spontaneously based on their knowledge and understanding of AML & CFT risk. The number of STR & SAR is one of the major indicators of the existence of a robust AML & CFT regime. A suspicious transaction or activity reporting system has been introduced to protect the reporting organizations from being exploited by the money launderers and terrorist financiers and to ensure the soundness of the national AML & CFT program. BFIU has received 8,571 STR & SARs (4,218 STRs & 4,353 SARs) In FY 2021-22.



Graph-1: Yearly Receipt of STR & SAR

The above graph shows STR & SAR received over the past 5 (five) years. The data shows that BFIU has been receiving STR & SAR from the reporting organizations and other sources in an increasing trend over the years including a sharp raise i.e. 62.33 percent increase in FY 2021-22 compared to that of FY 2020-21. There are several reasons for what the number has increased including BFIU's stringent measures against non-compliance, increased awareness and capacity development of the reporting organizations, increased fraudulent activities-especially in e-commerce and MLM business, the government's stance on zero tolerance policy against corruption, etc.



Graph-2: Sector-wise Trends of STR & SAR

The significant part of the financial system of Bangladesh is comprised of banks and the majority of STR & SARs are received from this sector. The 2nd National Risk Assessment on ML & TF reveals that the banking sector is more vulnerable to ML & TF for its wide range of products, services and networks. The graph above also complements the findings of NRA since BFIU received 7,999 STRs & SARs i.e. 93.33% of the total STRs & SARs from the scheduled banks in FY 2021-22. However, Money remitters were the 2nd highest reporting organization who has lodged 457 STRs & SARs i.e. 5.33% of the total STRs & SARs to BFIU in FY 2021-22.

It is mentionable that, in FY 2021-22, the reporting organizations have lodged a total of 4,218 STRs. In those suspicious reports, the ROs indicated 9,659 suspicious transactions with total value of BDT 23,500.98 million while the number of such suspicious transactions was 7,000 and value was BDT 16,670.66 million in the previous year.

2.2.2 Request for Information Exchange

The LEAs, Intelligence Agencies and other stakeholders make request to BFIU for exchanging various information for further course of action at their end. The regular information exchange request from LEAs and intelligence agencies in FY 2021-22 decreases by 42.71% compared to that of in FY 2020-21 due to the amendment of the Bankers Books Evidence Act, 2021 as the LEAs now can collect the required information from banks directly. Still, in FY 2021-22, BFIU has received a total number of 810 requests for financial information from different LEAs and other agencies.

Table 1: Number of Requests for Financial Information Made by LEAs and Other Agencies

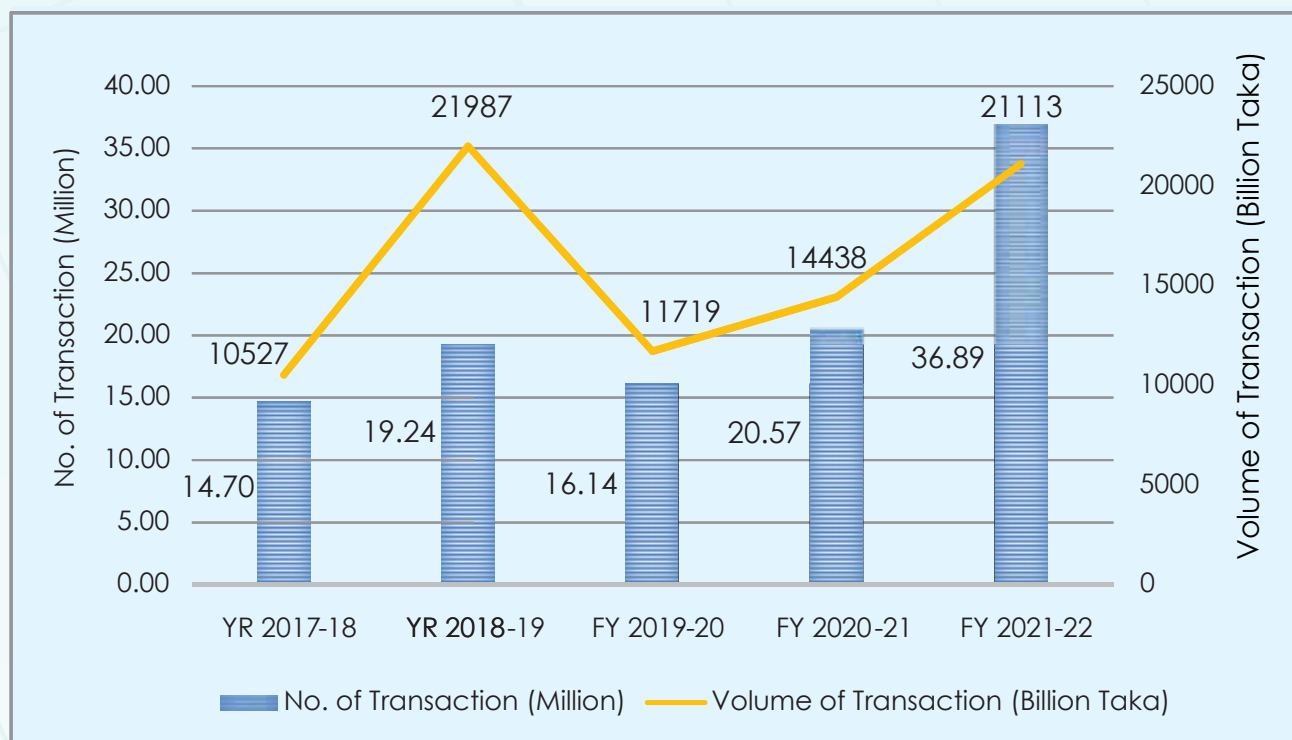
Requesting Agencies		FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
ACC		58	114	114	99
Bangladesh Police	CID	214	218	334	266
	Other units (Police HQ, ATU, PBI, DB, SB etc.)	13	73	44	55
NBR		73	17	175	70
Others (Intelligence Agencies, BB, Ministries, etc.)		203	365	747	320
Total		561	787	1414	810

Over the years, Bangladesh Police, Anti-Corruption Commission and other Intelligence Agencies constitute the major users of financial information.

2.2.3 Cash Transaction Report (CTR)

Section 23(1) (a) of the MLPA, 2012 entitles BFIU to obtain Cash Transaction Report (CTR) from the reporting organizations and analyze the same. BFIU has defined any kind of cash deposit or withdrawal valued BDT 1.00 million or more (or of equivalent foreign currency) through one or more transactions in an account in a single day as CTR. At present, Banks and NBFIs are obliged to submit CTR to BFIU on a monthly basis as per the directive of BFIU circulars issued under section 23(1)(d) of the MLPA, 2012 and section 15(1)(d) of the ATA, 2009. The information contained in the CTR is used for operational analysis, strategic analysis and risk based supervision of the banks and NB FIs.

Banks and NBFIs are required to submit CTRs through the goAML web by the 21st day of the succeeding month. In FY 2021-22, Banks have submitted 36.89 million transactions (value BDT 21,111.24 billion) in CTR whereas NBFIs have submitted 1,254 transactions (value BDT 2.07 billion). During the Covid-19 pandemic, cash transaction was comparatively lower whereas it increased just after the pandemic situation shifted as the financial activity increased. For this reason, in FY 2021-22 the total number of CTRs and the value of CTR have increased proportionately.



Graph-3: Yearly Receipt of Cash Transactions in CTR

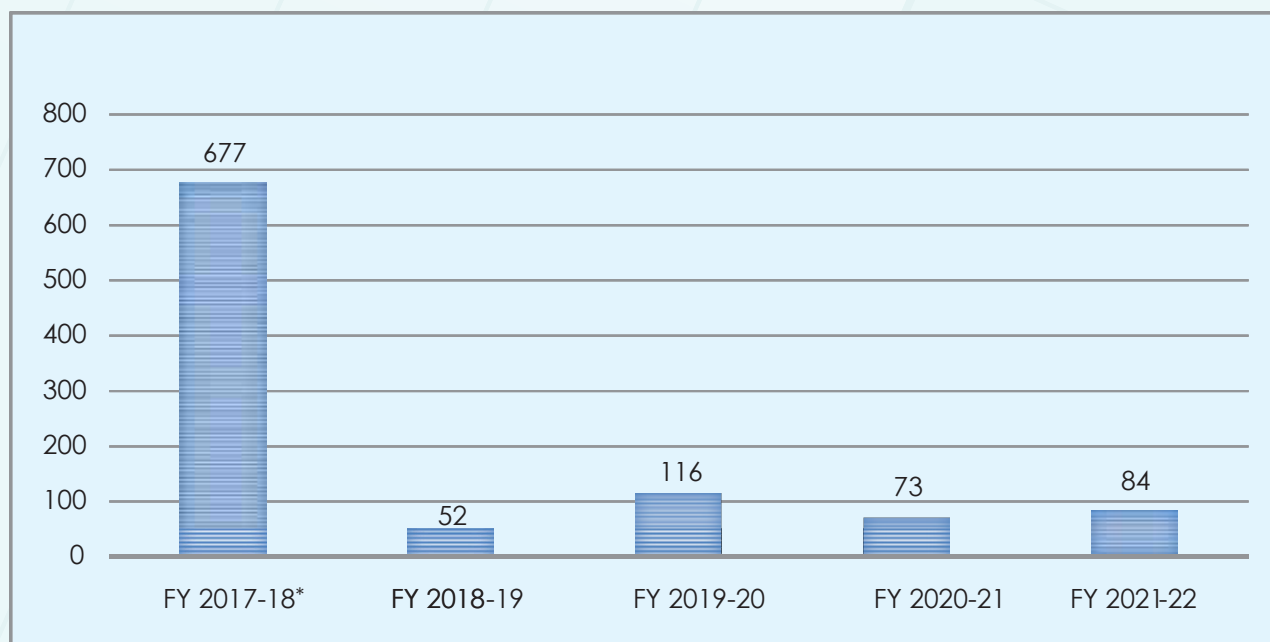
2.3 Dissemination of Intelligence

BFIU has a group of skilled analysts who are dedicated to analyzing STR and SAR. There are some predefined indicators (which are updated with time) based on what they set priority on each and every STR and SAR. After setting priority, a competent analyst is assigned to analyze the specific cases. The analysts collect additional information, as required, from different sources including reporting organizations, regulatory bodies, investigating agencies and other government agencies and prepare intelligence reports. If the case is related to ML, then it is disseminated to ACC, CID, NBR, DNC,

BSEC and the Department of Environment for investigation and further course of action as per MLPA, 2012 or ATA, 2009. If the case seems or appeared to be related to Terrorism, TF or PF then the case is disseminated to Bangladesh Police.

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

Intelligence reports are produced based on STR, SAR and other information. There are some cases where a single STR/SAR results in a complete intelligence report and there are also cases when hundreds of STR/SARs are analyzed to produce a single intelligence report. In FY 2021-22, BFIU disseminated 84 intelligence reports based on STRs and SARs.

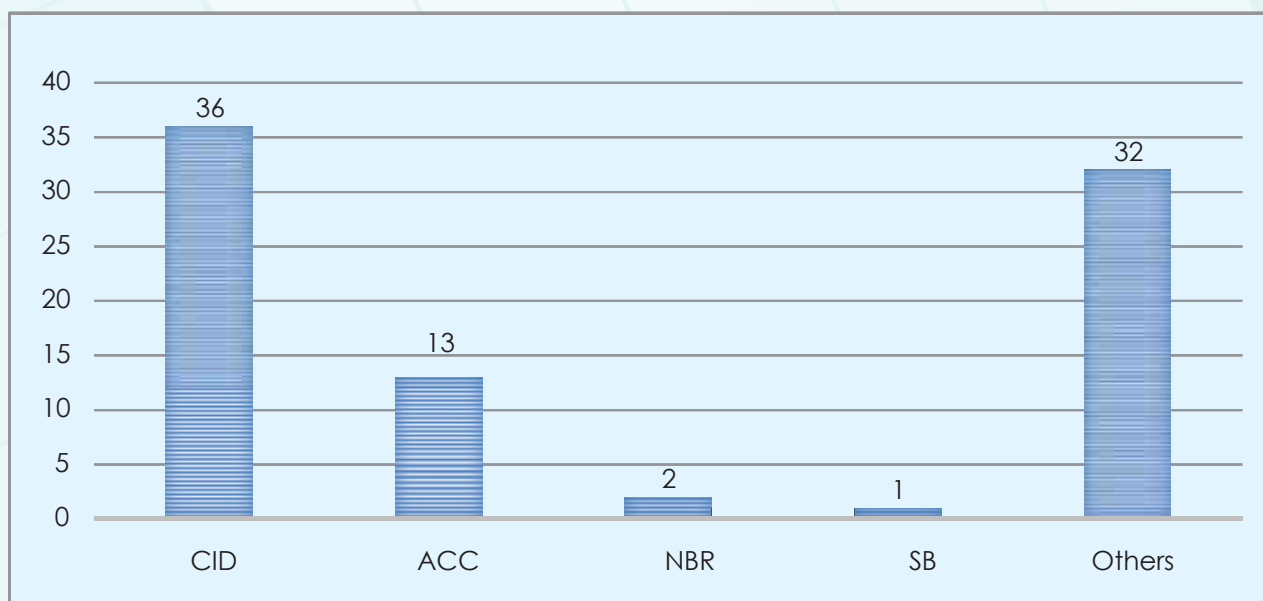


Graph-4: Dissemination of Intelligence Report by BFIU

The Graph-4 depicts that BFIU has disseminated 84 reports in 2021-22 compared to 73 reports in FY 2020-21 with a slight increase rate. However, dissemination of intelligence report has not increased proportionately as the increase of STR and SAR received as BFIU has to allocate more time and resources to deal with e-commerce related scams. During FY 2021-22 BFIU disseminated 32 intelligence report to LEAs and 30 summary reports to the court related with e-commerce service. Each of the reports consists of hundreds of STR/SARs and several bank accounts information.

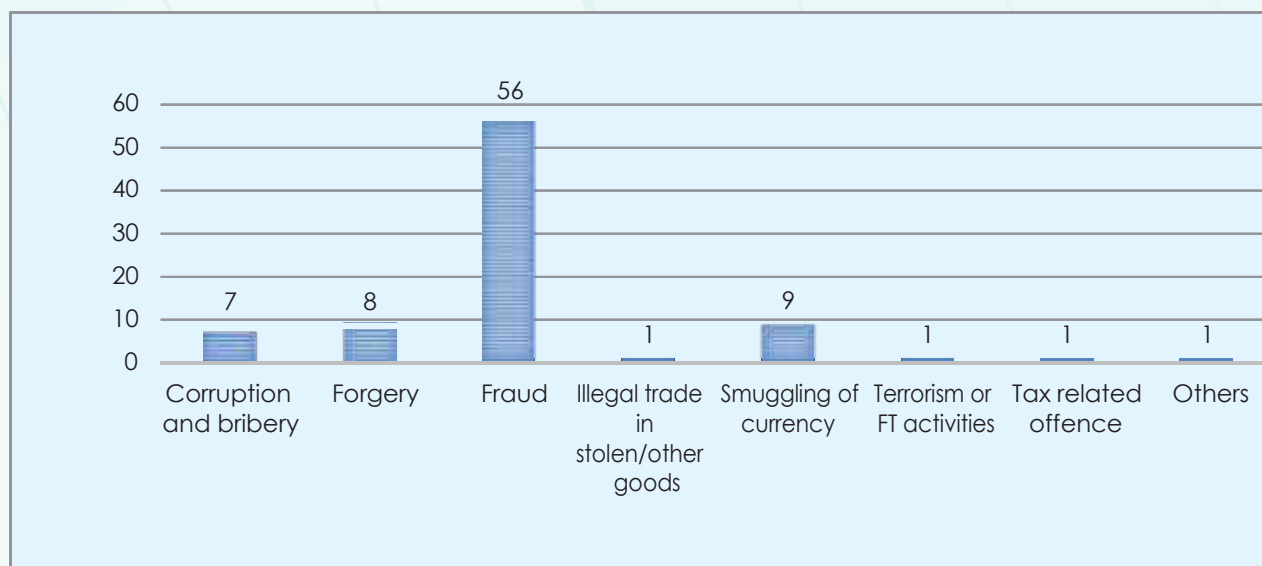
On the other hand, agency-wise dissemination statistics (graph-5) of FY 2021-22 highlights that CID of Bangladesh Police topped the list as recipient of intelligence report. E-commerce related fraud and forgery results in disseminating more intelligence report to CID in FY 2021-22. BFIU also submitted 30 summary reports before the court as order as an special instance.

* Number of dissemination in FY 2017-18 is very high as BFIU conducted special drive against some MFS agents as they were involved in hundi activities at that time and most of the disseminations were based on single STR/SAR.



Graph-5: Agency-wise Dissemination of Intelligence Report

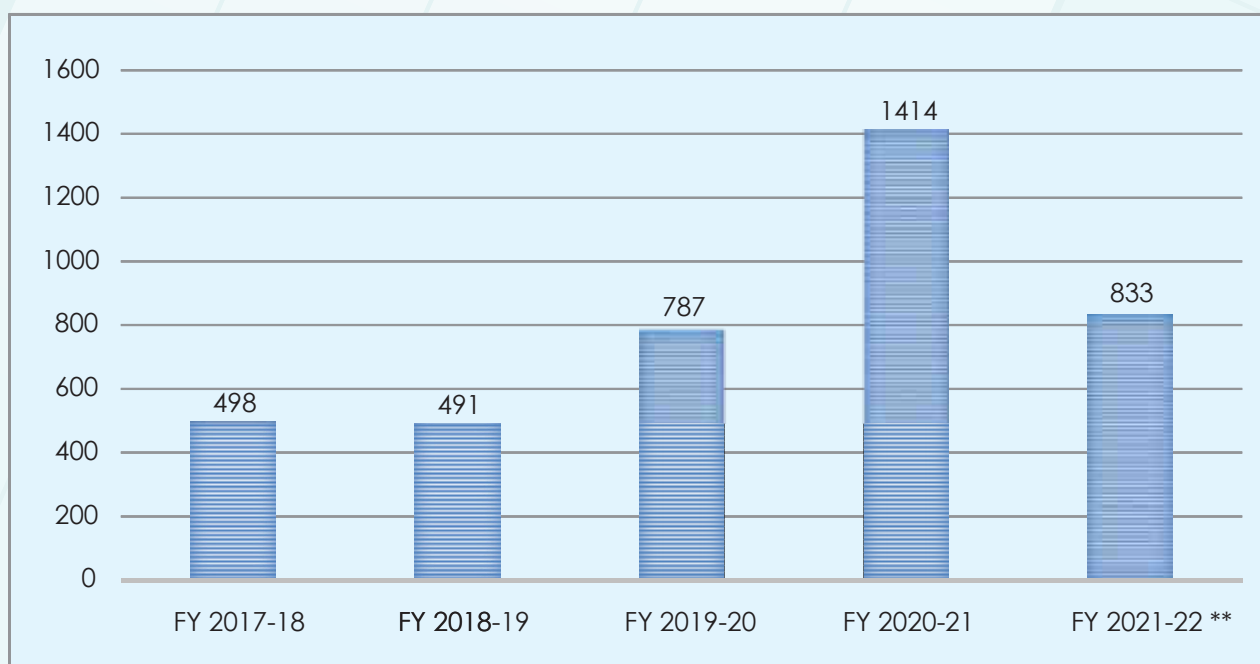
Furthermore, the graph below shows that the top predicate offences were fraud, smuggling of currency, forgery, corruption and bribery, etc. which more or less reflects the risk profile of the country as measured in the National Risk Assessment in 2015.



Graph-6: Predicate Offence-wise Intelligence Report Dissemination

2.3.2 Information Exchange

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



Graph-7: Year-wise Information Exchange with Various Government Agencies

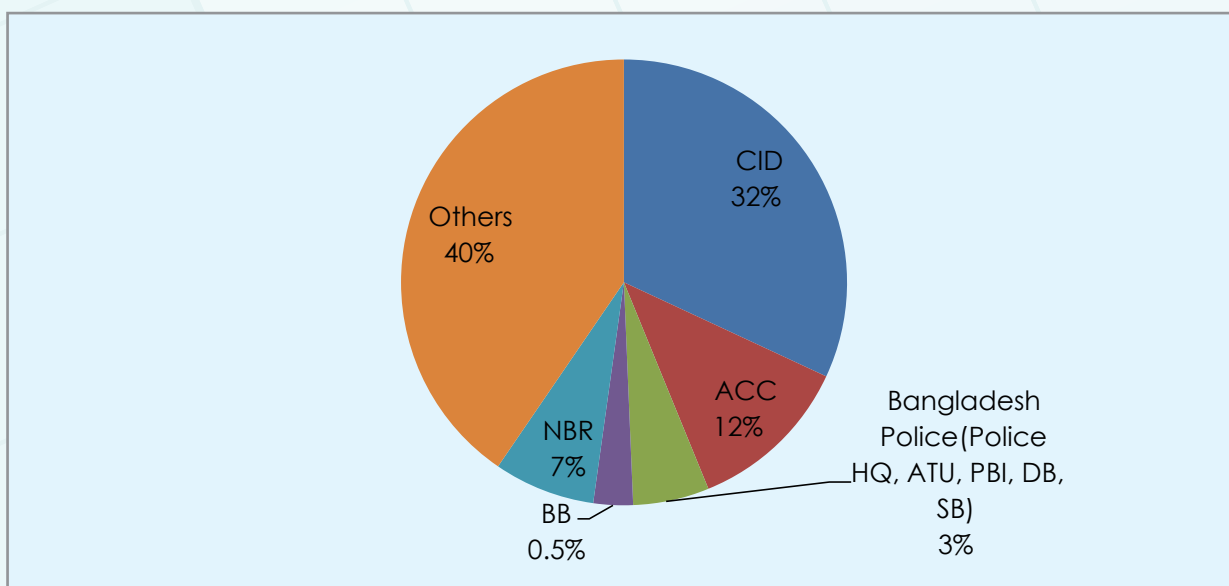
The LEAs and other stakeholders have received a total of 833 financial information from BFIU in FY 2021-22, compared to 1414 in FY 2020-21. Dissemination of financial information in FY 2020-21 was high as lots of dissemination were occurred in response of tackling e-commerce related scams. Table-2 shows that the prime recipients of such shared information are CID and several other units including Police Headquarters, Special Branch, Police Bureau of Investigation, Anti-Terrorism Unit, Detective Branch of Bangladesh Police; Anti-Corruption Commission, NBR (Central Intelligence Cell and Customs Intelligence and Investigation Department) and different Intelligence Agencies. Over the year, information exchange with different law enforcement agencies indicates greater cooperation among these organizations.

Table 2: Agency-wise Information Exchange

Agency Name		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
ACC		191	50	114	114	99
Bangladesh Police	CID	217	214	218	334	266
	Other units (Police HQ, ATU, PBI, DB, SB etc.)	16	13	73	44	46
BB		8	23	39	7	24
NBR		***	61	17	175	61
Others		66	130	326	740	337
Total		498	491	787	1414	833

** The amended Bankers Book Evidence Act, 2021 has enabled the LEAs to collect financial information from the respective institutions of their own.

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



Graph-8: Breakdown of Agency-wise Information Sharing in FY 2021-22

2.3.3 Dissemination related to Terrorism and Terrorist Financing Cases

BFIU also collects and analyzes terrorism and terrorist financing related data and produces intelligence reports in need. Mandated under Anti-Terrorism Act, 2009 BFIU collects information on terrorism and terrorist financing-related cases. Collected information is analyzed and disseminated to different law enforcement agencies. In FY 2021-22, BFIU disseminated 1 intelligence report and exchanged information on 5 cases related to terrorist financing.

2.4 Monitoring and Supervision

Section 23(1)(e) of the MLPA, 2012 and section 15(1)(c) and 15(1)(e) of the ATA, 2009 have empowered BFIU to supervise the activities of the reporting organizations and carry out on-site inspections on them. To make the monitoring and supervision more efficient and effective, the Monitoring and Supervision function of BFIU has been divided into the following sub-wings:

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

In line with FATF recommendation 1 and the provision of the Rule 10 of MLPR, BFIU has adopted a Risk-Based Approach (RBA) to supervise the reporting organizations. In line with the approach, the supervisory activities of BFIU are focused on the sectors and entities that are most vulnerable to ML, TF & PF and are at high risk of regulatory non-compliance. Furthermore, while implementing RBA, BFIU has taken a number of risk factors into account faced by ROs including sectoral, client, geographic and delivery channel or service/product risks. BFIU allocates supervisory resources based on identified risk of a particular sector or entity.

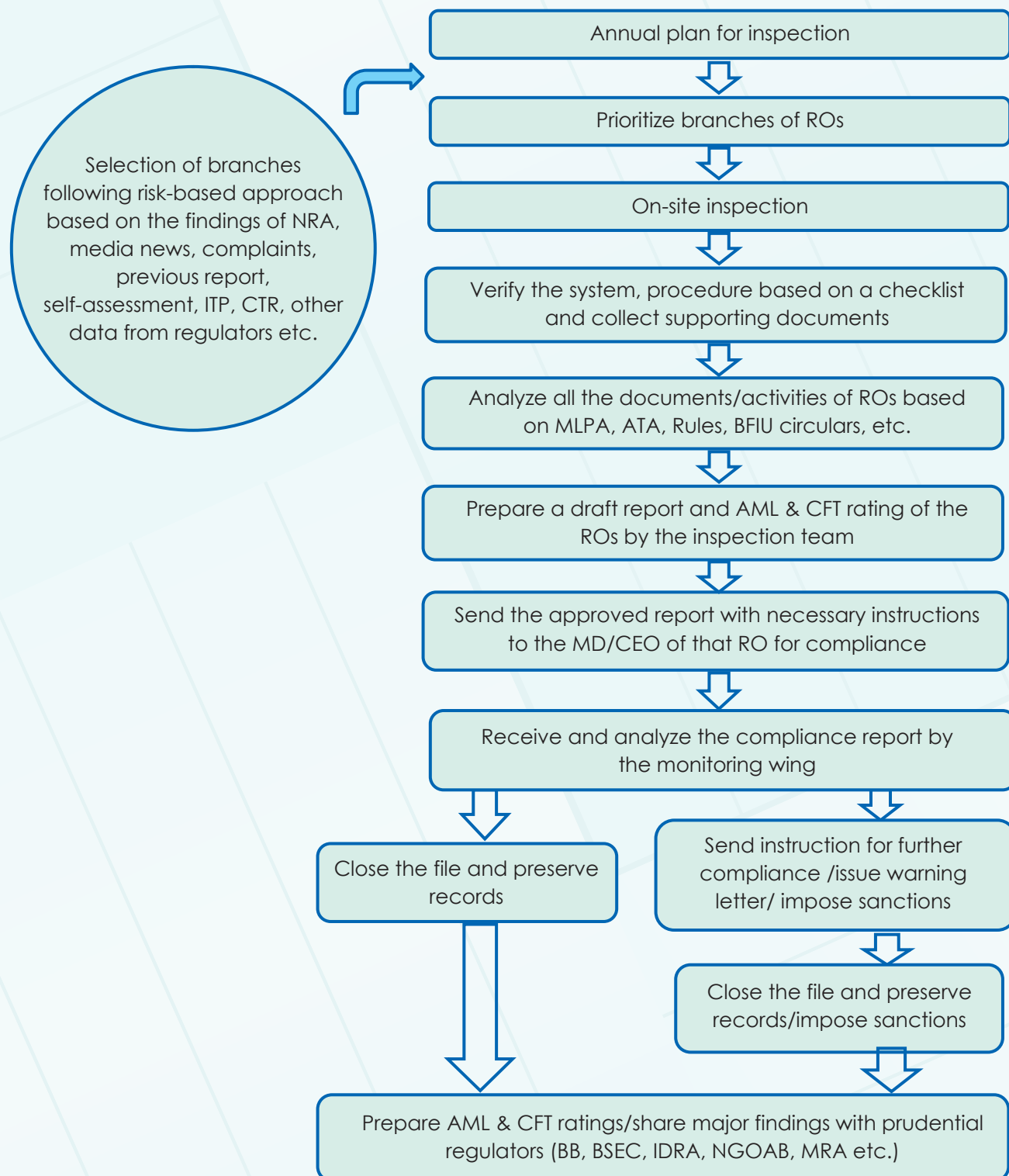
For implementing Risk Based Supervision (RBS), BFIU has issued a guidelines. Based on that guidelines BFIU has developed data capturing template for each reporting sector and formulated a mechanism for supervision plan. In developing supervision plan BFIU use the outcome of NRA, sector specific Risk Assessment and enterprise level Risk Assessment in addition to other micro level information. Under this supervision system, there is a process of continuously updating risk assessments through on-site inspection findings, off-site reviews and BFIU's intelligence that create an "early warning" or "AML rating" system for the reporting organizations to anticipate and deal with the emerging issues. BFIU has also observed how the risk profile of both individual reporting organizations and the industry changes over time. These observations are useful, from the perspective of BFIU, to look into the adequacy of its legislation and review existing policy for accommodating relevant issues.

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



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

Monitoring & Supervision Mechanism



2.4.1 Off-site Supervision

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

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

2.4.1.1 Off-site Supervision of Banks

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

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

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

2.4.1.2 Off-site Supervision of NBFIs and Other Reporting Organizations

NBFIs also submit the summary of Self-Assessment Reports and Independent Testing Procedure (ITP) Reports on half yearly basis following the similar procedures of the banks. Other reporting organizations like Insurance Companies and Capital Market Intermediaries submit the summary of Self-Assessment Report to BFIU in the same manner.

2.4.2 On-site Supervision

In addition to National Risk Assessment (NRA), BFIU prepares an annual on-site inspection plan based on the entity level risk assessment report of the ROs, and BFIU's own assessment (considering the previous inspections findings, self-assessment report and independent testing procedures results). Reporting organizations which fall under 'High Risk' category are subject to more frequent on-site

supervision. Findings of BFIU and AML & CFT risk rating are shared with the relevant regulators for their review and further necessary actions. Basically, two types of on-site supervisions- system check inspection and special inspection—are carried out by BFIU.

2.4.2.1 System Check Inspection

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

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

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

2.4.2.1.1 System Check Inspection of Banks

BFIU has dedicated inspection teams who inspect banks for building effective AML & CFT culture in Bangladesh. In the FY 2021-22, BFIU has conducted 66 system check inspections on the Banks of which 29 were on head offices and 37 were on the branches of the banks. The number of inspections has increased as compared to that of the previous financial year.

Table-3: System Check Inspection of Banks

Bank	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Head Offices	26	23	24	23	29
Branches	54	49	40	29	37
Total	80	72	64	52	66

2.4.2.1.2 System Check Inspection of NBFIs

BFIU has conducted system check inspection on 8 head offices and 12 branches of NBFIs in FY 2021-22. However, after the recovery from Covid-19 pandemic, the number of inspections in FY 2020-21 has increased sharply.

Table-4: System Check Inspection of NBFIs

NBFI	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Head Offices	20	2	10	3	8
Branches	10	0	10	1	12
Total	30	2	20	4	20

2.4.2.1.3 System Check Inspection of Other Reporting Organizations**A) Insurance Companies:**

To monitor and supervise the AML & CFT activities of the insurance companies of Bangladesh, BFIU coordinates with Insurance Development and Regulatory Authority (IDRA), prudential regulator of the sector. In FY 2021-22, BFIU has conducted on-site inspection on 6 head offices and 6 branch offices of insurance companies (6 Nonlife and 6 Life) considering insurance as low risk sector. All of these system check inspections were conducted in Dhaka.

Table-5: System Check Inspection of Insurance Companies

Insurance Companies		FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Nonlife Insurance	Head Offices	8	15	5	11	3
	Branches	6	10	4	0	3
	Total	14	25	9	11	6
Life Insurance	Head Offices	15	10	4	12	3
	Branches	8	5	2	0	3
	Total	23	15	6	12	6

B) NGOs/NPOs

To monitor the AML & CFT compliance level of the NGOs/NPOs, BFIU has conducted 24 system check inspections of NGO/NPO on their head offices in FY 2021-22. Out of 24 system check inspections, 12 system check inspections were in Dhaka and remaining inspections were conducted in several parts of the country.

Table-6: System Check Inspection of NGOs/NPOs

NGOs/NPOs	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Head Offices	10	16	14	16	24
Branches	0	0	0	0	0
Total	10	16	14	16	24

C) Capital Market Intermediaries

BFIU closely works with Bangladesh Securities and Exchange Commission (BSEC) to monitor the AML & CFT compliance level of the capital market intermediaries. In FY 2021-22, BFIU has conducted 24 system check inspections of capital market intermediaries on their head offices. Out of 24 system check inspections, 15 system check inspections were conducted in Dhaka.

2.4.2.2 Special Inspection

Besides the regular system check inspection, BFIU also conducts special inspection on the ROs if it resembles lower rating repeatedly in the system check inspection, any non-compliance issue detected in the system check inspection or if there is any adverse media report. Some special inspections are also carried out to monitor the reporting organizations' compliance level of STR & SAR submission and to examine whether banks and NBFIs are submitting CTR correctly and properly. In this case, branches are selected based on the transaction volume, operational importance, location, risk level, etc. In addition to this, BFIU conducts 67 special inspections in banks for further analysis of STRs & SARs, complaints and other information as and when required. Out of these 67 special inspections 20 were in the head offices and 47 were in branch offices.

2.5 Progress of goAML Implementation

The goAML application is a fully integrated software solution developed by UNODC especially for the use of Financial Intelligence Units (FIU's). UNODC has released goAML version 5.1 on 25 February 2022 with some new features, series of architectural improvements, enhancements and a couple of bugs fixes. Among others, this version consists of the following features:

- Support sanctions list from third parties or international organizations
- Extended use of Elastic search/Fuzzy search
- Support Virtual Currency, wallets etc.
- Diagramming tool has become more efficient with the upgradation of underlying technology
- Download multi-select attachments of a report
- Signing documents digitally
- Business Intelligence Reports with rich features for retrieving complex data easily
- Provision of exporting list of messages to excel
- Rejection rules for mixed (hybrid) reports, Entity-related Entities, Account-related Persons, Account Signatories, and Directors etc.

BFIU is in the process of implementing version 5.1 goAML software with a view to facilitate effective reporting and communication. It will also help to optimize sophisticated analytical capabilities to conduct both operational and strategic analysis. Meanwhile, BFIU and UNODC have continued its SLA in this regard.

BFIU formally inaugurated the goAML system on 3rd March 2014 with the presence of the then Governor of Bangladesh Bank. Later BFIU took several initiatives to include reporting organizations in the goAML system for reporting and communication and arranged training and workshops for the officials of each reporting organization to enhance the data quality of CTRs, STRs and SARs. Currently 61 Banks, 36 Non-bank Financial Institutions, 78 Insurance Companies, 267 Capital Market Intermediaries, 162 Money Changer, 36 NGOs and 12 Money Remitters are registered in goAML to submit reports as required by BFIU. Recently, 2 Payment Service Provider/Operators have been registered as reporting entity. BFIU exchanges information with stakeholders and reporting organizations through goAML message board as it provides secure communication channel.

2.6 Combating ML & TF through Digitization of the Financial Sector

One of the main conditions for the development of a country is the transformation of the informal sector into a formal structure. Financial inclusion is considered as an important factor in this regard. To achieve inclusive economic growth and poverty alleviation, it is necessary to ensure availability of

financial services to the poor demography of the country. The provision of financial services is the process by which financing expands in the economy. A progressive and inclusive financial framework accelerates the transaction and utilization of wealth and plays a leading role in making essential financial services accessible to all. Through this advanced and inclusive financial framework, employment is created on the one hand, and financial stability is ensured due to risk mitigation and poverty alleviation on the other hand. The significance of financial inclusion, as policy and approach, is recognized well enough to ensure the welfare of the poor and marginalized groups including cottage, small and medium industries, small and marginal farmers, participants in various informal sectors, youth and women members of poor families, minority ethnic groups, disabled and other disadvantaged groups.

Nowadays, the development of digital financial services has increased significantly across the world. In keeping pace with the world, Bangladesh is also moving forward. Low-income households and small businesses are benefiting greatly through mobile financial services, fintech services and online banking in the country. Digital financial services have expanded financial inclusion in society and spread financial services among traditionally disadvantaged low-income households and small entrepreneurs. Through digital financial services it has become possible to deliver financial assistance to the remote areas of the country. Due to successful financial inclusion, the economy of Bangladesh has achieved GDP growth of more than 6 percent over the past decade. Bangladesh is viewed as an example of a first-class country in the context of the groundbreaking steps it has taken to create 'Digital Bangladesh' with the aim of expanding financial inclusion, the rapid progress of the financial sector, globally recognized microfinance programs, pioneering initiatives in digital finance and the growing spread of mobile financial services. Due to the changing financial transactions through the use of information technology, new possibilities of e-commerce, fintech, digital credit are being created and as a result, the steps of development of the financial sector are becoming possible through the use of blockchain, artificial intelligence, machine learning, internet of things, big data analytics etc.

However, although the contribution of financial inclusion to the overall development of the country is immense, Bangladesh Financial Intelligence Unit (BFIU) is working relentlessly to prevent the creation of opportunities for money laundering and terrorist financing through it. BFIU has issued various guidelines for taking precautionary measures regarding customers of financial institutions with a view to speeding up the prevention of money laundering and terrorist financing activities. It has issued directives on risk based customer segmentation along with instructions to take appropriate action according to customer risks so that additional documentation requirements and other relevant reasons cannot exclude certain groups from accessing financial services. BFIU has issued guidelines for opening bank accounts in accordance with Guidelines on Electronic Know Your Customer (e-KYC) where applicable, in order to ensure financial services to marginalized groups, students, farmers and similar low-risk customers with ease of precautionary measures and use of modern technology.

Financial inclusion brings economic transactions into a formalized and regulated framework and consequently enables proper review and supervision of the financial system. BFIU has also enhanced digital capabilities as part of the formation of Digital Bangladesh, as part of which the reporting systems of reporting organizations have been converted to digital systems. The goAML system, a fully integrated software solution specially developed for the use of financial intelligence units, is used to identify financial crime strategies, including money laundering and terrorist financing. BFIU communicates or sends messages to stakeholders through this software, receives suspicious transactions of activities report from reporting organizations, monitors transactions using various analytical tools of the system, prioritizes important issues and takes appropriate action based on them. In addition, BFIU is using the Egmont Secure Web (ESW) to share information with financial intelligence units in 166 countries around the world. Above all, BFIU is playing an important role in the evolution of

Bangladesh's anti-money laundering and counter-terrorism financing system by evolving itself in line with the changing digital technologies with time.

Overall, BFIU has always been vigilant to ensure that anti-money laundering and anti-terrorist financing measures do not create any hindrance to ensure financial inclusion in the overall development of the country. Anti-money laundering and anti-terrorist financing activities are considered to be supportive of financial inclusion through the adoption of appropriate measures by the BFIU, thereby anti-money laundering and anti-terrorist financing and financial inclusion are seen as complementary rather than mutually exclusive.

2.7 Initiatives of BFIU to Establish Banks' Central Database Containing Basic Information of the Customers

As per the provisions of Money Laundering Prevention Act, 2012 and the Anti-Terrorism Act, 2009 Bangladesh Financial Intelligence Unit (BFIU) collects information from different reporting organizations especially from banks on request of various domestic law enforcement agencies, intelligence agencies and foreign FIUs or for its own analysis purposes and disseminates information and intelligence report to LEAs, intelligence agencies and foreign FIUs. The information requested/collected/exchanged by BFIU is very sensitive, highly restricted and strictly confidential. Hence, concerned officials have to be very cautious in handling such information. However, there were instances of negligence among bank officials regarding protection of confidentiality of information. On the other hand, many banks sometimes fail to submit required information and documents to BFIU on time. In an observation regarding delay in providing response to BFIU, it has been found that Anti-Money Laundering Department/Division (AMLDD) of the bank issues letters referring BFIU to its respective branch/branches to collect information. After receiving information from its branch/branches, bank submits accumulated information to BFIU. This procedure followed by banks is time consuming and in most cases those banks fail the deadline to submit information to BFIU.

Initiatives taken by BFIU

- It appears that if banks preserve their customers' information centrally, they could be able to send requested information to BFIU promptly and it will help to protect confidentiality of information. In this context, a meeting was organized on 17 January 2018 by BFIU with the participation of the Chief Anti-Money Laundering Compliance Officers (CAMLCOs) of all scheduled banks operating in Bangladesh. The said meeting was presided over by the then Deputy Governor and Head of BFIU Mr. Abu Hena Mohd. Razee Hassan. In the meeting, utmost importance was given to the confidentiality of communication conducted with BFIU and it was decided that all scheduled banks would create a database to preserve their customers' basic information such as customer's name, father's & mother's name, date of birth, address, NID number, nominee's name centrally by June 2018 and would implement it completely by December 2018. It was noticed that 06 state-owned commercial banks were far lag behind compared to private commercial banks in completing this task
- In order to find the implementation status of 06 state-owned commercial banks, BFIU conducted on-site inspection and found that major portion of their database was filled with inappropriate data. In December 2020, the state-owned banks were instructed to prepare branch-wise 'Time Bound Action Plan' and monitor properly to implement the plan and send the progress report on a monthly basis to complete the database accurately.
- However, due to the tardiness in completion of the designated task, a meeting was arranged with 06 state-owned bank officials, presided over by the Head of BFIU Mr. Md. Masud Biswas in

October 2021. In the said meeting, 03 banks were instructed to implement the instruction within March 2022 and the remaining banks within June 2022.

- Later, during a meeting held in April 2022, Managing Directors/Chief Executive Officers of the respective banks requested for time extension citing various reasons for not being able to complete the task in time. Head of BFIU, considering their requests, has set December 2022 as new deadline for completion of the task. Considering their progress rate of completion, it is expected that all the banks will be able to complete their task within the new deadline.

2.8 Compliance with the Court Orders

Under the provisions of Money Laundering prevention Act, 2012, Money Laundering Prevention Rules, 2019, Anti-Terrorism Act, 2009 and Anti Terrorism Rules, 2013, BFIU performs duty both as regulator and supervisor in addition to its analysis function. As the national agency for analyzing CTRs, STR/SARs, complaints received from the reporting organizations, govt. bodies, private organizations and general public, media reports/news to bring out the offenders on the screen, BFIU produces financial intelligence reports and shares with the LEAs for further actions. In addition to the request of LEAs, BFIU works proactively to maintain the stability and integrity of the financial system. Also, to ensure the soundness of the national AML & CFT regime, BFIU is always ahead to comply with the orders handed down by the judicial authority, no matter what it is respondent or defendant. From the establishment of the Unit till this financial year there have been huge demonstrative activities with the Court, especially with the High Court division of the Honorable Supreme Court of Bangladesh. A comparative study on the cumulative and immediate past financial year work of the Unit of court cases can be revealed with table and graphs below:

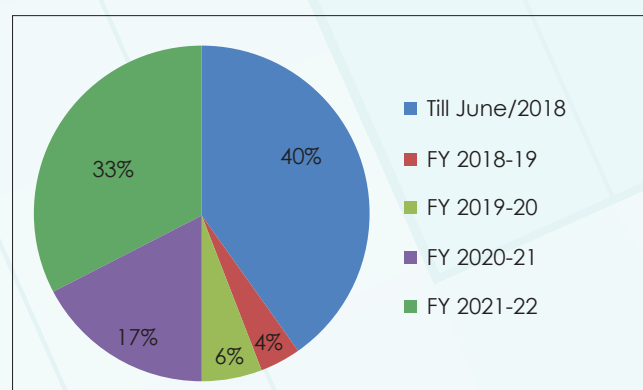
Table-7: Statistics of Court Cases Handled by BFIU

SL	Case Type	Case Subject	Number of Cases					Total
			Till June/2018	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	
1	Writ Petition	Account freeze & unfreeze	7	1	2	6	2	18
2	Writ Petition/ Company Matter	E-Commerce fraud	0	0	0	0	6	6
3	Writ Petition	Restriction on the transfer/encashment of FDR/TDR	3	0	1	0	0	4
4	Writ Petition	Postponement of the activities of a multi-level marketing company	1	0	0	0	0	1
5	Writ Petition	Stop activities of a payment gateway service providing company	0	0	0	1	0	1
6	Suo Moto/ Writ Petition	Loan Scam & fake Loan	2	0	0	0	1	3
7	Writ Petition	Cash Incentives	1	0	0	0	0	1

SL	Case Type	Case Subject	Number of Cases					Total
			Till June/2018	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	
8	Writ Petition	Fake export through a shell bank, X Leather Products	1	0	0	0	0	1
9	Writ Petition	Investor's & Suppliers' money back	6	0	0	0	2	8
10	Suo Moto	Human trafficking, money laundering	0	0	0	1	0	1
11	Suo Moto/ Writ Petition	Corruption	0	0	0	0	4	4
12	Suo Moto/ Writ Petition	Others	0	1	0	1	2	4
Total			21	2	3	9	17	52

For the first time in 2011, when BFIU was recognized as the Anti Money Laundering Department of Bangladesh Bank, it received a writ from the high court division of the Honorable Supreme Court of Bangladesh. Since then, it has been complying with all the orders on about 12 types of writ petition and Suo moto with a sum of 52 issues. The background of the court cases seems that BFIU sent financial intelligence to LEAs, which was very effective in enhancing investigation and further action thereon.

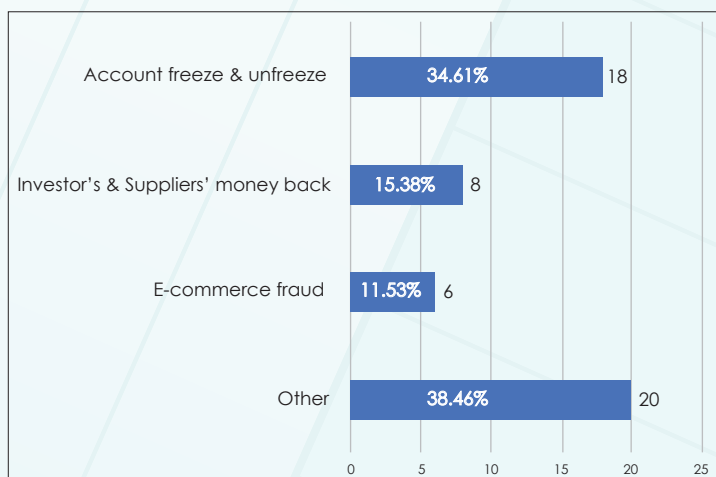
Table 7 shows different types of court orders since 2011. From the beginning to June 2018, the number of court cases was 21. The number of cases in FY 2018-19, FY 2019-20 and FY 2020-21 was 2, 3 and 9 respectively, whereas in FY 2021-22 the number of cases was 17, which is 32.69 percent of the total cases.



Graph-9: Court Cases in Different Periods

Graph-9 depicts the number of cases attended in court. It is also worth mentioning that 18 cases related to account freezing and unfreezing and are for Investor's and Suppliers' money back and 6 are for E-commerce fraud. The highest increase in court orders has been observed in FY 2021-22 in cases related to e-commerce fraud and corruption. In view of the above scenario, it can be inferred that a huge number of resources and working hours were engaged to comply with court orders around the FY 2021-22.

Review of the court orders (graph-10) reveal that in most cases honorable court ordered BFIU to execute some orders like account freezing in response to the application of investigating agencies, sometimes courts come with suo moto to save the public interest and in some cases court gives order in response to writ petition. All these orders recognized the BFIU's role for preventing ML & TF.



Graph-10: Types of Court Cases

The background features a light gray field with two large, overlapping teal-colored geometric shapes. These shapes are composed of several triangles and polygons, creating a dynamic, abstract pattern. The teal color is a muted, earthy green. The shapes overlap in a way that creates a sense of depth and movement.

Domestic Cooperation and Engagement

Chapter 3

Domestic Cooperation and Engagement

FATF recommendation-2 requires the countries to emphasize on cooperation and coordination domestically with each other concerning the development and implementation of policies and activities to combat ML, TF and PF. In order to comply with this recommendation, BFIU, as the national central agency of the country, always foster a spirit of cooperation among the policymakers, law enforcement authorities, supervisors and other relevant competent authorities. During FY 2021-22 BFIU has taken a number of initiatives to accelerate domestic cooperation and engagement with the various ministries, departments and relevant agencies in Bangladesh.

3.1 Working Committee on AML & CFT

Being the second highest body for combating money laundering and terrorist financing in the country, Working Committee (WC) works together with other members of the committee for ensuring coordinated institutional effort to implement the policies related to ML, TF and PF. The Secretary of Financial Institutions Division, Ministry of Finance is the convener of the committee and Head of BFIU is one of the members of the committee. The committee met twice in the financial year 2021-22 and made several important decisions and recommendations regarding-

- Finalizing the risk assessment report on legal persons and legal arrangements;
- Report forwarded to NCC for the approval of the inclusion of cybercrime and pornography as predicate offence;
- Taking proper measures to modernize the Public Gambling Act, 1867 and the Dhaka Metropolitan Police Ordinance, 1976 included but not limited to defining gambling/online gambling/casino, severe punishment etc.;
- Approval of Stolen Asset Recovery: Legal Framework and Strategic Procedure Guidelines for presenting in the next NCC meeting;
- Restructuring the taskforce to bring the siphoned off assets to Bangladesh by incorporating relevant ministries/divisions/organizations;
- Taking proper measures to co-opt Joint Secretary of Ministry of Commerce, Director General of Department of Narcotics Control and Director General of Customs Intelligence and Investigation Directorate as working committee member;
- Implementing the recommendations regarding IO-5 related with beneficial ownership.

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

A two-layered task force i.e. the Central Task Force and Divisional Task Force have been reformed in 2017 to prevent money laundering and terrorist financing in Bangladesh restructuring Central and Regional Task Force established in 2002. The Task Force brings together different investigating agencies, law enforcement agencies, prudential regulators of the reporting organizations, private organizations and BFIU itself. The Head of BFIU is the convener of the Central Task Force whereas the Director of BFIU serves as its member secretary. The organizations having representative in the Central Task Force include National Board of Revenue (NBR), Anti-Corruption Commission (ACC), Bangladesh Securities and Exchange Commission (BSEC), Department of Cooperatives, Insurance Development and Regulatory Authority (IDRA), NGO Affairs Bureau (NGOAB), Department of Narcotics Control (DNC), Registrar of Joint Stock Companies and Firms (RJSC), Police Headquarters, Dhaka Metropolitan Police (DMP), Criminal Investigation Department (CID) and the supervision-related departments of

Bangladesh Bank. In addition, 8 (eight) representatives from scheduled banks, 2 (two) representatives each from financial institutions, capital market intermediaries, non-government organizations (NGOs), insurance companies and cooperative societies are also members of the Central Task Force.



Mr. Md. Masud Biswas, Head of BFIU chaired as chief guest in the Divisional Task Force meeting, Mymensingh

The Central Task Force is mandated to convene quarterly meetings to discuss the progress achieved in implementing its goals. Though there is an aftermath of Covid-19 pandemic; the Central Task Force met 03 (three) times in FY 2021-22. The major decisions taken at those meetings are as follows:

- Measures would be taken to tackle irregularities in inward remittance from freelancing. A committee will be formed with the representatives from Bangladesh Bank's Foreign Exchange Policy Department & Bangladesh Financial Intelligence Unit to work on it.
- Decision has been taken to incorporate Anti-Terrorism Unit as a member of Central Taskforce to prevent extremism & terrorism.
- A decision has been taken to strengthen the monitoring activities of local & foreign NGOs, Cooperative societies & cooperative credit societies after their registration in order to reduce the embezzlement of customer's money. Necessary training/seminars would be arranged to raise awareness among the customers regarding this issue.



Mr. Md. Masud Biswas, Head of BFIU delivering speech in the divisional task force meeting, Barisal

In addition to the Central Task Force, the 08 (eight) Divisional Task Forces met 14 (fourteen) times in FY 2021-22 where some crucial recommendations have been made on combating money laundering and countering financing of terrorism. The major recommendations taken at those meetings are as follows:

- STR reporting, AML & CFT awareness building program and e-KYC updating activities will be strengthened by the ROs.
- The Divisional Task Force has to be kept informed about the progress on identifying the interest groups who are using individuals for carrying illegal consignments, gold and foreign currency.
- Monitoring of suspicious activities using 10tk/School banking/low risk bank account needs to be strengthened.
- Divisional cooperative office, Chattogram would provide necessary documents to Bangladesh Bank's Chattogram office regarding the illegal activities of "Islami Cooperative Bank Ltd". Then Bangladesh Bank's Chattogram office will inform it to central task force to take necessary steps to stop these illegal activities.
- In-house training program needs to be arranged in order to enhance knowledge on STR, SAR, CTR and KYC.
- Inspection report of special committee formed by Bangladesh Bank's Chattogram office will be preserved centrally and proper action will be taken against illegal small multipurpose cooperatives.
- A list of illegal Cooperatives and NGOs will be prepared and proper initiatives will be taken to stop their activities.

3.3 Task Force to Bring Back the Siphoned off Assets to Bangladesh

In order to bring back assets that are stolen/ siphoned off from the country, Bangladesh government has formed a "Task Force to bring the siphoned off assets to Bangladesh" by issuing a notification on dated 28 May 2013. Attorney General of Bangladesh is the convener of this ten-member Task Force. In FY 2021-22, one meeting of this Task Force has been held. Some of the important decisions taken in this meeting are:

- To restructure the Task Force by incorporating relevant ministries/division/ organizations.
- To consider signing Mutual Legal Assistance (MLA) Agreements with 6/7 countries for obtaining necessary information, evidence and other necessary assistance for recovery of siphoned off assets, a meeting has to be organized with the participation of Ministry of Home Affairs, Ministry of Foreign Affairs, Financial Institutions Division of Ministry of Finance, BFIU, ACC and CID, Bangladesh Police.
- To increase the fines for violating the provisions of the MLPA, 2012 and other necessary changes of the act a meeting has to be organized with the relevant stakeholders.
- In order to ensure quality investigation in money laundering cases, necessary training initiatives have to be undertaken to increase the capacity of Bangladesh Security and Exchange Commission officials.

As per decision of the 6th meeting of the Task Force, the Financial Institution Division of the Ministry of Finance has reconstructed the Task Force by issuing notification no. 53.00.0000.311.40.003.17-222 dated 05 June 2022. Attorney General of Bangladesh headed this Task Force is restructured by incorporating 14 (fourteen) members from the relevant ministries, divisions and organizations. The Head of BFIU is a member of the Task Force while the Deputy Head of BFIU is the member secretary of the Task Force.

3.4 Measuring Illicit Financial Flows associated with Drug Trafficking in Bangladesh

As part of attaining the target of SDG Goal 16.4 to measure the illicit financial flows, UNODC, UNCTAD and ESCAP jointly started project titled “Statistics and data for measuring illicit financial flows in the Asia Pacific Region” where the Bangladesh Chapter is being implemented by UNODC. In the first phase of the project, they are working with the financial flows associated with drugs and drug trafficking. The Kick-off meeting of the project was held on May 2021 and on August 2021; a National Coordination Mechanism (NCM) had been set up among key national stakeholders and data providers to support the project implementation during 2021 and 2022. Till now 23 relevant agencies have been included to the project while BFIU is working as focal point agency. After the kick-off meeting of the project, two national workshops were held with the representatives from the stakeholders in August 2021 and November 2021.

BFIU and UNODC jointly organized the third national workshop for the stakeholders of the project “Measuring Illicit Financial Flows in the Asia Pacific Region” on 07 March 2022 at Hotel Inter Continental Dhaka. About 40 officials from 19 agencies including Anti-Corruption Commission, National Board of Revenue, Bangladesh Police, Border Guard Bangladesh, Bangladesh Coast Guard, Department of Narcotics Control and BFIU attended the workshop. The Head of BFIU Mr. Md. Masud Biswas chaired the whole program.



Head of BFIU Mr. Md. Masud Biswas along with the participants of the 3rd National Workshop on Measuring Illicit Financial Flows; 07 March 2022

UNODC officials Ms. Diana Camerini, IFF project coordinator and Mr. David Ravaux, regional consultant presented the ‘Conceptual Framework for the Statistical Measurement of Illicit Financial Flows’ and of the guidelines to measure drug-related IFFs and also shared the update on progress made so far on data collection. The representatives from the stakeholder agencies shared their views and challenges to collect drug related data for the project.

3.5 Engagement with Law Enforcement Agencies

BFIU arranges different meetings with the Law Enforcement Agencies (LEAs) and intelligence agencies on regular basis to facilitate bilateral and multilateral cooperation between relevant agencies. These meetings generate great scope for exchanging information, help identifying hindrances and finding ways of overcoming such hindrances for effective implementation of AML & CFT issues of the country. In FY 2021-22, BFIU met two times with Anti-Corruption Commission (ACC), Criminal Investigation Department (CID) of Bangladesh Police, ATU of Bangladesh Police, CTC of Bangladesh Police, DB of Bangladesh Police and CIID of National Board of Revenue.

International Cooperation and Engagement

The background features a series of overlapping, semi-transparent geometric shapes in shades of teal and blue. These shapes are interconnected by a network of thin white lines, creating a complex, layered visual effect that suggests a global or interconnected theme.

Chapter 4

International Cooperation and Engagement

To combat global challenges like ML, TF & PF required global response. FATF recommendation 40 requires countries to ensure their competent authorities shall provide the widest range of international cooperation rapidly, constructively and effectively in relation to money laundering, associated predicate offences and terrorist financing. BFIU consistently offers its assistance and cooperation to its counterparts by prompt response to all the requests received and also seeks cooperation from respective jurisdictions in relevant cases. This kind of international cooperation became more pertinent as digital transformation is happening very rapidly. To understand emerging threats, typologies, BFIU tries to engage with international standard setter-FATF by providing inputs in its Risks, Trends, and Methods Group (RTMG), Policy and Development Group (PDG) and other expert group committee of FATF and APG. BFIU also actively participate APG, FATF, UNCTAD and UNODC initiatives on AML, CFT & CPF.

4.1 Asia/Pacific Group on Money Laundering (APG)

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

The 24th APG annual meeting was hosted in by the government of Malaysia and held in virtual format during 27-29 July 2021. Forty one APG member jurisdictions and 17 international organizations attended the meeting. Approximately 200 delegates including Bangladesh delegation attended over the three-day long program as well as the committee meetings held in the lead up to the plenary.

In the plenary meeting, 4 (four) mutual evaluation reports and a number of typology reports including Annual Typologies Report 2021, Report on Money Laundering Risks and Vulnerabilities Associated with Trans-Pacific Drug Trafficking 2021 and Report on Financing and Facilitation of Foreign Terrorist Fighters in Southeast Asia 2021 were adopted.

APG members also discussed global initiatives in terrorist financing, digital currency money laundering, digital analytics and technical assistance on combating money laundering and terrorist financing in the Asia and the Pacific region.

4.2 Financial Action Task Force (FATF)

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

The 1st Plenary of FATF in the year 2021-22 took place on 19-21 October 2021. The FATF President, Dr Marcus Pleyer, chaired his 5th plenary meeting of the two-year German Presidency of the FATF. The three-day plenary meeting took place in a hybrid format. One official of BFIU attended the plenary virtually as representative from Bangladesh. The delegates representing 206 jurisdictions and international organizations attended the plenary both in in-person and virtual platform.

The 2nd FATF Plenary Meeting of 2021-22 was held on 2-4 March 2022. The event took place in a hybrid format where majority of the participants joined in-person. The Plenary approved key work that will prepare for the next round of mutual evaluations and finalized an update to Recommendation 24, to improve transparency of beneficial ownership of legal persons.

The 3rd FATF Plenary Meeting of 2021-22 was held during 14-17 June 2022. It was the last Plenary under the two-year German Presidency of Dr Marcus Pleyer. During four-day plenary meetings, delegates finalized key issues including a report to prevent money laundering through the real estate sector and a report that will help financial institutions use collaborative analytics, data collection and other sharing initiatives to assess and mitigate the money laundering and terrorist financing risks they face.

4.3 Egmont Group

The Egmont Group, comprised of 166 Financial Intelligence Units, provides a platform for the secure exchange of expertise and financial intelligence on combating money laundering and terrorist financing and serves as a trusted gateway for sharing financial information internationally in accordance with global AML & CFT standards. BFIU achieved the membership of Egmont group in July 2013. Through its membership BFIU has achieved access to a wider global platform which facilitates relationship-building with other FIUs and exchanges views, experiences and information via Egmont Secure Web (ESW). Like previous years, BFIU has continued to participate in different programs of the Egmont Group in FY 2021-22.

4.3.1 27th Egmont Group Plenary Meeting and Egmont Committee Meetings

Egmont Group Plenary Meeting and Egmont Committee are held in every year. However, in response to Covid-19 pandemic, the Plenary Meeting and Egmont Committee Meeting were held virtually in this year. The 27th Egmont Group Plenary was held during 5-9 July 2021. Head of BFIU had participated in strategic discussions on 'Egmont Group IT Infrastructure Review Project' and 'FIUs and the Risk-Based Approach: Enhancing Capacity and Capability of FIUs in Producing High-quality Financial Intelligence' through a series of live webinars during 6-8 July 2021. The Technical Assistance and Training Working Group, with the support of the Information Exchange Working Group organized four separate virtual operational training sessions during the plenary week where BFIU officials participated actively.

4.3.2 Egmont Group Working Group and Regional Meetings

Meetings of Information Exchange on ML & TF Working Group (IEWG), Membership, Support and Compliance Working Group (MSCWG), Policy and Procedures Working Group (PPWG) and Technical Assistance and Training Working Group (TATWG) were held during 31 January - 4 February 2022 and regional meeting (Asia and Pacific Regional Group) was held on 7-8 February 2022. Representatives from different FIUs, observers and other partner organizations attended those virtual meetings and participated in topic wise discussions. BFIU representatives actively participated in all the working groups and regional meeting.

4.4 Intelligence Exchange with Foreign FIUs

As a member of the Egmont Group of FIUs, BFIU exchanges information with the member FIUs through Egmont Secure Web (ESW) as and when required. BFIU also exchanges information with the non-Egmont member FIUs. During FY 2021-22, BFIU has received 26 requests from the FIU of different countries/jurisdictions and provided information accordingly. BFIU has also made 103 requests to the FIU of different countries/jurisdictions. The list of information exchange request received and made by BFIU in the last 5 years is given below:

Table-8: Financial Year-wise Intelligence Exchange with Foreign FIUs

Financial Year	Request Received	Request Made
2017-18	28	57
2018-19	34	62
2019-20	18	103
2020-21	22	191
2021-22	26	103

4.5 Conference of the States Parties (COSP) of the United Nations Convention against Corruption (UNCAC)



Bangladesh Delegation at the Conference of the States Parties, 13-17 December, 2021, Sharm El Sheikh, Egypt

One of the overwhelming majorities of laundered funds originates from proceeds of corruption with the most devastating impact on the developing and transition countries. The United Nations Conventions against Corruption (UNCAC) is the only legally-binding international anti-corruption multilateral treaty that entered into force in 2005. Bangladesh has signed and ratified the treaty in 2007. Its 9th Session of State Parties was held in Sharm El Sheikh, Egypt from 13 to 17 December, 2021. The delegation was led by the Secretary of Anti-Corruption Commission Dr. Md. Anwar Hossain Howlader, whereby the Director of BFIU along with other two representatives of the same Unit attended. They were accompanied by His Excellency Mr. Muhammad Abdul Muhit, Ambassador of Bangladesh to Austria, Hungary, Slovenia and Slovakia and Permanent Representative to the UN Office and other international Organizations in Vienna, His Excellency Mr. Md. Monirul Islam, Ambassador of Bangladesh to Egypt, other officials from Ministry of Law, Justice and Parliamentary Affairs (MLJPA) and the Ministry of Foreign Affairs. Representatives of Bangladesh delegation gave statements in different agenda such as review of the implementation of the UNCAC, technical assistance, prevention, asset recovery and international cooperation. The Conference of State Parties (COSP) was held concurrently with the session of the Implementation Review Group (IRG), a subsidiary body of the COSP responsible for the review process and technical assistance requirements for effectively implementing the Convention. Asset recovery, international cooperation, prevention and

technical assistance were the other key issues discussed in the conference. Like the previous sessions, the 9th Conference of State Parties (COSP) focused on the development of preventive mechanisms and facilitating the exchange of information and experience among countries alongside the diffusion of best practices. The last few decades have witnessed a bigger role being played by civil society and non-governmental organizations (NGOs) and the 9th session of the Conference included special programs on encouraging cooperation among all stakeholders and sectors of society in the anti-corruption drive. Bangladesh participated in The Stolen Asset Recovery Initiative (StAR) Day and Role of financial intelligence units in combating illicit financial flows sessions.

4.6 goAML User Group Meeting



Participants of the goAML User Group Meeting along with Bangladesh Delegation

A goAML User Group Meeting was held in Riga, Latvia during 24-29 April, 2022 organized by UNODC in collaboration with FIU Latvia. A three-member delegation headed by the Deputy Head of BFIU, Mr. Kazi Aktarul Islam took part in the event.

In the five-day long meeting, there were around 45 participants from 25 countries across the world including representatives from UNODC. The workshop was designed to bring together the user countries of goAML, with the objective to discuss the best practices, success stories, challenges, arriving at solutions and processes in the applications. The objective was also to provide training on certain functionalities in goAML under a defined training curriculum. The workshop was facilitated by UNODC.

4.7 Pre-Mutual Evaluation Technical Assistance Workshop for Nepal



Nepal Delegation with the Organizer of the Workshop

BFIU arranged a Pre-Mutual Evaluation (ME) Technical Assistance Workshop for Nepal delegation at BFIU premises during 27-30 June, 2022 in response to Nepal FIU's request. Nepal is going through APG's third round mutual evaluation process in 2022. The 13-member Nepal delegation team was comprised of officials from Nepal FIU, Nepal Rasta Bank, Insurance Board, Securities Exchange Board of Nepal, Office of Prime Ministers and Council of Ministers, Ministry of Law, Justice and Parliamentary Affairs and Ministry of Finance. The workshop was inaugurated by Head of BFIU Mr. Md. Masud Biswas. The workshop discussed ins and outs of ME preparation along with sharing Bangladesh's ME experience. The APG trained assessors of BFIU conducted the workshop. Nepal delegation team highly appreciated BFIU's effort to arrange the workshop and remarked that it helped Nepal delegation team to get adequate guidance for their ongoing ME preparation. This technical assistance workshop has added another feather in the cap of BFIU's international cooperation initiatives. It's noteworthy that, BFIU officials have demonstrated extensive expertise in working as assessor in APG ME programs for Bhutan, Indonesia, Thailand, Solomon Island and Cambodia in recent years.

4.8 Asian Development Bank (ADB)'s Project on Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies and Controls

ADB undertook a technical assistance project in late 2019 to provide technical and advisory services to support the BFIU with respect to enhancing the supervisory framework for AML & CFT particularly developing the required policies, controls and procedures to identify and effectively mitigate ML & TF risks. Under this project ADB reviewed Bangladesh's current regulatory framework on AML & CFT supervision. The focus of the project was to enhance the capacity of Bangladeshi banks and non-bank financial institutions in the area of risk identification, assessment, and mitigation. Within the scope of this project ADB arranged a gap analysis workshop during 14-15 June, 2021 for identifying

measures and/or activities that may be considered by BFIU in developing its supervision strategy for the improvement of the AML & CFT requirements by Bangladeshi state-owned commercial banks. Officials from BFIU, different departments of Bangladesh Bank, Ministry of Finance, BSEC, IDRA and MRA actively participated in that workshop. On the basis of the findings from that workshop ADB prepared a project report and submitted it in March, 2022. That report contained several recommendations and implementation roadmap for improving Bangladesh's current AML & CFT framework. BFIU is working to implement those recommendations in line with the context of Bangladesh's existing AML & CFT framework.

4.9 Regional Workshop on Compliance with International and EU Requirements Concerning the FATF Recommendation-8

The Regional Workshop on 'Compliance with International and EU Requirements concerning the FATF Recommendation-8' took place during 22-24 November 2021 in Mauritius. It was organized by the European Union (EU) Global Facility on Anti-Money Laundering and Counter-Terrorist Financing in collaboration with the Ministry of Financial Services and Good Governance of Mauritius for the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) countries. The workshop witnesses the participation of representatives from Mauritius, Panama, Madagascar, Bangladesh, the Seychelles, Tunisia, Jordan, Zambia among others. Honorable Minister of Financial Services and Good Governance of Mauritius was present in the workshop as keynote speaker. The workshop allowed regulators from Non-Profit Organizations (NPOs) and representatives of Financial Intelligence Units (FIU) to exchange best practices and challenges faced among themselves and with the EU and other states on the applied methodology, chosen policies and work undertaken to ensure compliance of their legislation and practice with FATF Recommendation-8 requirements. Mr. Md. Masud Rana, Additional Director, BFIU participated in the workshop as an Expert Speaker and shared Bangladesh's experience on achieving good rating in Recommendation-8.

4.10 Joint Regional Event on FATF Recommendation-8

Most of the countries across the world are struggling to comply with the FATF Recommendation-8 (Non-Profit Organizations) requirements. Within the 19 Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) countries only 2 countries have been rated Largely Compliant (LC) in Recommendation-8. In light with this situation, European Union (EU) Global Facility on Anti-Money Laundering and Counter-Terrorist Financing took an initiative to arrange a Regional workshop on FATF Recommendation-8 in Lusaka, Zambia on 16-17 May 2022 in collaboration with the United Nations Office of Counter-Terrorism (UNOCT) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG). This initiative aimed at proceeding with concrete steps to promote effective supervision of NPOs and ultimately assist in relevant Mutual Evaluation assessments in relation to the said recommendation by the participating states. Head of FIU of Zambia honored the workshop with his opening remarks. Mr. Md. Masud Rana, Additional Director of BFIU participated in the workshop as an Expert Speaker and shared Bangladesh's experience on achieving good rating in Recommendation-8.



Professional Development of BFIU Officials

Chapter 5

Professional Development of BFIU Officials

In any organization, human capitals are the most important resource among all other resources. The future of an organization mostly depends on the efficiency of its manpower. Actively pursuing professional development ensures that knowledge and skills stay relevant and up-to-date. Different professional courses, training programs and workshops enable officials to take appropriate decisions among several choices. From its beginning, BFIU has always sought to foster excellence in its workforce for achieving the best outcomes. Like previous years, BFIU took several initiatives for its employees' professional development in this financial year. Officials of BFIU have participated in several workshops and training programs both at home and abroad this year. Furthermore, the Unit has received cooperation from several international organizations and foreign agencies for training, workshops and seminars. Some of the Unit's officials have contributed to different AML & CFT forums globally with technical and expert assistance.

5.1 APG Assessor Training Workshop

APG arranged a virtual Assessor Training Workshop from 25 November 2021 to 3 December 2021. The primary objective of the workshop was to train potential assessors to participate in the assessment teams that would undertake mutual evaluations in the future. Assessor training workshop effectively equips participants to evaluate different jurisdictions from AML & CFT perspectives. Besides, the knowledge acquired from the workshop is very helpful to boost participants' own country's AML & CFT regime. 41 (forty-one) participants from APG member countries took part in the workshop. The whole program was divided into 9 (nine) modules and expert resources from FATF, APG, and member countries shared their knowledge, views, and experiences during the workshop. Mr. Md. Jaynul Abedeen, Joint Director of BFIU participated in the workshop virtually and completed the modules successfully.

5.2 Data Analytics Webinar

APG in partnership with the Bank Negara Malaysia (BNM) organized a three-day webinar on Data Analytics as part of APG co-chairs' priorities 2020-2022 initiatives. The webinar was held virtually during 5-7 October 2021. Twenty-five officials of BFIU participated in the webinar. Data Analytics webinar intended to provide a platform to share jurisdiction experiences at different stages of implementation, including best practices and challenges faced in their journey to adopt and implement data analytics in the AML & CFT work streams.

On first day of the webinar, the foundation for data analytics and the recent revolution of technology in combating AML & CFT threats were discussed. On second day, jurisdictions shared data analytics in financial intelligence experiences from their perspective. On final day of the webinar, jurisdictions shared experiences of data analytics in AML & CFT supervision (Sup Tech) and outlined public-public, and public-private collaborations in data analytics.

5.3 APG Regional Webinar Series on DNFBPs Supervision

In line with the rotating co-chairs priority, APG in collaboration with the Bank Negara Malaysia (BNM) hosted a series of virtual training programs on DNFBPs Supervision. A total of 5 webinars were held virtually. 1st and 2nd webinars were held in FY 2020-21 and the rest 3 webinars were held in FY 2021-22. The 3rd webinar was basically on risk-based DNFBP supervision and sharing jurisdictions' experiences on this. In the 4th webinar, the specific DNFBP sector's risk-based approach was discussed along with jurisdictions' application of the risk-based approach. In the 5th and final webinar, the latest FATF policy development, application of SupTech on DNFBP supervision and coordination and information sharing among DNFBP sectors through public-private collaboration were discussed. 6 (six) officials from BFIU participated in those webinars.

5.4 FATF Standards Training Course

The Financial Action Task Force (FATF) conducts training and support activities to strengthen countries' understanding of the FATF Standards and how they help combat money laundering, terrorist financing and proliferation financing and to assist FATF-style regional bodies (FSRBs) mutual evaluations. The Standards Training Course (STC) is a rigorous training program of FATF. FATF arranged this course virtually from 25 to 29 April 2022. One official of BFIU successfully completed this course.

STC aims at enhancing participants' understanding of the FATF Standards on AML & CFT and the implementation of effective measures to combat ML & TF. It is intermediate-level training, designed for AML & CFT practitioners with prior exposure to the FATF Standards, and is delivered through a series of e-learning, presentations, group discussions and small group activities etc.

5.5 Strategic Analysis Training

Egmont Centre of FIU Excellence & Leadership (ECOFEL) organized strategic analysis training series virtually during 21-24 March 2022. Twenty participants from BFIU joined the webinar. In the 1st webinar, the present way of doing the strategic analysis was shared. In the 2nd webinar strategic analysis products were discussed. Recent development in the strategic analysis was discussed in the 3rd webinar. In the 4th and final webinar case studies were presented to the participants.

5.6 Series Webinar on Implementation of the FATF Standards relating to Virtual Assets and Virtual Assets Service Providers

In 2018, the FATF revised Recommendation 15 (R.15) to add some requirements of Virtual Asset (VA) and Virtual Asset Service Providers (VASPs) including the definition for VA) and VASPs. It also clarifies how international AML & CFT standards apply in the context of virtual assets. The four-session virtual training series focused on the implementation of R.15, including an overview of VA and the FATF requirements, VA/VASP risk assessments, legal frameworks and preventive measures, risk-based supervision and enforcement. The training sessions brought together a range of experts from various APG member jurisdictions and the private sector to share their experiences in implementing R.15 and to discuss better practices. A total of 14 (fourteen) officials of BFIU participated in the series webinar.

5.7 International Webinar on Beneficial Ownership

Egmont Group, FIU Ecuador and GAFILAT jointly organized an international webinar on beneficial ownership on 15-16 March 2022 on virtual platform. Four officials of BFIU attended the webinar. On the 1st day of the webinar, FATF Standard related to beneficial ownership including recent amendments and potential impacts on the practice, and beneficial ownership procedures. Good practices and challenges, beneficial ownership transparency of legal entities, obstacles to beneficial ownership transparency – use of nominees and other typologies were discussed. On the 2nd day of the webinar, identification of beneficial ownership and best practices from the jurisdiction's perspective were presented to the webinar participants.

5.8 Senior Security Course-2022

A three-week-long Senior Security Course was organized by NSI Training Institute from 16 May to 02 June 2022. Ten officials from BFIU participated in the course along with 20 officials from the Anti-Corruption Commission (ACC) and NSI. The primary aim of the course was to train the participants in topics related to intelligence, counter-intelligence, protective security, operational intelligence, technical intelligence, investigation, and interrogation. The course comprised case studies, presentations, report writing, practical intelligence exercises, and exams. Participants got the opportunity to comprehend various issues of intelligence policy, process, epistemology, analysis, and history, as well as how political and cultural values affect the role and practice of intelligence in

Bangladesh and how intelligence fits into the national strategic context. Participants from BFIU, ACC, and NSI shared their knowledge, views, and experiences during the course. The Closing Ceremony for the training program was held at the NSI Training Institute auditorium on 2 June 2022. The Closing Ceremony started with a speech from a representative of BFIU and ended with a closing speech delivered by the Director of the NSI Training Institute.



Participants of BFIU along with the organizer and other participants, May 16- June 02, 2022, NSI Training Institute, Dhaka

5.9 STI Webinar on Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs)

The Singapore Training Institute (STI) of International Monetary Fund (IMF) undertook a webinar on VA and VASPs during 14-17 September 2021. A total of 16 (sixteen) officials of BFIU participated in the webinar. In this webinar international best practices on a wide range of topics relevant to the region were discussed and live access to experts was provided. The webinar was particularly useful for policymakers responsible for the introduction of AML & CFT policies for the VASP sector, AML & CFT supervisors and risk analysts, investigators and prosecutors. The webinar delivered the key concepts on VAs and VASPs and how ML & TF risks related to VAs can be assessed, along with the elements required for an effective AML & CFT legal framework. Furthermore, licensing/registration, preventative measures and supervision of VAs & VASPs were covered, with particular emphasis on how they apply to the VASPs sector.

5.10 The Integrity Learning Session: ADB Sanctions – Debarments and Suspensions

The Office of Anticorruption and Integrity (OAI) of Asian Development Bank (ADB) arranged a webinar on ADB Sanctions – Debarments and Suspensions on 24 November 2021. In the webinar, ADB sanctions and lessons learned were discussed illustrating situations when a firm or individual gets debarred or temporarily suspended, what are the consequences and how to get access to and scrutinize ADB's Complete Sanctions List and United Nations Security Council sanctions checks. This webinar is part of the OAI Integrity Learning Series (ILS) which is designed to increase awareness of ADB's Anti-corruption framework, understand sector-specific corruption and integrity risks, and build the capacity including the knowledge of anti-corruption and integrity prevention and detection within stakeholders of

ADB-funded or administered projects. The 2-hour long webinar was attended by over 260 participants from more than 35 countries including 11 officials of BFIU.

5.11 Trade-Based Money Laundering (TBML) Webinar Series by ADB and the Asia Wolfsburg Group

The Asian Development Bank (ADB) and the Asia Wolfsburg Group jointly organized a webinar series on trade-based money laundering (TBML) on 7 April 2022, 21 April 2022 and 9 May 2022. This initiative accompanies the ongoing Trade and Supply Chain Finance Program (TSCFP) led to the pilot implementation of trade-relevant suspicious transaction report data, a project which aims to provide greater intelligence to regulators and law enforcement and thereby help detect and disrupt TBML. The TBML webinar series aimed at imparting a basic understanding of TBML principles and best practices from subject matter experts who are industry practitioners. The target audiences are AML & CFT compliance professionals and trade finance professionals who have basic to intermediate level knowledge of TBML typologies and trends, as well as techniques used by banks and regulators to effectively identify and/or prevent TBML.

The first one of the three webinars titled Understanding TBML: Principles and Practices intended to discuss TBML theory, policy, impact on banks and clients, and present relevant case studies. The second one titled Identifying Red Flags in TBML tried to share methods and best practices in identifying transaction red flags using evidence-based risk assessment of clients, transaction patterns, and goods/services; and present relevant case studies on the topic. The final one of the three webinar series titled Fighting and Disrupting TBML presented effective approaches to TBML prevention by incorporating TBML-specific controls, increasing awareness, and promoting strategic public-private partnerships. Around 600 participants from different countries participated in this webinar series. A total of 10 (ten) BFIU officials participated in the webinar series. In addition, BFIU coordinated the participation of around 120 Bangladeshi scheduled bank officials in this webinar series successfully.

5.12 In-house Training

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

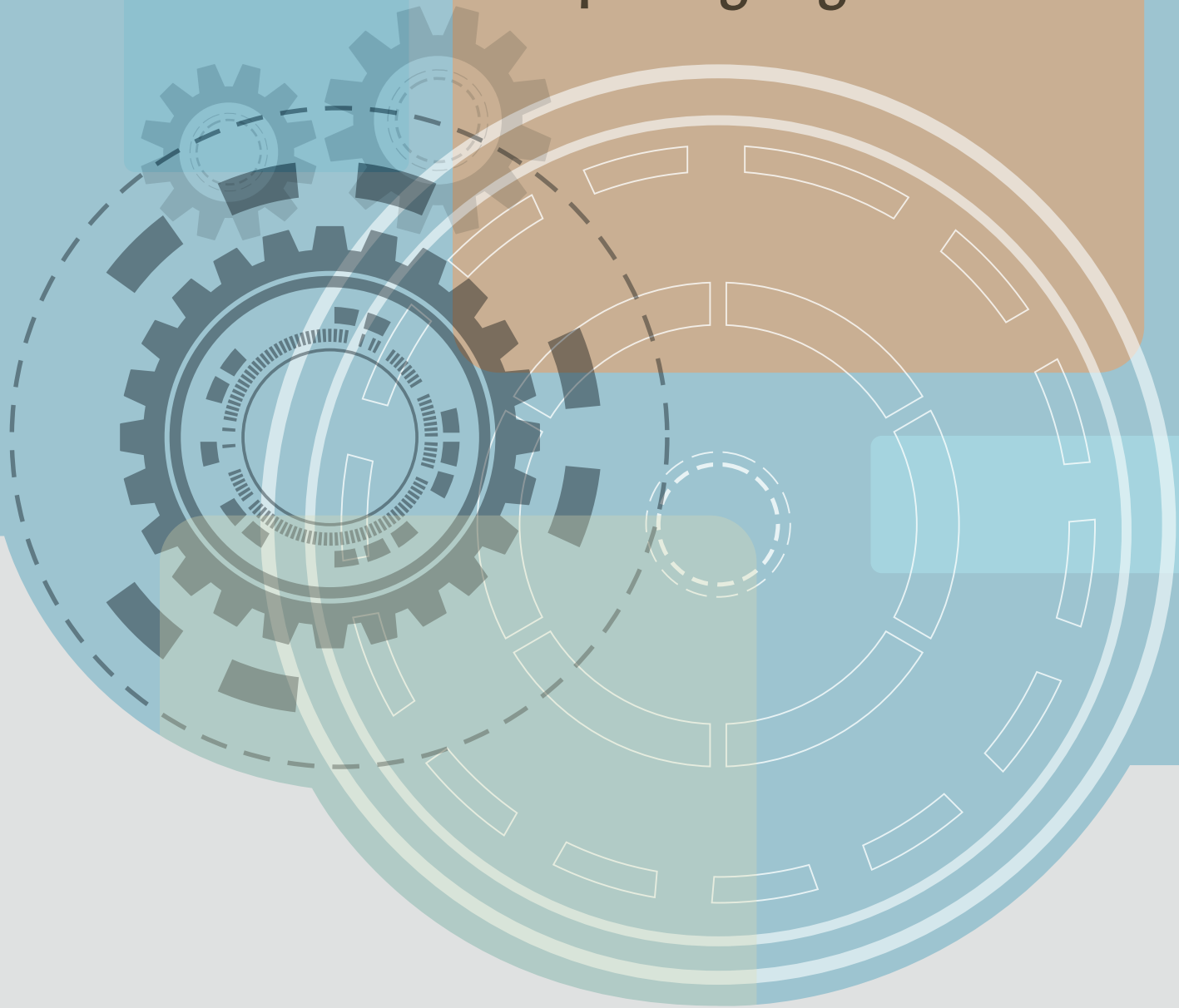
In FY 2021-22, BFIU arranged two in-house training programs on AML & CFT Initiative: Domestic & International Perspective and for Deputy Director, Assistant Director and Officer level officials.

5.13 Participation in Training Program

BFIU officials regularly participated in the training program, workshop, seminar, etc. organized within the country by different organizations. It helps BFIU official to enhance their capacity as well as capability. Moreover, BFIU officials share their knowledge and experience received from training, workshop, seminar, etc. with other colleagues of BFIU. This practice maximizes the utility of the training program, workshop, seminar, etc.

In FY 2021-22, BFIU officials participated in 40 training programs, workshop, seminar, etc. arranged by different organizations in Bangladesh.

Awareness Program and Capacity Building of Reporting Organizations



Chapter 6

Awareness Program and Capacity Building of Reporting Organizations

The success of an FIU largely depends on the reporting organization's ability to effectively identify and report transactions/activities. Regular AML & CFT related awareness and capacity-building programs enhance employees' vigilance about the latest ML, TF & PF risks and mitigate those risks. BFIU has been relentlessly and immensely trying to enhance the awareness of the ROs on AML & CFT issues. All of these efforts ensure better compliance of the ROs with applicable laws and rules thereunder. In line with such activities, BFIU arranges meetings, conferences and training programs for the reporting organizations of Bangladesh from time to time and further provides resource persons to the ROs and other regulatory, investigative and relevant agencies on AML & CFT issues.

6.1 CAMLCO Conference for the Banks



Head of BFIU, Mr. Md. Masud Biswas, Delivering Speech as Chief Guest of the CAMLCO Conference for the Banks, Cox's Bazar

The 17th CAMLCO Conference for the scheduled banks was organized in collaboration with the Association of Anti Money Laundering Compliance Officers of Banks in Bangladesh (AACOBB) during 11-13 March 2022 in Cox's Bazar. The head of BFIU Mr. Md. Masud Biswas inaugurated the conference as chief guest whereby the program was presided over by Mr. A. B. M Zahurul Huda, Director of BFIU. Mr. Md. Nazrul Islam, Executive Director, Bangladesh Bank, Chattogram Office and Mr. Md. Kazi Aktarul Islam, Deputy Head of BFIU were also present there as special guests. Furthermore, Mr. Selim R F Chowdhury, Chairman, ABB, Mr. Md Rafiqul Islam, Chairman, AACOBB and the MDs/CEOs/Country Managers of the scheduled banks along with the CAMLCOs attended the conference. The Theme of this year's conference was 'Digital Transformation of Financial Services: Challenges and Opportunities'.

At the welcome speech, Mr. Mohammad Mohsin Hussaini, Additional Director, BFIU advised the banks to ensure risk assessment of the digital financial services and products or technology before adopting and take necessary arrangement to mitigate the identified risks. The chief guest of the event, Mr. Md. Masud Biswas, Head of BFIU started his speech by paying homage to the Father of the Nation Bangabandhu Sheikh Mujibur Rahman. Shedding light on probable misuse of funds of stimulus package implemented by Bangladesh Bank and the rise of cyber crimes including fraudulent activities via

e-commerce, he emphasized the importance of ensuring corporate governance to counter this type of fraudulent activities. He advised the banks to ensure due diligence in establishing RMA, advising LCs, issuing EXPs during foreign trade transaction and inform BFIU immediately if any suspicious transaction/activities were identified. The Chairman of AACOBB and the Chairman of ABB pledged to ensure AACOBB and ABB's active role to establish a strong and efficient AML & CFT compliance structure in the banks. Mr. Kamal Hossain, Additional Director of BFIU presented the key note of the conference titled 'Digital Transformation of Financial Services: Challenges and Opportunities'.

On the 2nd day, a paper titled "Financial Crime in Digital Space: Special Focus on E-commerce Services" was presented by Mr. Md. Mezbaul Haque, Director, PSD, Bangladesh Bank. Another paper on "Digitalization of Financial Services in Bangladesh: ML& TF Threat and Vulnerabilities" was presented by Mr. Mohammad Mohsin Hussaini, Additional Director, BFIU on the same day. At the working session of the 3rd day, Mr. Md. Masud Rana, Additional Director of BFIU presented a paper on 'ML & TF Risk and Vulnerabilities Relating to VA & VASPs. Furthermore, there were discussions on several topics including 'Quality of STR/SAR', 'Confidentiality in AML & CFT', 'Recent Ukraine-Russia Conflict and Sanction', 'Price Verification & TBML', and 'Challenges (Financial Crime) in Alternative Delivery Channels'.

Based on the discussions at the conference, the following decisions were taken as agreed upon as part of initiatives to strengthen the AML and CFT compliance regime for banks in the country:

- Through ensuring coordination between the AML department and other related departments, the banks must assess ML & TF risks associated with digital services and products before adopting or launching them and submit those assessment reports to BFIU.
- Banks have to strengthen monitoring of transactions related to e-commerce and virtual assets using credit cards. Besides, transaction limits as prescribed by Bangladesh Bank must be maintained in case of foreign transactions carried out via credit cards. Any kind of breaches must be reported to BFIU as STR.
- The scheduled banks must enhance transaction monitoring mechanisms to identify unusual and suspicious transactions on digital platforms. The validity, capability, and planning of the merchants must be considered along with monitoring the activities of the merchant acquirer.
- CDD/EDD of e-commerce clients and merchants must be completed properly. The prevailing accounts should be analyzed and report STR/SAR to BFIU if anything unusual is identified.
- If any fraudulent activities take place via digital financial services, BFIU must be informed immediately.
- Each bank must adopt integrated and long-term plans for digital transformation.
- The scheduled banks must take the necessary steps along with enhanced monitoring activities to prevent the misuse of banking channels in conducting cryptocurrency transactions, online betting and FX trading, If necessary, they should monitor social media/web content of their own accord.
- The scheduled banks may arrange promotional activities to increase awareness related to the prevention of ML & TF on digital platforms, If necessary, AACOBB can carry out these activities with the assistance of all banks.
- To counter different kinds of emerging ML & TF risks including virtual currency transactions and cyber crimes, initiatives need to be taken to develop the skills and capabilities of bank employees.
- The scheduled banks should arrange training programs on ML & TF risks and how to prevent those types of risks related to Digital Transformation of Financial Services.
- Banks need to monitor and analyze the loans disbursed under the Stimulus Package related to recovering Covid-19 Pandemic and report to BFIU immediately if any suspicious activities are identified.

- As per the guidelines of BFIU, caution must be taken in carrying out foreign trade activities and not to establish any relationship with shell banks. In this regard, BFIU must be informed after reviewing the RMA which has already been established.
- As part of end to end digitalization, banks should ensure compliance with e-KYC guidelines for the accounts already opened.
- Banks should ensure compliance regarding Know Your Employee (KYE) to prevent the misuse of digital financial services.

At the closing ceremony of the three-day conference, a vote of thanks was offered to all the participants, support providers and relevant stakeholders and a pledge was taken to implement effective measures to prevent money laundering and terrorism finance in the country.

6.2 CAMLCO Conference for NBFIs



Participants of the CAMLCO Conference for NBFIs along with the Chief Guest

The CAMLCO Conference for Non-Bank Financial Institutions (NBFIs) was arranged in Cox's Bazar during 25-26 February 2022. Mr. Md. Masud Biswas, Head of BFIU inaugurated the ceremony as the chief guest. Mr. Md. Nazrul Islam, Executive Director of Bangladesh Bank, Chittagong Office and Mr. Md. Kazi Aktarul Islam, Deputy Head of BFIU and Mr. Mominul Islam, Chairman of Bangladesh Leasing and Finance Companies Association (BLFCA) were present as special guests at the event whereby Mr. Md. Sawkatul Alam, Director of BFIU presided over the conference. CAMLCO and Deputy CAMLCO of all NBFIs were the participants of the conference.

In his opening speech, Mr. Md. Masud Biswas emphasized on ensuring corporate governance in NBFI so that the miscreants could not use NBFI as a conduit of money laundering. Proper CDD/EDD should be ensured to restrain criminals from taking advantage in the guise of good customer. He mentioned that Digital Transformation might be helpful to ensure transparency and accountability in this regard. Mr. Mohammad Mahbub Alam, Additional Director of BFIU presented the keynote paper titled "Digital Transformation: A key upholding of FI's current situation and enduring good governance". In his presentation, Mr. Alam highlighted the strategy of how financial institutions can reduce the risk of money laundering and terrorist financing by introducing new products and services through digital transformation. In another session Mr. Md. Masud Rana, Additional Director of BFIU presented a paper on "Changes in Risk & Regulatory Landscape". He discussed various aspects of digital products and services in his presentation and highlighted the changing norms related to it.

In his closing speech, Mr. Md. Masud Biswas opined that there was no alternative to corporate governance to ensure resilience and sustainability in the financial sector. He asked the NBFIs to ensure compliance with the instructions of BFIU, relevant laws, regulations and international standards and best practices in establishing a strong AML & CFT compliance structure in the FIs.

Based on the discussions at the conference, the following decisions were taken to be implemented to ensure a strong AML & CFT compliance regime in Bangladesh:

- The NBFIs should ensure proper due diligence measures including identifying beneficial owners so that the financial institutions cannot be exploited to launder money in different ways including loan fraud in the name of fake corporate/shell companies/non-existent companies.
- The NBFIs need to ensure proper KYC, risk management and take enhance due diligence measures before sanctioning loan so that the fund could not be diverted.
- The NBFIs with the assistance of BFIU and BLFCA would take necessary action to arrange AML & CFT trainings, workshops both virtual and in-person for the employees to enhance their skills and raise awareness.
- The NBFIs must take immediate action to implement the instructions of the guidelines on e-KYC, Trade Based Money Laundering, Suspicious Transaction Report (STR), UNSC Resolutions/Sanctions regarding terrorism financing, Beneficial Owners, Politically Exposed Persons (PEPs), etc.
- The NBFIs should consider the data of default/outstanding loan before sanctioning any loan and also assess the ML & FT risk. Proper monitoring should be there to ensure utilization of the fund.
- If any default customer resides abroad or cannot be traced, it should be taken under consideration and STR/SAR should be submitted to BFIU as early as possible.

The chief guest expressed his gratitude to the concerned officials of BFIU, BLFCA and participating officials from all NBFIs for organizing a successful conference and aspired to reflect the success of this year's conference in the next year's activities. Finally, the CAMLCO Conference for NBFIs, 2022 was declared closed by the chief guest wishing everyone good health.

6.3 CAMLCO Conference for Insurance Companies



The Participants of the CAMLCO Conference for Insurance Companies, 12-13 November, 2021, Cox's Bazar

Bangladesh Financial Intelligence Unit (BFIU) along with Insurance Development and Regulatory Authority (IDRA) organized CAMLCO Conference-2021 for Insurance Companies (ICs). The main purpose of the program was to provide appropriate guidance to the ICs regarding the latest AML & CFT scenario, initiative to introduce e-KYC, review the AML & CFT activities of the previous year and prepare a work plan emphasizing increased awareness of AML & CFT activities, introduce risk-based approach and implement UNSCRs, ensure involvement and awareness of both the higher authority and the board members of ICs. The conference was held during 12-13 November 2021 in the lap of the world's longest sea beach, Cox's Bazar. The two-day-long conference was presided over by Dr. M. Mosharraf Hussain, FCA, Chairman, IDRA. Mr. Sheikh Mohammad Salim Ullah, Secretary, Financial Institution Division, Ministry of Finance was present as the chief guest and announced the inauguration of the program. Mr. Md. Masud Biswas, Head of BFIU was presented as one of the special guests.

To have proper understanding and take initiative accordingly by the insurance companies in preventing money laundering and terrorist financing, the following panel discussions and presentations were held at the conference by officials of BFIU, IDRA and ICs:

- ML & TF Risk in Insurance Sector: Global and Bangladesh Context
- Combating ML & TF Risk in Insurance Sector: Regulator's Role
- AML & CFT Compliance Requirements and Its Challenges
- Threats of ML & TF in the Insurance Sector
- Scope of ML & TF in the Insurance Sector
- Role of IDRA in preventing ML & TF risk in the Insurance Sector;
- Implementation of AML & CFT framework in Insurance Sector: A risk-based Approach;
- Digital KYC/e-KYC Regulations.

After having interactive discussions and feedback sessions, the following recommendations were taken:

- A report on the assessment of risks related to ML & TF and steps taken to prevent ML & TF should be presented to the Board of Directors/Management Committee and subsequently reported to IDRA and BFIU;
- The inspections conducted by the Internal Audit/Branch Control Divisions of ICs must include topics/components related to the prevention of ML & TF;
- To increase awareness about ML & TF at the branch level, a conference of BAMLCOs must be held ensuring the participation of the Chief Underwriters;
- To increase awareness and skills related to the prevention of ML & TF at the branch level, regional training workshops should be arranged;
- Officials who have not received any training related to the prevention of ML & TF should be provided with necessary training.

6.4 CAMLCO Conference for Capital Market Intermediaries



The Panelist of the Working Session at the Conference for Capital Market Intermediaries, 6 June 2022, Dhaka

Bangladesh Securities and Exchange Commission organized a day-long CAMLCO Conference for Capital Market Intermediaries (CMIs) which was held on 6 June 2022 in Dhaka. The purposes of the conference were to increase the awareness of all parties related to the capital market, to review the progress of the implementation of the decisions of the previous conference and to set a strategic course of action for the next year. Mr. Mohammad Mahbub Alam, Additional Director of BFIU presented the keynote paper in the 1st working session titled "Digital Transformation in CMI's: AML & CFT Risk Management Strategies under the new Regulations in the Digital Era". Later, the Additional Director of BFIU and the representatives of capital market-related institutions participated in a lively discussion regarding the presentation of BFIU. Based on the presentations and discussions held at the conference, several decisions were taken for CMIs including creating an facilitating environment for the use of new technologies for AML & CFT, crafting digital platform for database management, effective risk management by using new technologies, implementing & following proper e-KYC procedure, increasing communications between regulatory bodies and BFIU, arranging awareness programs, cyber security, national integrity strategy, etc.

At the end of the day-long sessions and activities, the 2022 CAMLCO conference for Capital Market Intermediaries was declared closed by thanking everyone.

6.5 AML & CFT related Awareness Workshop for NGO Officials in Sylhet



Head of BFIU, Mr. Md. Masud Biswas, Delivering His Speech as Chief Guest at the Daylong Workshop on AML & CFT related Awareness Program for NGO Officials, 4 December 2021, Sylhet

The NGOs operating in Bangladesh take registration from NGO Affairs Bureau (NGOAB) for taking Foreign Donations under the Foreign Donations Act, 2016. NGO Affairs Bureau takes opinion on ML & TF issues (for registration) about NGOs, their directors, donors, and relevant bank accounts from BFIU through the Ministry of Finance. In FY 2021-22, BFIU has given opinion on ML & TF issues for more than 80 NGOs to NGOAB.

BFIU has arranged a day-long Workshop on 4 December 2021 regarding ML & TF awareness issues for 60 NGO officials in Sylhet region. The Head of BFIU, Mr. Md. Masud Biswas graced the program as chief guest. This workshop was also arranged for getting information about NGO sector assessment. The program was presided over by A. B. M. Zahurul Huda, Director of BFIU. Moreover, Executive Director of Bangladesh Bank, Sylhet Office and officials from NGOAB and MRA were present their as special guest.

6.6 Lead Bank Training Program

In addition to its own arrangement, BFIU regularly organizes training programs for bank officials working outside of Dhaka with the assistance of Banks under the Lead Bank Training Program to cover maximum participants. A total of 13 (thirteen) training programs were organized in FY 2021-22 and around 800 bank officials were trained up in various AML & CFT issues like regulatory requirements, loan scam related money laundering and vulnerabilities, risk of trade-based money laundering, regulatory reporting and role of branch, methodology of AML ratings, lapses found in AML & CFT inspection and way out, role of branch manager in preventing ML & TF: challenges and way forward, etc.

6.7 Facilitating Training Program

Upon mandated in the MLPA, 2012 BFIU regularly organizes training programs, meetings, seminars, etc. for the employees of the reporting organizations as well as provides resource persons in training programs. The employees of the reporting organizations are responsible for the day-to-day implementation of AML & CFT compliance and report any STR/SAR if it seems suspicious to them. Thus, it is necessary to equip them with required knowledge of relevant Acts, Rules, circulars, guidance, etc. Over the years, reporting organizations organized training programs for their employees. Moreover, other stakeholders of BFIU also arrange training program for their employees. Upon request, BFIU provides with resource persons for those training programs. In FY 2021-22, BFIU provided more than 150 resource persons in training programs organized by the reporting organizations and other stakeholders. These kinds of efforts by BFIU will help to develop quality human resources in the AML & CFT arena of Bangladesh.

6.8 Capacity Building Programs for DNFBPs

Designated Non-Financial Businesses and Professions (DNFBPs) which include real estate agents, dealers of precious metals and stones, accountants, lawyers and trust and company service providers are consistently targeted by criminals for criminal activities and facilitate fraud, forgery, smuggling of currency and other predicate offences related to ML & TF. Realizing these risks, BFIU has adopted effective measures in line with the FATF recommendations in an attempt to prevent the misuse of DNFBPs in ML & TF. As those sectors are attractive avenues for criminals, DNFBPs are incorporated as reporting organization in 2012 (Money Laundering Prevention Act, 2012).

BFIU has issued guidelines and a master circular for DNFBPs. Furthermore, the Sectoral Risk (AML & CFT) Assessment of DNFBPs (Real Estate Sector) has been completed and its sanitized version has been published on the website. Presently, with the help of the World Bank, the Sectoral Risk (AML & CFT) Assessment of Dealers in Precious Metals & Stones (DPMS Sector) has been initiated. The AML & CFT risk assessment of other sectors of DNFBPs is under process.

BFIU has been implementing Risk Based Supervision for the DNFBPs. As per the Risk Based Supervision Manual, BFIU collects information from the sector using a risk assessment questionnaire and thereafter prepares a risk rating index as a part of supervision planning which includes off-site and on-site supervision tools.

On June 08, 2022, BFIU arranged a meeting with the representatives of the Bangladesh Tax Lawyers Association and Dhaka Taxes Bar Association to exchange views on ML & TF issues. After that, on June 18, 2022, representatives of DNFBPs including the Real Estate and Housing Association of Bangladesh (REHAB), Bangladesh Jewellers Samity (BJS), Institute of Chartered Accountants of Bangladesh (ICAB) and Dhaka Taxes Bar Association were invited to the grand celebration ceremony of 20 years of BFIU to make them aware about their responsibilities regarding the fight against ML & TF threats in this sector.

Strategic Analysis



Chapter 7

Strategic Analysis

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

In the last FY, BFIU officials conducted strategic analysis on the trend of cash transaction in Bangladesh economy in the given time. Furthermore, study on the abuse of financial channel to handle the proceeds of drug trafficking, crypto-currency transaction and online forex trade and e-commerce business have been conducted to find out the trend and emerging typologies of crimes and also to provide a policy directions for the government, regulators, stakeholders and the relevant sectors.

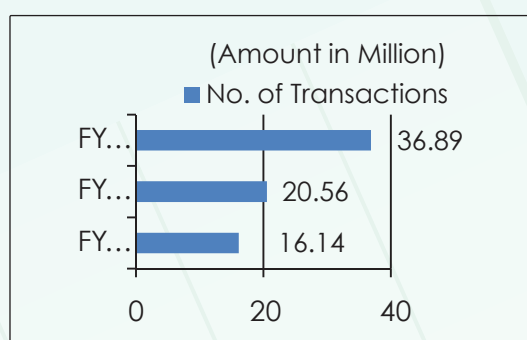
7.1 CTR Trend Analysis in FY 2021-22

7.1.1 Trend Analysis of Cash Transactions in Bangladesh Economy in FY 2021-22

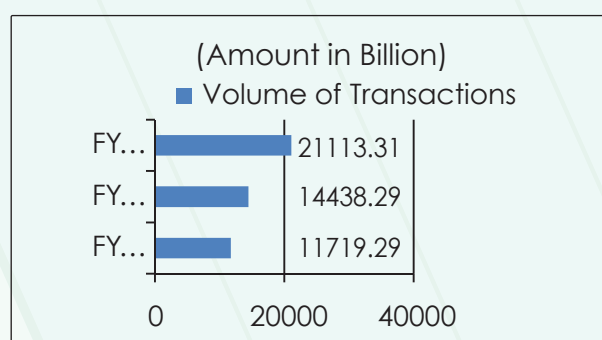
Despite being one of the oldest means of payment, cash transaction is still appeared to be on the upswing in Bangladesh. Cash transaction facilitates the laundering of illicit funds because it is anonymous and the source and destination of embezzled money can't normally be traced. Traditional criminal activities like drug dealing, extortion, corruption, sexual exploitation, hundi and smuggling of migrants normally generate cash proceeds. Considering the typologies of the criminal trends in Bangladesh, one of the measures taken by the government to prevent ML & TF is to discourage cash transactions by facilitating various digital payment methods. Even after providing so many facilities aimed at reducing cash transactions, it has not been possible to reduce the use of cash transactions. Considering the rising trend of cash transactions, a trend analysis based on threshold based cash transactions is done every year for the purpose of identifying possible threats of money laundering in Bangladesh.

7.1.2 Comparison of Cash Transactions among FY 2019-20, FY 2020-21 and FY 2021-22

A review of the threshold based cash transactions for the last three financial years shows an upward trend in both number and volume of cash transactions. From FY 2019-20 to FY 2020-21, the volume of cash transaction has been increased by 23.20%. Besides, the transaction volume has been increased by 46.23% from FY 2020-21 to FY 2021-22, which is twice as much as before.

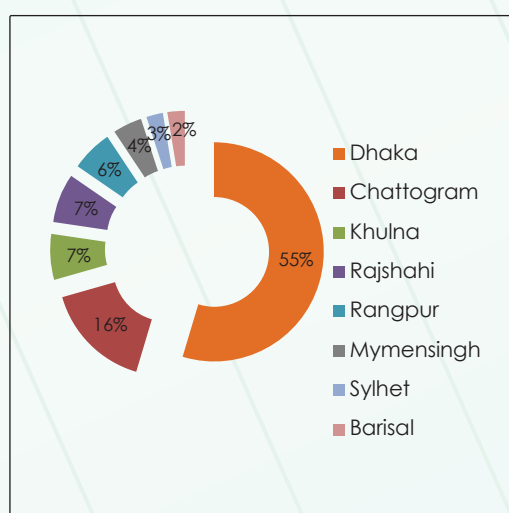


Graph-11: Number of CTR

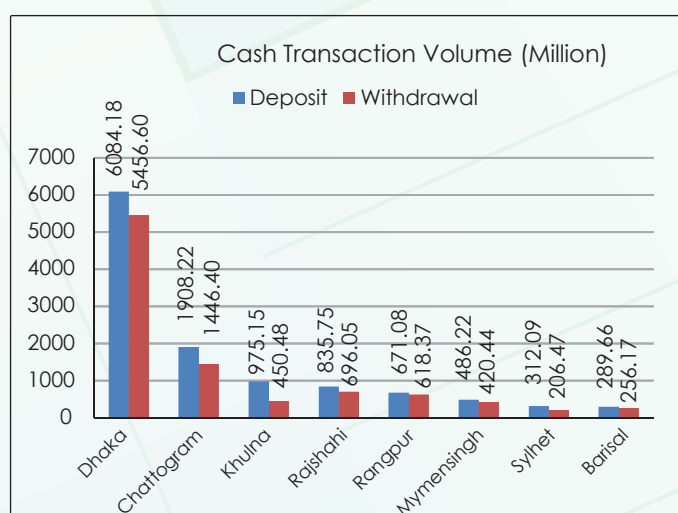


Graph-12: Volume of Cash Transaction in CTR

7.1.3 Geographical Location-wise Cash Transaction (Volume) in FY 2021-22



Graph-13: Geographical Location-wise Cash Transaction (percentage)

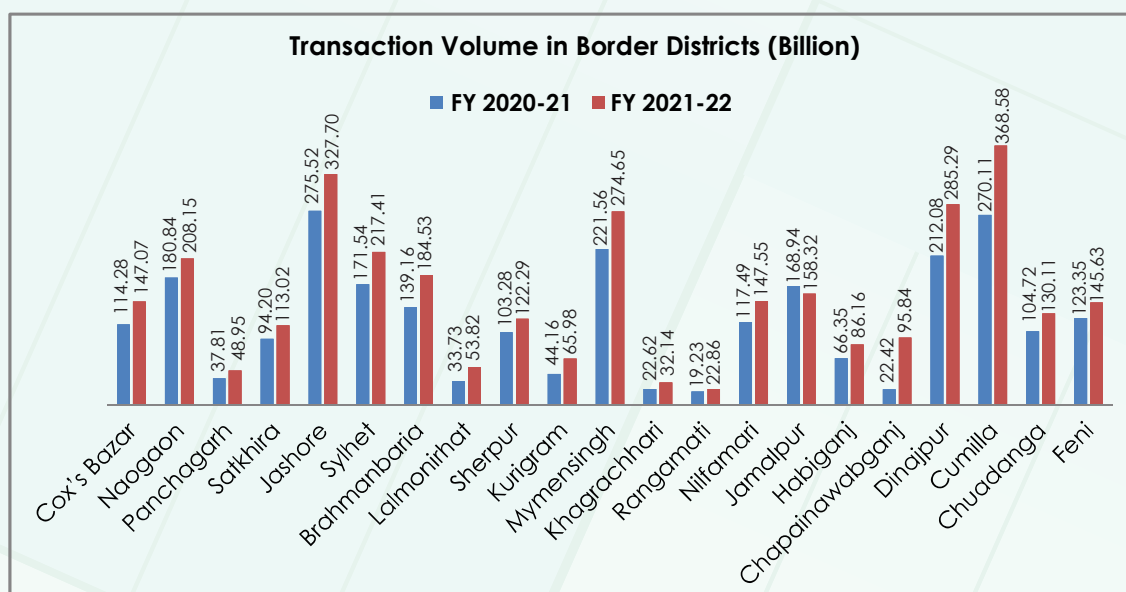


Graph-14: Geographical Location-wise Cash Transaction (volume)

The study of cash transaction (volume) based on geographical locations (graph-13) shows that the highest amount of cash transactions took place in Dhaka division contributing 55% of the total volume of cash transactions (CTR) while Chattogram division stood second having 16% of the total. Besides, Khulna and Rajshahi divisions each contributed 7%. However, the volume of cash transaction in the rest of the divisions i.e. Rangpur, Mymensingh, Sylhet and Barisal divisions were respectively 6%, 4%, 3% and 2% of total cash transactions. As Dhaka is the hub of all types of business and economic activity, the volume of cash transaction is much higher here i.e. more than half of the total volume.

On the other hand, the graph-14 shows that the deposit volume is greater in all the divisions than the volume of withdrawal which can infer that large cash deposits may have been withdrawn through electronic fund transfers or cash withdrawals below CTR threshold.

7.1.4 Cash Transactions Scenario in Border Districts in FY 2020-21 and FY 2021-22



Graph-15: Number of Cash Transactions in Border Districts in FY 2020-21 and FY 2021-22

One of the most concerning crimes in the 21st century is cross-border crime and it has been emerged as more disruptive to maintain national security as well as prevent social degradation. Therefore, border areas are more vulnerable to money laundering and terrorist financing as border areas are hotbeds for drug trafficking, human trafficking, smuggling etc. Taking into account that the large amount of cash transactions in the border areas can help to commit these crimes, an attempt has been made to bring out a comparative picture of the cash transactions in the border areas compared to the overall situation of cash transactions across the country.

Comparing the transactions of FY 2021-22 with FY 2020-21 in the border districts shows that, the overall increase in cash transactions across the country has been reflected in the border areas as well. From the above graph it can be observed that, in FY 2021-22, the cash transactions (number of CTR) of all the border districts except Jamalpur were higher than that of the FY 2020-21. Overall, cash transactions (number of CTR) in border areas have increased by 27.23% in this financial year compared to the last financial year.

7.1.5 Threshold based CTR Transaction

Table-9: Different Threshold based Number of CTR

Threshold Amount	Number of CTR (in millions)	Volume of Cash Transactions (in Billions)
1.0 million or above to less than 2.5 million	5.23	7,253.31
2.5 million or above to less than 5.0 million	1.00	3,285.07
5.0 million or above to less than 10.0 million	0.37	2,329.17
More than 10.0 million	0.08	2,104.61

The study of different amount of threshold based CTRs shows that between the thresholds of 1.0 million or above to less than 2.5 million, the number of CTR is the highest which is about 5.23 million and the volume of which is 34.35% of the total volume of cash transactions in FY 2021-22. On the other hand, between the thresholds of 2.5 million or above to less than 5.0 million, 5.0 million or above to less than 10.0 million and more than 10.0 million, the number of CTRs were respectively 1.0 million, 0.37 million and 0.08 million which contributed 15.55%, 11.03% and 9.7% of the total volume of cash transaction.

7.1.6 Recommendations

- Extended measures should be taken by the Government and BFIU to reduce the use of cash;
- Large volume of cash transactions of business entities should be monitored properly;
- Vigilance should be increased in border areas considering cash transaction patterns.

7.2 Drug Trafficking through Abusing Legal Financial Channels: Bangladesh Perspective

7.2.1 Introduction

Drug trafficking is one of the emerging issues in Bangladesh which has affected a major part of population in Bangladesh especially the young generation. Multiple drugs use has aggravated the overall situation affecting our personal, economic and social life. Besides, it acts as a hindrance to the overall development of a country. Although drugs are spreading among people of all walks of life, the young generation is being hit the hardest. A drug addict engages in various criminal activities including theft and robbery to meet his/her drug needs. As a result, the society is going backward ethically and financially in addition to social degradation. Besides, as Bangladesh is not a drug producer country rather consumer so huge amount of money siphoned off from Bangladesh to drug exporting countries like Myanmar, India, Afghanistan, etc. every year. It can be seen from the media reports that the penetration of various types of drugs in the country has increased in the last few decades. Despite the strict supervision of the law enforcement agencies in the border areas, the infiltration of various types of harmful drugs from abroad is still increasing. Even though the prevalence of drugs is increased, the number of STR/SAR related to drug trafficking has not been increased proportionately from the reporting organizations.

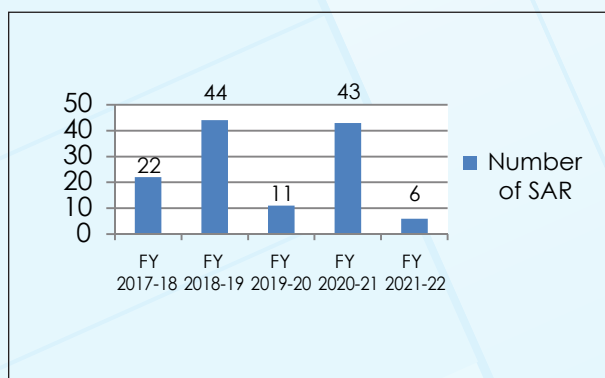
Bangladesh is one of the emerging economies of the South Asian countries. Like other developing countries, the existence of money laundering cannot be ignored. Money laundering in Bangladesh is happening from the proceeds of various predicate offences like - drug trafficking, bribery, fraud, forgery, fund embezzlement, organized crime, corruption, terrorist financing etc. Bangladesh faces serious threat of drug trafficking for its geographical location. Bangladesh is situated at the center of Asia's three main drug trafficking routes – the Golden Triangle, the Golden Crescent and the Golden Wedge. As the number of addicts and potential users of drugs is rising in Bangladesh, the country is facing an emergent challenge regarding this issue. Even, the financial system is also affected by illicit drug dealers. Drugs trafficker uses the formal channel to hide the true nature of illegally earned money from illicit drug dealing.

As drug trafficking has become one of the most crucial problems in recent times, reporting organizations have been instructed to closely monitor and report on any kinds of suspicious activities or transactions related to it. As a result, BFIU receives some STR/SARs regarding drug dealing or trafficking from a few reporting organizations every year. Although there are 17 types of reporting organizations, BFIU receives STR/SARs related to drug trafficking only from banks and money remitters up to now.

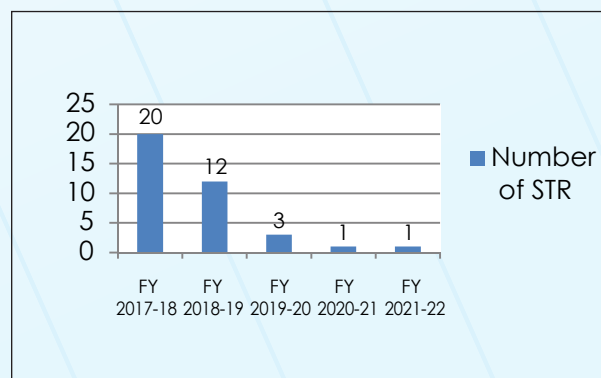
Though the number of STR/SARs reported on drug dealing or trafficking is not that much compared to the total number of STR/SARs BFIU received every year; we observed some ups and down in the number of STR/SARs on the mentioned subject. From FY 2017-18 to FY 2018-19, the number of STRs submissions decreased from 20 to 12. Three STRs were submitted in FY 2019-20 and one STR was submitted in FY 2020-21 and FY 2021-22. On the other hand, BFIU received more SAR than STR on drug trafficking-related issues. Most of the SARs (44) were submitted in FY 2018-19 whereas 43 SARs were submitted in FY 2020-21. Besides, 22, 11 and 6 SARs were submitted in FY 2017-18, FY 2019-20 and FY 2021-22 respectively.

District-wise analysis of submitted STR & SAR revealed that most STR/SARs (116) were submitted from the Dhaka district. Besides, 11 and 14 STR/SARs were submitted from Chattogram and Cox's Bazar districts respectively, the most infamous places for drug trafficking. Apart from this, 22 STR/SARs were submitted from other districts including Feni, Gazipur, Kushtia, Meherpur, Narayanganj etc. which represent 13.49% of the total STR/SARs on drug trafficking.

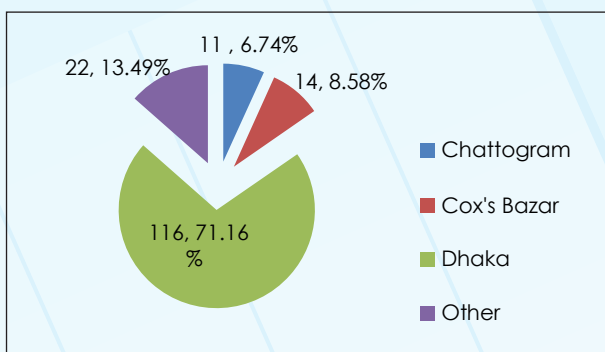
Women drug traffickers and users are also increasing persistently, but they are very difficult to be traced. According to the statistics from the study, 10 women were involved in 163 STRs & SARs related to drug trafficking, which is 6% of the total involved persons. However, recent media reports reveal that, women play an important role in drug trafficking in Bangladesh. Besides, a significant number of women have also been arrested in various anti-narcotics operations. However, the incidence of female involvement according to the statistics from STR/SARs is negligible. Although women's involvement is high at the marginal level, the number of men is assumed to be the most as beneficiaries.



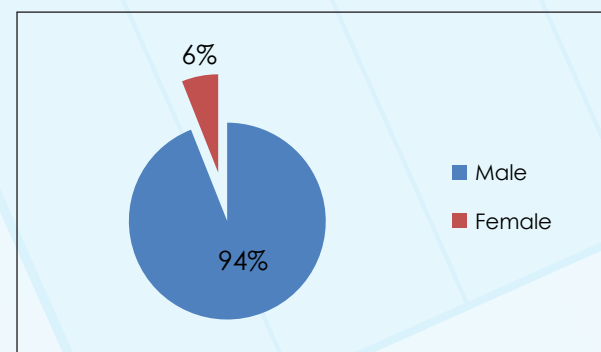
Graph-16 Number of Submitted SARs related to Drug Trafficking by Reporting Organizations



Graph-17 Number of Submitted STRs related to Drug Trafficking by Reporting Organizations



Graph-18: District-wise Number of Submitted STR & SARs



Graph-19: Gender-wise Submitted STR & SAR

7.2.2 Output of Media Report on Drug Trafficking

Print and electronic media are considered to be the most important sources of information on any crime. Screening of various newspapers and online news portals from 2017 to 2022 has observed some significant news related to drug trafficking. According to the news, drugs/narcotics are being smuggled into Bangladesh mostly from two bordering countries and enter through different border adjacent districts. Yaba enters Bangladesh through Cox's Bazar and Teknaf, heroin through Rajshahi, cannabis herb (Gaza) through Cumilla and Brahmanbaria, phensedyl and narcotic injections are coming through Chapainawabganj, Dinajpur, Panchagarh and Thakurgaon, Buprenorphine is entering through Joypurhat etc. The capital city, Dhaka is the biggest hub of the drug trade. 600 drug dealers trade here and most of them cannot be traced; hence they are called 'white collar' drug dealers. Cumilla has 5 bordering upazilas with drug syndicates and 50 points for drug trafficking. The Ministry of Home Affairs released the names of 82 drug dealers of Cumilla in 2021.

According to a UN survey, 6.5 million people are addicted to drugs in Bangladesh where 87% are men and 13% are women. A separate study conducted by ICDDR,B reported that 79.4% of drug addicts in

the capital were male and 20.6% were female. It is also reported that 64.8% of drug users in the country were single, 56.1% were students or unemployed and 95.4% were smokers. The number of young women addicted to drugs is also increasing alarmingly. In some parts of the country, drugs are now being sold as home service items. From wholesalers, it goes to retailers and retailers provide home services to people from all walks of life. People of almost all ages, classes, occupations and economic strata of society, even school-going children, especially English medium school students, private and public university students belong to the group of drug users. According to a WHO study, the majority of drug users are between the ages of 18 and 30. Officially, there are no statistics on drug addicts in Bangladesh but unofficially there are about 7.5 million drug addicts in Bangladesh who consume about BDT 200 crore worth of drugs in a day. Among them, 80% of drug addicts are youths of which 43% are unemployed and 50% are involved in various crimes.

7.2.3 Analysis of Drug Trafficking related Statistics of DNC

The Department of Narcotics Control (DNC) is the central agency for narcotics control. Money Laundering Prevention Act, 2012 has included drug trafficking as one of the predicate offences. DNC and Criminal Investigation Department (CID) are the two investigating agencies for this offence. According to the directions of the Narcotics Control Act, 1990, the DNC is trying to control narcotics in Bangladesh. Along with DNC and CID, other organizations are also performing their functions to control drugs in the country. In the following table, we find the total seizure of drugs by all agencies from 2018 to 2021 in Bangladesh.

Table-10: Seizure of Drugs by All LEAs in Bangladesh

Name of Drugs	Years			
	2018	2019	2020	2021
Heroin (in Kg)	451.51	323.28	210.44	441.22
Codeine preparation (Bottle)	715529	976663	1007977	574301
Codeine (loose) (in liter)	539.95	1831.05	129.40	106.61
Cannabis (in KG)	60295.12	32657.70	50078.55	86696.28
Cocaine	272	1	3.89	1.55
ATS (Yaba) Piece	53048548	30446328	36381017	53073665
Buprenorphine (Ampule)	128708	41236	124608	48626
Total No.of Cases	119878	124098	85718	93190
Total Number of Accused	161323	162847	113543	122152

From table-10, it is clear that the use of some drugs is reducing over the years but some are increasing day by day. In the Annual Drug Reports (2021), DNC has published that all segments of society are severely affected by the drug abuse problem. The total number of cases was highest in 2019 and lowest in 2020. The total number of accused is highest in 2019 and lowest in 2020.

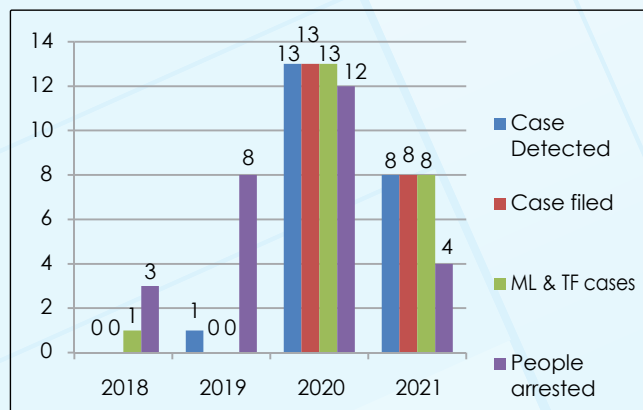
Table-11: Seizure of Money by DNC in connection with Drug Offences

Year	2018	2019	2020	2021
Sale Proceeds of drugs (BDT)	90,19,095	85,13,832	59,01,537	59,36,175

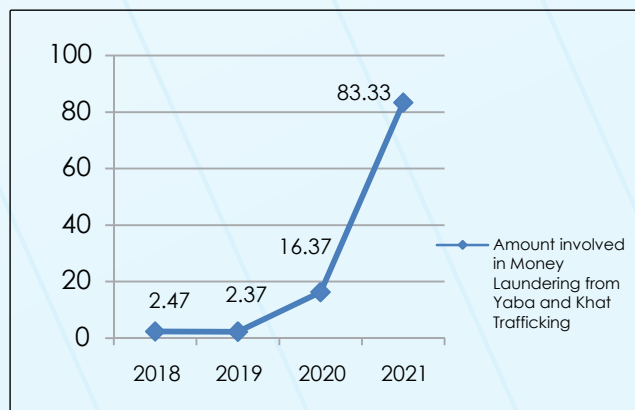
Table-11 shows that the seizure of money by the DNC was the highest in 2018 and lowest in 2020. The seizure of money by the DNC has been reducing year after year. According to recent seizure statistics and reliable data, the major drug market is Dhaka. Besides, Rajshahi, Natore, Pabna, Sirajgonj, Bogura, Joypurhat, Shatkhira, Jashore, Khulna, Faridpur, Cumilla, Brahmanbaria, Narshingdi, Gazipur, Narayanganj, Savar, Tangail and Mymensingh districts are also drug prone areas.

7.2.4) Analysis of Drug Trafficking related Statistics of CID

According to the Money Laundering Prevention Act, 2012, CID is one of the important investigating agencies of drug related predicate offence. CID is playing a very crucial role to control drug related offence in the country. BFIU has collected some information about drug trafficking from CID through a questionnaire. CID has informed that the risk of drug trafficking through abusing financial channel in Bangladesh is high. Graph-20 shows that in 2018 and 2019 drug trafficking related case detection and filing was very low but in 2020 it was high and in 2021 it was moderately low. The number of people arrested was high in 2020, moderately low in 2019 and very low in 2021.



Graph-20: Number of Case Detected and Filed related to Drug Trafficking and Number of People Arrested

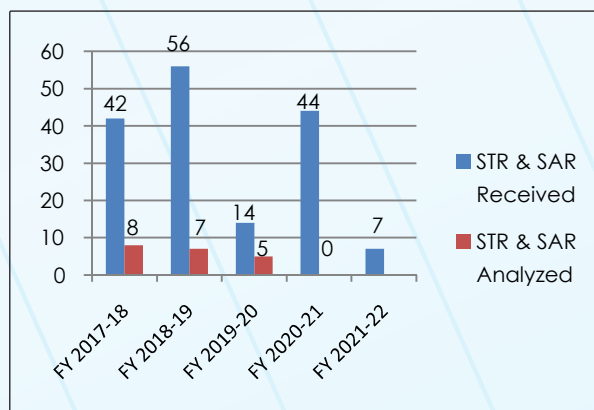


Graph-21: Money Involved with Drug Trafficking (yaba & khat) in Dhaka, Narayanganj, Gazipur, Lalmonirhat, Chattogram and Cox's Bazar

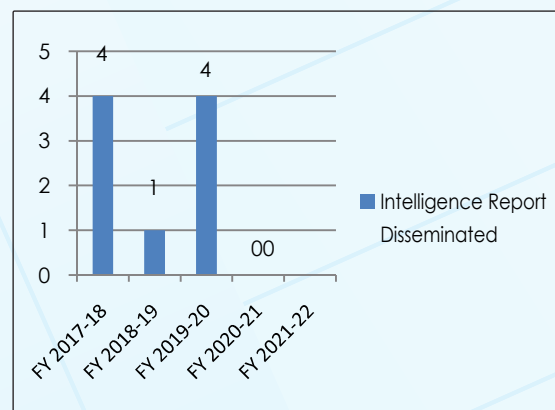
Graph-21 shows that a huge amount of money has been laundered from yaba and khat trafficking in different 6 districts. The amount of laundered money has increased gradually having the highest value in 2021.

7.2.5) Dissemination of STR & SAR Received by BFIU

To combat money laundering and terrorist financing, BFIU analyzes STRs, SARs and other information received from reporting organizations and sent intelligence report and information to the concerned Law Enforcement Agency (LEA) for further investigation and legal actions. Graph-22 shows that BFIU has received 163 drug trafficking related SARs and STRs from FY 2017-18 to FY 2021-22. Graph-23 shows that BFIU has disseminated 9 (nine) intelligence reports to the LEAs in the aforementioned time. The overall dissemination rate is 6%. In FY 2017-18 and FY 2019-20 the dissemination rate was the highest. As number of submitted STR & SAR was very low in FY 2020-21 and FY 2021-22, the number of disseminations is zero.



Graph-22: Number of STR & SARs Received and Analyzed



Graph-23: Number of STR & SARs Disseminated to LEAs

7.2.7 Findings of the Report

Media report shows that drug trafficking is becoming alarming all over the country and more than 30 bordering districts are being abused for drug trafficking. In commensurate with the media news, reporting organizations have not submitted enough STR & SARs. BFIU has received only 163 SARs & STRs from FY 2017-18 to FY 2021-22. Some banks and one money remitter have submitted those STRs & SARs i.e. most of the banks, non-bank financial institutions, money remitters and other reporting organizations are not aware of this crucial predicate offence. Reporting organizations are not aware of the female customers who are the traffickers/users of drugs. BFIU has received STRs & SARs from 19 districts but media news shows that more than 30 bordering districts are engaged in this heinous crime. So, reporting organizations located in the rest of the bordering districts should monitor transactions and activities of the customers more carefully and submit STRs & SARs if necessary. Information from CID and DNC reveals that a huge amount of money is being laundered every year through drug trafficking. BFIU prepares intelligence reports on drug trafficking and disseminate those to respective LEAs. So, if the number of STRs and SARs increases, the dissemination rate of intelligence reports will also increase accordingly and this will play an important role in controlling formal channels from abusing and spreading drugs in the country.

7.2.8 Recommendations

- More mechanisms need to be developed among all reporting organizations to detect more STRs and SARs on suspected customers and risky bordering districts;
- LEAs have to increase their surveillance to find out drug traffickers and bring them under the law;
- More monitoring should be ensured by reporting organizations and LEAs over female customers and female drug dealers respectively;
- Awareness programs need to be increased by LEAs and other relevant organizations;
- BFIU should take adequate initiatives to protect the formal channel so that drug traffickers cannot abuse it.

7.3 Crypto-currency transaction and online forex trade: ML & TF Risk & Policy Options in the Context of Bangladesh

7.3.1 Introduction

A virtual asset is a digital representation of value that can be digitally traded or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies, securities and other financial assets as mentioned by FATF. Virtual currency, also called as digital currency, only exist in electronic form which is stored and transacted through designated software, mobile, or computer applications using through secure, dedicated networks or over the internet. They are issued by private parties or groups of developers and are mostly unregulated. Examples of unregulated digital currencies, also termed as Virtual Assets (VAs), are Cryptocurrencies, Bitcoin, Litecoin, Ethereum or Dogecoin, Gaming tokens, Non-Fungible Tokens (NFTs) etc. They do not have a physical incarnation like paper money and they are different from digital representations of central bank-issued currency, also known as central bank digital currency (CBDC). The technology used in virtual currencies increases transaction speeds and eliminate geographical boundaries. It also eliminates intermediaries during monetary transactions and establishes a direct connection between two transacting parties.

The Financial Action Task Force (FATF) made a preliminary assessment on ML & TF risks of Virtual currencies in June 2014 in its virtual currencies report. As part of a staged approach, the FATF on June, 2015 has developed Guidance for a Risk-based Approach on Virtual Currencies focusing on the points of intersection that provide gateways to the regulated financial system, in particular convertible virtual currency exchangers. The guidance show how specific FATF Recommendations should apply to convertible virtual currency exchangers in the context of virtual currency payment products and services (VCPPS), identify AML & CFT measures that could be required, and provide examples; and Identify obstacles to applying mitigating measures rooted in VCPPS's technology and/or business models and in legacy legal frameworks. The FATF also adopted a first version of this Guidance on the application of the risk-based approach to VAs and (Virtual Assets Service Providers) VASPs in June 2019; the Guidance was updated in October 2021. The Guidance describes the application of the FATF Recommendations to countries and competent authorities; as well as to VASPs and other obliged entities that engage in VA activities, including financial institutions such as banks and securities broker-dealers, among others. The Guidance makes clear that VASPs, and other entities involved in VA activities, need to apply all the preventive measures described in FATF Recommendations 10 to 21. The Guidance explains customer due diligence (Recommendation 10); and the obligation to obtain, hold, and transmit required originator and beneficiary information, immediately and securely, when conducting VA transfers (Recommendation 16). Finally, the Guidance provides examples of jurisdictional approaches to regulating, supervising, and enforcing VA activities, VASPs, and other obliged entities for AML & CFT.

In October 2018, FATF updated its Standards to extend AML & CFT requirements to Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs). In June 2019, FATF adopted an Interpretive Note to Recommendation 15 (INR.15) to clarify how the FATF requirements apply in relation to VAs and VASPs. Since then, FATF has conducted two reviews to determine how jurisdictions and private sector are implementing the revised FATF Standards for VAs and VASPs.

Currently countries all over the world are preparing their own regulations and rules for VA which they think are suitable for their jurisdictions and economy as a whole. The United States of America, home to the world's most sophisticated financial markets, virtual currencies are not properly unregulated. However, Financial Crimes Enforcement Network (FinCEN) issued Guidance on 9 May 2019 which states regulatory framework for virtual currencies and warns of threats posed by virtual currency misuse. Countries including Canada, Argentina, Brazil, Chile, Peru, Uruguay, Venezuela, Austria,

Belgium, Bulgaria, Denmark, France, Germany, Netherlands, Italy and other countries around the world allowed virtual assets like cryptocurrency, Bitcoin and are preparing to make regulations to control the use and market of Virtual Assets. On the other hand, some countries have already restricted cryptocurrency as a medium of exchange that includes India, China, Algeria, Bolivia, Colombia, Egypt, Indonesia, Ghana, Iran, Iraq, Mexico, Russia etc.

On 15 September 2022 Foreign Exchange Policy Department of Bangladesh Bank, the Central Bank of Bangladesh has issued a circular regarding prohibition of virtual assets, virtual currencies and facilitating their exchange/transfer/trading addressing all scheduled Banks, ADs of Foreign Exchange, MFS Providers, Financial Institutions and other concerns and stakeholders associated with Foreign Exchange dealing in Bangladesh. The circular stated that virtual currencies are neither approved foreign currency/exchange nor approved form of transactions/investments in Bangladesh. It also stated that retention of export proceeds abroad in any form without limiting to equity/portfolio investment, purchase of physical assets/virtual assets, maintenance of accounts regardless of currencies including cryptocurrencies constitutes contravention of the Foreign Exchange Regulation (FER) Act, 1947 and all individuals/entities/institutions operating in Bangladesh shall refrain from dealing in virtual assets, currencies and providing any kind of facilitation in favor of doing business, activities, and operations associated with exchange/transfer/trading of virtual currencies. Earlier on July 29, 2021 Bangladesh Bank issued a public notice where all persons and institutions concerned were repeatedly cautioned about various risk associated in dealing with virtual currencies/crypto currencies. Despite central bank restrictions on virtual assets, virtual currencies and facilitating their exchange/transfer/trading, BFIU in the last 04 years received 107 STR/SAR from Banks and MFS provider on the suspicion of virtual currency trading. This study focuses and intends to identify ML & TF risk that may arise from Virtual Assets in the perspective of Bangladesh and makes recommendations on the same.

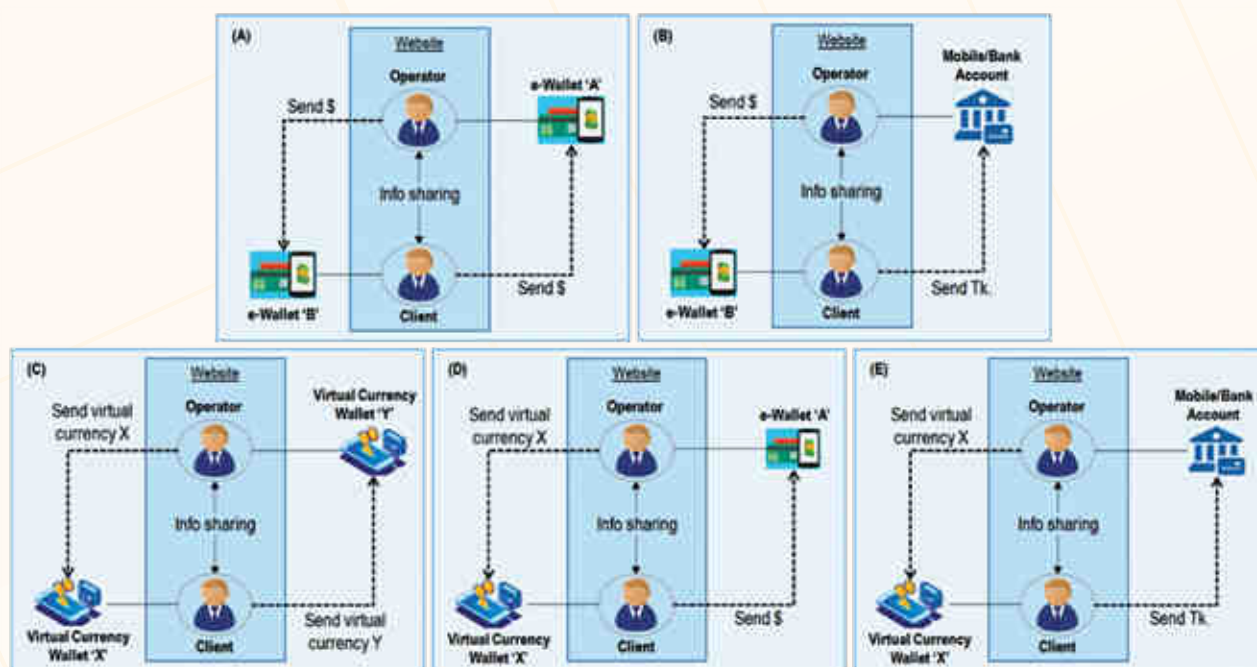
7.3.2) Evaluation of Websites Which Deal with Virtual Currency

Each of the activities or provided facilities of the described websites are different. Websites other than localbitcoins.com and paxful.com (which are operated from outside of the country) are conducted by a Bangladeshi operator who manually executes the transaction. Generally the following five types of transactions and facilities are available.

- (a) Dollar Exchange: operator and customer exchange dollar between their e-wallet of different service provider. For example, a customer, who wants dollar in Skrill wallet, sends dollar from his/her Neteller account to the operator's Neteller account; in return, the operator transfers dollar to the customer's Skrill account.
- (b) Buy/Sell Foreign Currency with Taka: operator and customer buy and sell dollars through mobile/bank account maintained in Bangladesh and e-wallet. For example, an operator offers dollar sale and customer who wants dollar in e-wallet, deposits Taka to the operator's mobile/bank account; in return, the operator sends dollar to the customer's e-wallet (Neteller, Skrill, Perfect Money, etc.).
- (c) Virtual Currency Exchange: operator and customer exchange virtual currency (Bitcoin, Litecoin, Tether, Ethereum etc.) through same or different virtual currency exchange platform. For example, a customer wants to exchange Bitcoin with Litecoin. S/he sends Bitcoin to the operator's Bitcoin wallet through Coinbase platform; in return, operator sends Litecoin to the customer's Litecoin wallet through Coinbase or other platform.
- (d) Buy/Sell Virtual Currency with Dollar: operator and customer buy and sell virtual currency through virtual currency exchange platform and e-wallet. For example, customer sends dollar to operator's e-wallet (Neteller, Skrill, Perfect Money, etc.); in return, operator sends virtual currency

(Bitcoin, Litecoin, Tether, Ethereum etc.) to the customer through a preferred exchange platform (Coinbase, Localbitcoins etc).

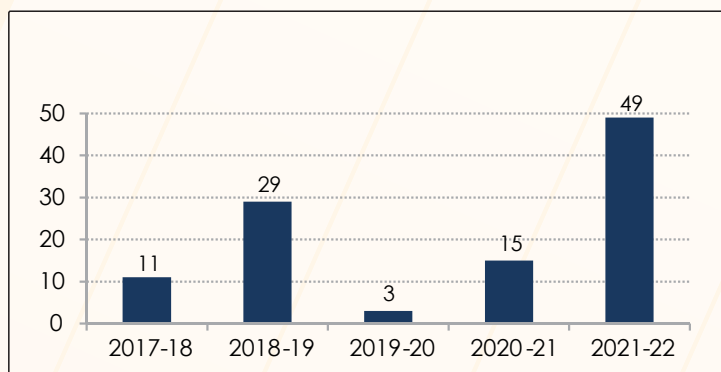
- (e) Buy/Sell Virtual Currency with Taka: operator and customer buy and sell virtual currency through virtual currency exchange platform and mobile/bank account maintained in Bangladesh. For example, customer sends Taka to mobile/bank account; in return, operator sends virtual currency (Bitcoin, Litecoin, Tether, Ethereum etc.) to the customer through a preferred exchange platform (Coinbase, Localbitcoins etc).



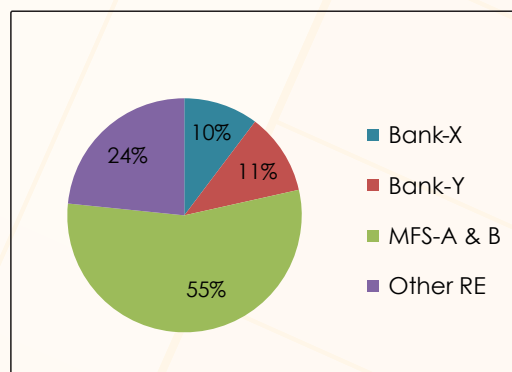
Stated websites act as operator or intermediary in case of buying and selling or exchanging foreign currency (dollars) and cryptocurrencies and work as a primary communication channel between the operator and the customer/service recipient. In most cases, operators or service providers become more meticulous and use different social media sites (WhatsApp, Messenger, Skype etc.) to exchange necessary information (wallet number, exchange rate, transaction reference no. etc.). This procedure of currency exchange or buying/selling is not allowed in the Foreign Exchange Regulation Act, 1947 of Bangladesh. It should be noted that in addition to valid payments (such as service export, consultancy fees etc.) in digital wallets, various illegal or criminal finances (e.g. casino, online gambling, pornography, cybercrime etc.) may accumulate as well. Hence, bank and mobile banking accounts collected from the websites can be used for illegal or criminal financial transactions.

7.3.3 STRs and SARs Submitted by Reporting Organization

BFIU has received, as of June 2022, 22 STRs and 85 SARs (total 107) related to virtual currency and online forex trading. 55% of these STRs/SARs were submitted by two Mobile Financial Service Provider (MFS) company, 21% by two banks and remaining 24% by seven other banks. BFIU received STR/SAR related to virtual currency and online forex trading for the first time in 2017-18. The number of such STR/SAR soared in the next year, but significantly reduced in 2019-20. However, this number exponentially increased in the following two years.

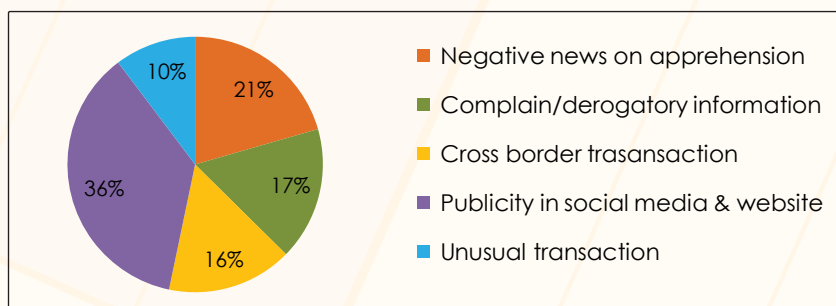


Graph-24: Number of STR & SAR related to Virtual Currency and Online Forex Trading



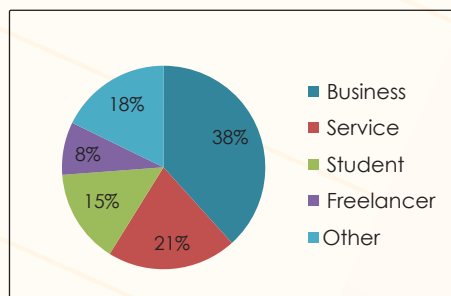
Graph-25: Reporting Organization-wise STR & SAR

The study has found that 36% STR/SAR were lodged upon screening social media and websites where account number was mentioned to facilitate virtual currency or online forex trading and 10% STR/SAR were lodged for unusual transaction pattern. This is a reflection that reporting entities try for stringent customer due diligence measures to prevent the transaction involving virtual currency and online forex trading since it is not permitted in Bangladesh. When reporting entities get any information about virtual currency and online forex trading, they have lodged STR/SAR– 21% STR/SAR were lodged due to negative news regarding apprehension of customer by the law enforcement authority on the charge of trading virtual currency and 21% STRs/SARs were lodged upon receipt of complain or adverse information from different sources. 16% STR/SAR were raised on very specific ground, i.e. inward remittance and purchasing through debit card from a company that is involved in trading virtual currency.

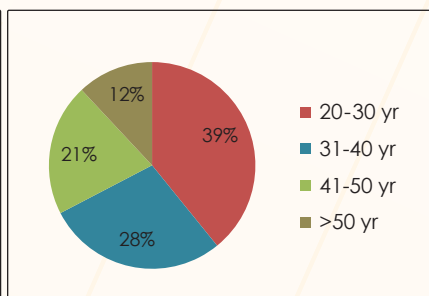


Graph-26: Reason/Typology of STR & SAR

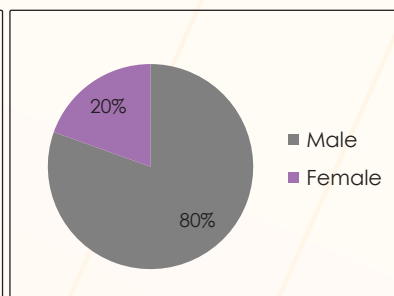
92 persons have been reported in the STR/SAR related to virtual currency and online forex trading (multiple STR/SAR raised against same person). Four-fifths of them are male and the remaining persons are female. The reported persons are mostly young people– 39% are 20-30 years old and 28% are 31-40 years old. By professions, majority of the persons are businessman (38%), service holder (21%), student (15%) and IT professional/Freelancer (8%).



Graph-27: Profession of Persons Reported in STR/SAR

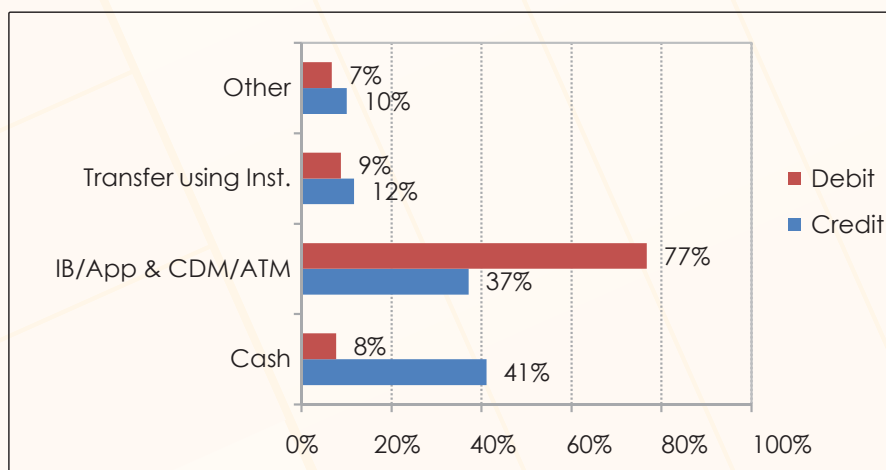


Graph-28: Age of Persons Reported in STR/SAR



Graph-29: Gender of Persons Reported in STR/SAR

The study conducted an analysis on the transaction pattern on the accounts that were reported in STRs/SARs. Account samples were taken on the threshold basis (BDT 1 million) considering those persons who were arrested by LEA or had adverse information/complain regarding them and accounts which were shown in different websites. It was found that these accounts were mainly credited by cash and internet banking or banking apps, and debited in through internet banking, banking apps and ATM. This implies that these persons are withdrawing money as non-face-to-face customers.



Graph-30: Transaction Pattern of Persons who are Alleged to Deal Virtual Currency and Online Forex Trading

7.3.4 Law Enforcement Activity

Law enforcement authorities receive intelligence on the persons who deal virtual currency and illegal online forex trading illegally and take legal action thereof although the survey response revealed that three out of four law enforcement authorities do not have any mechanism/tools in place to address this crime. Altogether they have detected 17 virtual currency/online forex trading cases in five years, of which 14 cases have been filed. They sought financial information to BFIU in seven cases, but no ML & TF case was filed. Moreover, the LEAs arrested 52 persons during this period on the charge of virtual currency and online forex trading, and resized different goods from them (seizure list contains mobile phones mostly; others goods include desktop computers, laptop, cheque book, credit card, ATM card, fake ID etc.). Charge sheet against 10 persons has already been submitted.

Table-12: Year-wise Activities of Law Enforcement Agencies

LEA Activity	2018	2019	2020	2021	2022	Total
No. of cases detected	1	0	1	10	5	17
No. of cases filed	1	0	1	7	5	14
No. of cases in which information was sought from BFIU	0	0	1	5	1	7
No. of persons arrested	1	0	0	39	13	53

7.3.5 Recommendations

The study proposes the following recommendations for mitigating risk of ML & TF that may arise from virtual currency and online forex transactions:

- (i) **Non-face-to-face Customers' KYC and Transaction Monitoring:** The study reveals that customers in disguise of professions such as Farmer, Housewife, Student, Freelancer, IT Business on their Account Opening Form, are doing illegal virtual currency and online forex transactions. So banks, MFSs and other reporting entities must follow the relevant instructions meticulously that are stated on BFIU circulars (e.g. BFIU Circular NO. 26 for Banks) regarding KYC and transaction monitoring.

- (ii) Internet Banking, Mobile Banking App based Transactions should be Monitor Properly: With the technological advancement, Internet Banking and Mobile Banking App based transactions are increasing rapidly in Bangladesh. The study identified that 74% debit transactions of suspected persons of virtual currency traders incurred with the use of Internet Banking and Mobile Banking App. Reporting entities should follow BFIU circular instructions to mitigate risk of ML & TF regarding Internet Banking, Mobile Banking and App based transactions and proper transaction monitoring should be in place.
- (iii) Increasing the Expertise of BFIU Officials: Strategic Analysis Wing plays the primal role in analyzing STRs/SARs related to virtual currency and online forex trading and disseminating the same to Law Enforcement Agencies. So, employees of BFIU, especially Strategic Analysis Wing, should gain knowledge and skill on virtual currency and online forex trade through on and off-site local and international training programs, workshops, seminars etc.
- (iv) Forming Vigilance Team and Acquiring Knowledge to Identify and Detect Virtual Currency Transactions: The study reveals that MFSs and banks are prone to higher risk than other reporting entities regarding ML & TF risk of virtual currency transactions. So to detect and identify virtual currency trade and transactions and reporting the same to BFIU, it is better to suggest MFS and bank companies to exchange vigilance in this regard.

¹ www.bb.org.bd/econdata/fin_digitalstat/tab4.pdf

7.4 Abuse of E-commerce Platform in Bangladesh

7.4.1 Introduction

"Electronic Commerce", abbreviated as "e-commerce" refers to the electronic purchase and sale of products and services over the internet. Ecommerce operates in several market segments including business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C), and consumer-to-business (C2B). By offering less expensive and more effective distribution channels for their goods or services, e-commerce has aided firms, particularly those with a limited market reach, in establishing a stronger and wider market presence. It supplements any business/service with an online store where consumers can buy practically anything from anywhere.



7.4.2 E-commerce History

E-commerce is believed to be originated in 1948–49 due to Berlin blockade and airlift with a system of ordering goods primarily via telex. But the majority of e-commerce moved online with the widespread adoption of the Internet, the launch of the World Wide Web in 1991, and the first browser for accessing it in 1993. The first transaction, involving the sale of a CD between friends through an online retail website named NetMarket, didn't happen until 1994. Recently, a large portion of e-commerce moved to mobile devices, like- mobile phones, tablets, laptops, wearable devices, etc. It has expanded from consumer-focused big e-malls and consumer auction sites to substantial business-to-business marketplaces. Nowadays, users are encouraged and given the option to purchase goods directly from social media platforms as well.

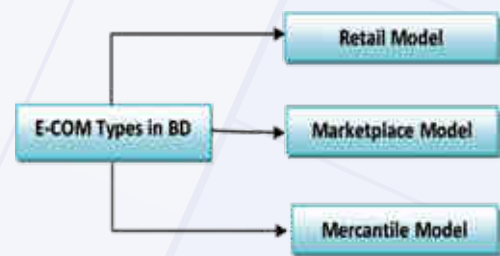
7.4.3 Bangladesh Scenario

It is thought that Munshiji Technology Limited, which exports handicrafts, silk, jute products, tea, leather, and leather goods, launched e-commerce in Bangladesh in 1999. The first free classified ad website, CellBazaar, was introduced in 2006. Although the nation has a number of online stores, until 2008 there was no infrastructure or regulatory frameworks in place to support online transactions. Additionally, the cost of internet access at that time was so high that only a small percentage of people were using the internet. As a result, the majority of people were not familiar with these e-commerce websites.

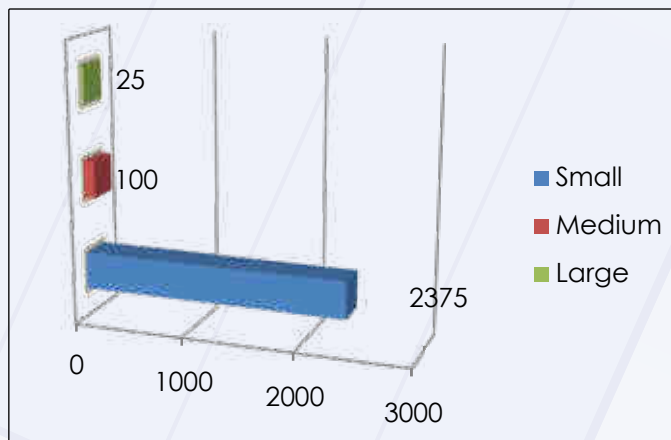
Bangladesh Bank began permitting online transactions in 2009. Wimax Internet was also introduced at the same time. Additionally, in 2010 with the founding of "SSLCOMMERZ," payment gateway infrastructure was created to boost up the sector. The first full-fledged e-commerce business in Bangladesh, akhoni.com, was established in 2011. In the meantime, Bangladesh adopted 3G internet technology in 2012, which increased internet penetration and gave the nation's e-commerce industry the much-needed traction.

Bangladesh Bank allowed the use of International Credit Cards for online shopping in 2013. Furthermore, in January 2014, the e-commerce association called E-Cab was established to acknowledge e-commerce related concerns and ensure the growth of the sector in the country. In order to safeguard consumer rights and provide guidelines for e-commerce websites, the government of Bangladesh developed a Digital Commerce Policy in 2018. Additionally, it was decided that the Ministry of Commerce would be responsible for enforcing copyright, hacking, and product pricing issues.

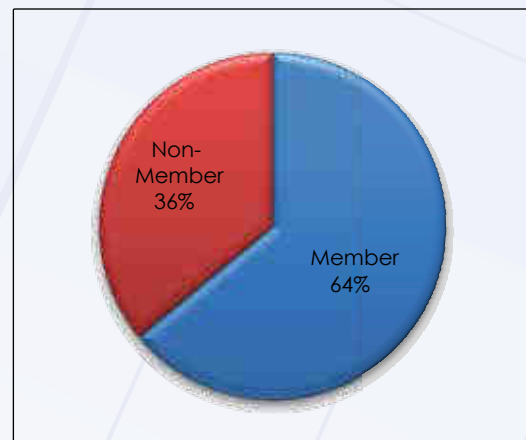
Two different business models based on inventory are seen in Bangladesh. The first one is the "retail or inventory lead" approach, in which e-commerce platforms purchase goods in bulk and serve retail clients. The second is the "Marketplace or Zero Inventory" model, in which online retailers serve as intermediaries between suppliers and customers. There is also a different type of business structure known as the "Mercantile Model," in which online retail websites offer delivery services in exchange for commissions but do not keep any inventory.



According to a report by e-Cab, In Bangladesh, about 2500 e-commerce platforms are operating, of which 1% is large companies, 4% are medium companies, and 95% are small companies. There are 1,600 e-commerce business owners that are currently members of e-Cab; 27% of them are female business owners, and 73% are male business owners. Bangladeshi e-commerce platforms started promoting heavily in 2019 and started to develop into full-fledged enterprises in 2020. The average basket value in the nation's e-commerce market is approximately BDT 2,200.



Graph-31: Size of E-commerce in Bangladesh



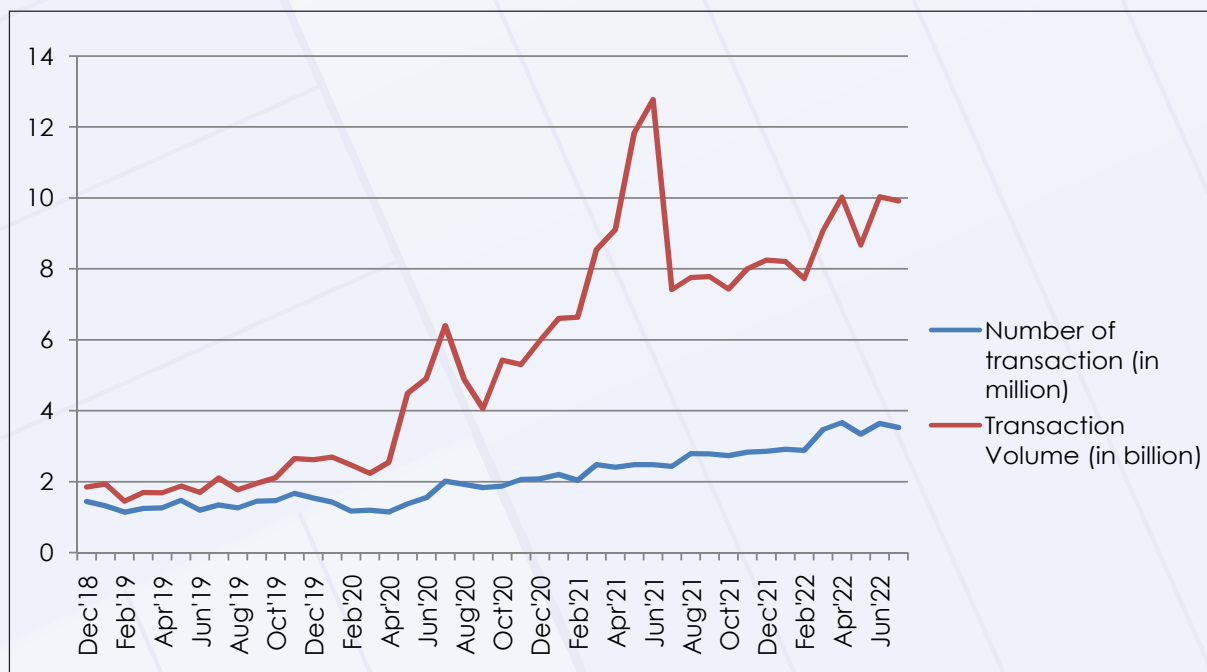
Graph-32: e-CAB Membership Status

F-commerce, or Facebook-based business, has also exploded in Bangladesh alongside e-commerce. Since Facebook launched its "Live" feature, f-commerce has been constantly expanding. There are more than 0.5 million Facebook-based company pages, 0.2 million of which are currently engaged in commercial activity. Although e-commerce platforms in Bangladesh expand on average at a 25% annual rate, the dropout rate for these newcomers is around 35%.

In 2019, when deadly Covid-19 pandemic began to spread, people, around the globe, have drastically reduced their physical interactions. A significant portion of traditional brick-and-mortar retail has been placed on hold due to self-imposed social isolation intended to prevent disease and the stringent confinement measures put in place. According to researchers about 52% of consumers have reportedly tried to avoid gathering locations like physical stores. Additionally, approximately 36% of consumers are delaying outdoor purchases until they receive the Covid-19 vaccine. As a result, global e-commerce became increasingly popular. Many small business owners or individuals launched their ventures on an online platform that is now e-commerce businesses. As a result, the volume of e-commerce transactions in Bangladesh, like others, has significantly increased.

A Bangladesh Bank report on e-commerce transactions through the formal channel showed that the transactions in e-commerce started to boost up significantly from April 2020 as the restrictions was imposed in that month to curb Covid-19 spread in the country. The average monthly transaction from January 2019 to March 2020 was BDT 2.06 billion. It reached all-time high of BDT 12.77 billion in June

2021. After introducing ESCROW system by Bangladesh Bank from 30 June 2021, the transactions sharply dropped to BDT 7.42 billion in July 2021. The transactions in October 2021 were 41.53 per cent or BDT 5.35 billion lower than that of June 2021. Total number of transactions in March 2020 was 1.19 million where in June 2021 it was 2.48 million, increased 108.01% within 15 months. In addition to transactions via banks or mobile financial services, a sizeable number of transactions were done through cash-on-delivery payment method.



Graph-33: Volume and Number of Transaction in E-commerce Using Card in Bangladesh

Country's e-commerce industry experienced a decline in the second half of 2021 after experiencing tremendous growth since the Covid-19 outbreak in the nation in March 2020 as few of the e-commerce organizations took millions of taka defrauding its consumers.

E-commerce businesses also succeeded in attracting a sizable sum of foreign investment in 2021. According to the Bangladesh Startup Ecosystem Report 2021, nine products and services-oriented Bangladeshi startups raised USD 32 million in foreign investments in the first half of 2021. In addition to that business-to-business e-commerce platform, eLoan-4 has already raised USD 110 million in capital for its expansion.

7.4.4 Using E-commerce Platform as a Vehicle of Money Laundering

The country's e-commerce industry had a difficult year in 2021 as it experienced a catastrophic setback after experiencing significant growth in the first half of the year as a result of scams committed by several e-commerce businesses. It crushed the public trust on online shopping. Government interventions were triggered as few organizations failed to return clients' as well as suppliers' money, eventually terminated operation.

The disaster happened as a number of e-commerce platforms that sold products at huge discounts in exchange for advance payments failed to deliver the products or return the consumers' money, which reduced their confidence in the e-commerce industry. A regulatory scrutiny revealed the incapability of the e-commerce platform to repay the customers' debts with its assets and money held in its bank accounts. Moreover, some e-commerce platform are used or designed for Multi-Level-Marketing (MLM) business.

7.4.5 Measures Taken

In the 2nd quarter of the year 2020, when e-commerce sector was booming rapidly, customer's complaint began to increase as well due to fail in delivering promised products. From mid-2020 delivery problems of the e-commerce entities has been started. After long waits for products customers filed complaints against e-commerce entities in Directorate of National Consumer Rights Protection (DNCRP).

DNCRP resolved many of the complaints submitted by the customers regarding e-commerce. The table-13 shows the overall picture of the filed complaints against e-commerce platforms in the DNCRP. Highest number of complaints (10,777) was filed against ECOM-1 of which 4,495 were disposed. 5,898 complaints were filed against ECOM-2 which was second highest. Of them, 33 complaints were disposed. 1,092 complaints were filed against ECOM-3 and 967 of them were disposed. This is the highest rate of disposed complaints filed against any e-commerce entities, which is 88.55%.

Apart from this, complaints against several other e-commerce entities have been disposed which are ECOM-4, ECOM-5, ECOM-6, ECOM-7, ECOM-8, ECOM-9, ECOM-10, ECOM-11 and ECOM-12.

Table-13: Status of Complain and Rate of Disposal in E-commerce Entities

SN	Name of e-commerce	Number of received Complain	Number of the disposal of the complain	Rate of disposal
1	ECOM-1	10,777	4,495	41.71%
2	ECOM-2	5,898	33	0.56%
3	ECOM-3	1,092	967	88.55%
4	ECOM-4	841	3	0.36%
5	ECOM-5	662	468	70.69%
6	ECOM-6	648	7	1.08%
7	ECOM-7	566	81	14.31%
8	ECOM-8	158	39	24.68%
9	ECOM-9	150	7	4.67%
10	ECOM-10	119	73	61.34%
11	ECOM-11	81	5	6.17%
12	ECOM-12	56	10	17.86%

Based on the intelligence and information received from different sources, BFIU started working on the issue at that time. On 27 August 2020 far before the collapse of the sector, based on primary analysis, all the accounts (a total of 67) of a suspected e-commerce entity and its owners were frozen having total balance of BDT 21.3 million by BFIU and the relevant intelligence was sent to the LEA on 20 September 2020 for initiating necessary steps to bring the culprits under punishment. But, unfortunately, BFIU could not extend the freezing order as no feedback was received from the LEA within due time.

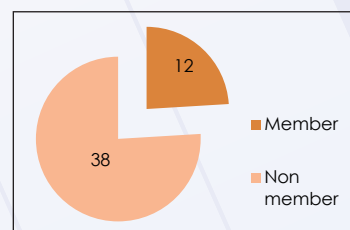
Later on, the LEAs started working on few other suspected e-commerce entity based on the customer's complaint and huge media coverage. BFIU then took initiatives to collect account details with transaction histories of those suspected entities and shared with the LEAs to assist their enquiry. Simultaneously, BFIU started analyzing the data/intelligence collected from different sources available to ascertain the involvement of money laundering with the suspects.

Furthermore, a committee comprising of various intelligence agencies and LEAs was formed under the Central Digital Commerce Cell of the Ministry of Commerce. BFIU, being a member of the committee, got different list of suspected e-commerce organizations based on the analysis of the member entity/agency. BFIU consolidated all the lists and came up with 50 suspect entities of which 33 were e-commerce, 5 were e-loan, 7 were online MLM/promotion, 2 were related with online bating App and rest were other entities.

Out of 50 suspected e-commerce entities only 12 has membership of E-commerce Association of Bangladesh (e-CAB). e-CAB undertakes different activities including research, publication, training, workshop, seminars, etc. for the improvement of the member companies. In order to ensure the

growth of the e-commerce sector, e-CAB also focuses on e-Security, e-commerce policy and guidelines. Besides, e-CAB conducts awareness program for securing e-commerce sector and improving the quality and delivery of the products.

As most of the e-commerce entities were not under membership of e-CAB, they were not engaged in any programs conducted by e-CAB. As a result, non-member e-commerce entities of e-CAB were far behind in terms of knowledge regarding development of e-commerce sector.

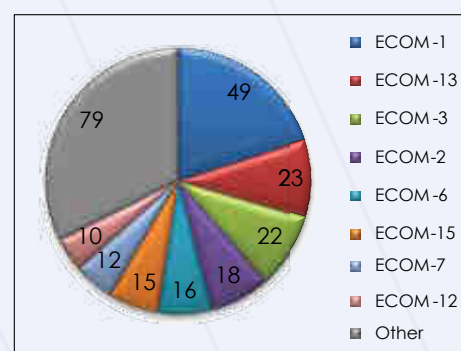


Graph-34: e-CAB Membership Status of the Suspected E-commerce Entities

7.4.5.1 STR/SAR and Complaint Received related to E-commerce Platforms

Considering negative news published against e-commerce entities and based on suspicious transactions from July 2020 to August 2022, a total of 244 STR/SARs involving 29 suspected organizations were submitted by reporting organizations to BFIU.

Highest number of STR/SARs has been submitted against ECOM-1 which is 49. While 23 STR/SARs have been submitted against ECOM-13. Apart from that, significant number of STR/SARs have been submitted regarding ECOM-2, ECOM-3, ECOM-6, ECOM-7, ECOM-15 etc. A total of 165 STR/SARs have been submitted against 8 e-commerce entities which is 67.62% of the total submitted STR/SARs. Besides, 7 complaints involving 11 e-commerce platforms have been filed in BFIU.



Graph-35: Number of STR/SAR Regarding E-commerce Entities

BFIU analyzed those STR/SARs, prepared intelligence reports and sent those reports to concerned law enforcement agencies for further actions. To look into the involvements of these entities with money laundering, BFIU collected information and analyzed the financial transactions and other relevant documents from Bank, Non-Bank Financial Institution (NBFIs), Mobile Financial Service (MFS) and Payment Service Operators (PSOs).

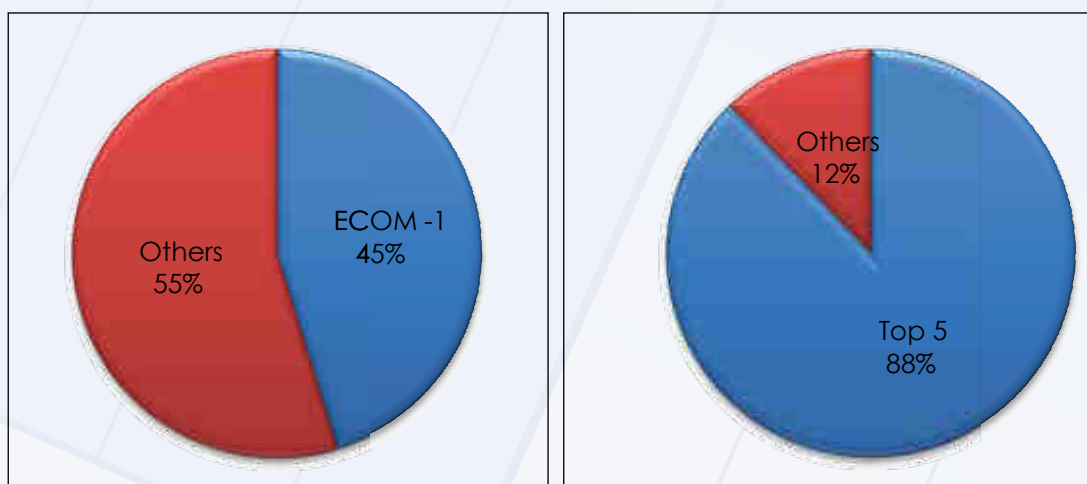
Table-14: Transaction Summary of Top 20 Suspected E-commerce Entities

(Amount in BDT millions)

SL	E-commerce Entities	Number of A/C	Total Deposit	Total withdrawal	Balance
1	ECOM-1	82	6,297.31	6,296.56	0.75
2	ECOM-4	71	2,147.35	2,147.27	0.08
3	ECOM-7	65	1,561.34	1,546.10	15.24
4	ECOM-2	32	1,117.70	1,114.74	2.96
5	ECOM-6	22	1,103.48	988.84	114.64
6	ECOM-12	32	549.55	548.20	1.35
7	ECOM-13	28	303.35	303.33	0.02
8	ECOM-9	21	247.35	245.35	2.00
9	ECOM-11	14	106.51	101.13	5.38
10	ECOM-14	24	97.92	97.46	0.46
11	ECOM-15	9	71.80	71.79	0.01
12	ECOM-16	5	54.30	53.55	0.75
13	ECOM-5	24	52.32	52.32	0.00
14	ECOM-17	37	42.59	42.54	0.05

SL	E-commerce Entities	Number of A/C	Total Deposit	Total withdrawal	Balance
15	ECOM-18	23	42.04	42.01	0.03
16	ECOM-8	29	29.31	29.11	0.20
17	ECOM-19	8	29.04	28.96	0.08
18	ECOM-20	13	27.74	27.53	0.21
19	ECOM-10	18	25.71	25.71	0.00
20	ECOM-21	2	13.49	13.49	0.00
Total		559	13,920.2	13,775.99	144.21

A total of BDT 139.20 billion has been deposited in 559 related accounts maintained by Top 20 e-commerce entities in Banks, FIs and MFIs. Among them top 5 e-commerce entities have received around BDT 122.27 billion which is 87.84% of the total money received. ECOM-1 found out to be the biggest among them, with a deposit of BDT 62.97 billion which is 45.24% of total, dwarfing all others. But, most of the fund received has been withdrawn. The highest amount of balance remained with ECOM-6 amounting BDT 1.15 billion (79.50% of total balance). Others have very low or zero balance.



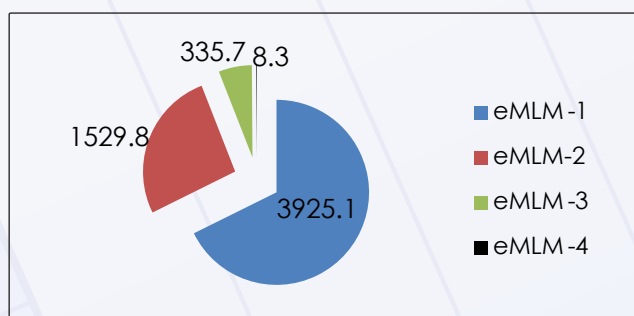
Graph-36: E-commerce Entities Size Comparison

Table-15: Transaction Summary of Online MLM/Promotion Entity

(Amount in BDT millions)

SL	Entity	Number of A/C	Total Deposit	Total withdrawal	Balance
1	eMLM-1	5	3,925.10	3,211.10	714.00
2	eMLM-2	58	1,529.80	1,917.50	(360.90)
3	eMLM-3	11	335.70	331.50	0.42
4	eMLM-4	4	8.30	8.30	0.00
Total		78	5,798.90	5,468.40	71.82

A total of BDT 5,798.90 million has been deposited to the related accounts of 4 online MLM companies. eMLM-1 found out to be the biggest among them, with a deposit of BDT 3,925.10 million. Also, highest amount of balance remains with eMLM-1 amounting BDT 714.00 million.



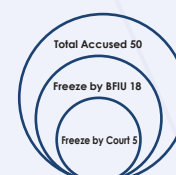
Graph-37: Online MLM Size Comparison

Table-16: Transaction Summary of eLoan Entity

(Amount in BDT millions)

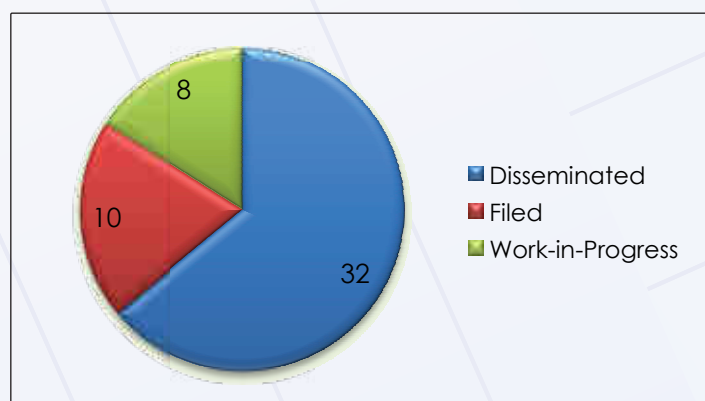
SL	Organization	Number of A/C	Total Deposit	Total Withdrawal	Balance
1	eLoan-1	1	0.70	0.70	0
2	eLoan-2	5	3.00	3.00	0
3	eLoan-3	12	316.30	294.60	21.70
4	eLoan-4	49	27,226.30	26,620.40	605.90
5	eLoan-5	3	32.10	29.80	2.30
Total=		70	27,578.40	26,948.50	629.90

During the analysis process, BFIU froze a total of 437 accounts related to 18 e-commerce/e-loan/online MLM companies to facilitate investigation of the LEA's and to deter the accused from withdrawing the money. Of those, accounts of 5 e-commerce/e-loan/online MLM companies have been further frozen by the Honorable Court upon prayers submitted by the respective LEAs.



Graph-38: Status of Accused e-commerce/e-loan/online MLM Entities

After analyzing the data from various sources especially from banks, NBFIs and MFSs, BFIU prepared 31 intelligence reports for further investigation and disseminated to the competent LEAs. Moreover, 1 e-loan case was forwarded with BFIU's findings to the appropriate regulatory authority to enable them initiating necessary investigation and taking further action(s) as it was accused of imposing high rate of interest and unauthorized loan disbursement. Besides, 10 cases were filed for future reference by BFIU as there were no substantial indications of money laundering or underlying predicate offence.



Graph-38: E-commerce Analysis Status

A study team was formed comprising of BFIU, Banking Regulation and Policy Department (BRPD), Payment Systems Department (PSD) and Foreign Exchange Policy Department (FEPD) to identify irregularities in the activities of e-commerce service providers as per the decision taken in the 12th meeting of the Central Task Force on AML & CFT. Subsequently, a sub-committee was formed to review the existing laws and regulations governing e-commerce sector in the country, to seek cause for ongoing irregularities and to recommend for making it sustainable. BFIU actively participated in the task and finally a report was submitted to the Central Task Force. The committee then distributed it to the members of the Task Force and the Ministry of Commerce (MoC) for taking necessary action(s).

Moreover, in the second half of June 2021, different commercial banks suspended transactions with 10 e-commerce platform using their cards. The related companies were ECOM-1, ECOM-2, ECOM-4, ECOM-6, ECOM-7, ECOM-8, ECOM-11, ECOM-12, ECOM-19 and ECOM-22. The bank authority came up with the decision as hundreds of customers of those e-commerce platforms raised allegations about not getting products on time after paying in advance through cards. It was a precautionary measure taken by banks to mitigate risk arising from the said e-commerce entities. They notified customers by sending a cautionary message through email and SMS as well as publishing notice on their website to make them aware of being cheated.

In mid October 2021, the Honorable High Court formed a five-member interim board to oversee the overall management and the company affairs of an accused e-commerce platform upon hearing on a petition filed on 22 September 2021 by one of its customer seeking Honorable High Court's directives to wind up the entity and distribute net asset among the creditors. A former judge of the Appellate Division of the Supreme Court was appointed as the chairman of the e-commerce company and a former additional secretary of the government, as its managing director. A former secretary, chartered accountant and a lawyer have also been included in the five-member body. BFIU continuously is supporting the new management of the said e-commerce to attain its objectives set by the honorable High Court.

A Public Interest Litigation (PIL) to protect the interest of the customers has also been issued where Honorable High Court directed BFIU to submit a report regarding steps taken to investigate and ascertain the money laundered by suspected e-commerce organizations. Upon this direction, BFIU submitted a total of 31 reports regarding this matter. Principal Secretary to Honorable Prime Minister, Prime Minister Office; Secretary of Ministry of commerce; Chairman, National Board of Revenue; Governor, Bangladesh Bank and some other government bodies were also respondents of the said PIL.

Besides, the Bangladesh Competition Commission, a government judicial body that was founded in 2012 with an aim of promoting market competition, filed a Suo Moto no. 03/2020 against ECOM-1. In response, ECOM-1's learned advocate provided the court with a number of documents detailing transactions in the firm's various accounts held in banks, NBFIs, and MFS and asserted that the company had the necessary funds to operate and pay back clients. Considering the documents' relevance, sensitivity, and secrecy as well as the fact that many lawsuits had already been brought against ECOM-1 at the time, the Commission referred them to BFIU and requested to undertake a comparative analysis. Additionally, they asked for the status and balances of the accounts associated to the business and its owners. In accordance with Section 36 of the Money Laundering Prevention Rules, 2019, the BFIU provided the commission with the pertinent views and information.

Furthermore, BFIU being a member of the committee formed to bring discipline in e-commerce sector, assisted in the initiatives taken by the central digital commerce cell of MoC on behalf of the Government to launch Unique Business IDs (UBIDs) in February 2022. UBID meant to bring both social media-based and website-based e-commerce businesses under common registration platform. It will play an important role to further standardize e-commerce sector, overcoming the hurdles we had previously seen.

প্রয়োজনীয় কাগজপত্র	<ul style="list-style-type: none"> ছবি স্বাক্ষর প্রতি লাইসেন্সের কপি স্থানীয় চেম্বারম্যান / ওয়ার্ড কমিশনার / বঙ্গবান্দা অফিসের সুপারিশ
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সেবা প্রদানের সময়সীমা	৬০ কার্যদিবস

UBID numbers can be obtained from the website "www.mygov.bd". The registration service is completely free of cost and completed within 60 days on providing some vital documents such as photos, relevant National Identification Number of the applicant, trade license etc. It is expected that the platform will help online businesses come under the law and if there is any complaint regarding any registered organization, it has to be settled through the Central Complaint Management System (CCMS) to be implemented soon. No e-commerce will be allowed to do business without a registration in future.

7.4.5.2 Refund Scenario of E-commerce Platforms

After the imposition of new rule for releasing funds to Digital Commerce Merchants by the Payment System Department (PSD) of Bangladesh Bank which is also known as ESCROW system in 30 June 2021, a total of BDT 5,260.40 million of the e-commerce was initially held in the gateway. The central digital commerce cell of MoC is now working on refunding customers the amount stuck with the gateway service providers due to the imposition of ESCROW system. BFIU, since the beginning, is working with the committee to facilitate attaining its objective to regain the trust of the consumers and establish a sustainable e-commerce industry in the country.

So far, customers received refund from 11 platforms amounting BDT 2,470.00 million in total. The highest amount of refund was from ECOM-6 amounting BDT 1,918.60 million out of BDT 3,812.60 million stuck initially. ECOM-4 stood second in terms of providing refund to the customers. From its initial hold amount of BDT 427.30 million customers received BDT 398.00 million as refund. Customers also started receiving refund from ECOM-7, ECOM-9, ECOM-13, ECOM-14, ECOM-16, ECOM-18, ECOM-19 and ECOM-20.

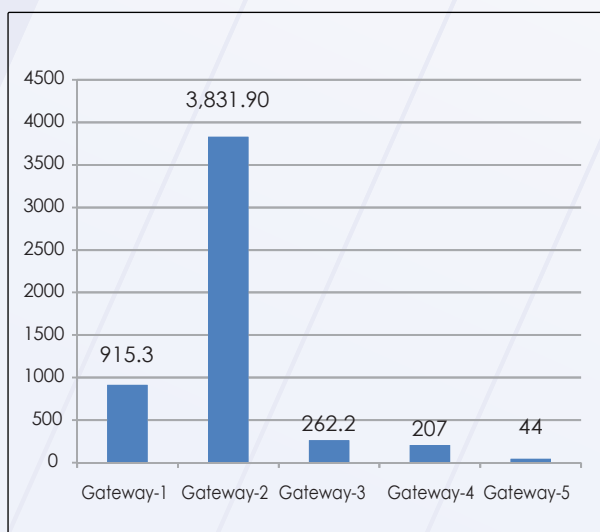
Table-17: E-commerce-wise Refund Status

SL	E-commerce Name	Amount in Hold (in millions)	Number of Individuals	Refund Amount	In %
1	ECOM-6	3,812.60	22,790	1,918.57	50.32
2	ECOM-4	427.30	2,245	398.01	93.14
3	ECOM-9	336.30	922	122.39	36.39
4	ECOM-19	8.20	253	8.06	98.33
5	ECOM-13	3.60	10	0.61	16.82
6	ECOM-18	9.80	57	1.21	12.38
7	ECOM-7	8.90	433	3.23	36.24
8	ECOM-16	16.70	108	10.60	63.47
9	ECOM-20	25.30	28	3.15	12.44
10	ECOM-14	44.00	111	2.79	6.35
11	ECOM-8	1.43	236	1.42	99.04
Total=		4,694.13	27,193	2,470.04	52.62

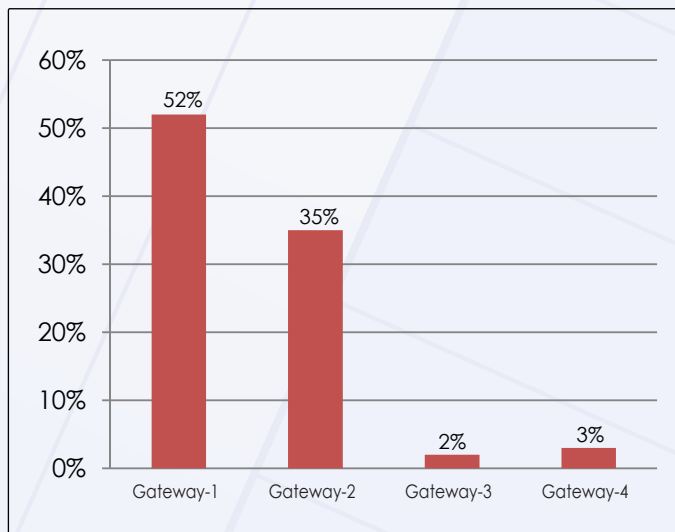
After introducing ESCROW service, the highest amount was held in Gateway-2 which is BDT 3,831.80 million. Besides, BDT 915.30 million, BDT 262.10 million, BDT 206.90 million and BDT 44.00 million were held in Gateway-1, Gateway-3, Gateway-4 and Gateway-5 respectively. On an average of 35% has already been refunded where Gateway-1 has the highest percentage of refund with 52%.

Table-18: Gateway-wise Refund Summary

SL	Gateway	Number of Merchants	Amount in Hold (in millions)	Refund Status					
				Number of Merchants	Number of Individuals	Number of Transactions	Refund Amount (in millions)	Remaining Amount (in millions)	Refund %
1	Gateway-1	16	915.30	6	3,430	5,414	471.20	441.30	52%
2	Gateway-2	2	3,831.90	2	15,940	16,614	1,329.70	2478.40	35%
3	Gateway-3	1	262.20	1	-	98	5.70	256.40	2%
4	Gateway-4	12	207.00	4	468	755	5.60	201.40	3%
Total=		31	5,216.40	13	19,838	22,881	1,812.20	3,377.50	35%



Graph-39: Gateway-wise Total Amount in Hold (in millions)



Graph-40: Gateway-wise Refund Status

7.4.6 Limitations

During analysis of the e-commerce scam cases, the analysts of BFIU, like all other LEA and intelligence agencies, sought answer of a very important question: how the money paid in advance against customer order was spent (under specific cost head) by the suspects? Undoubtedly, the information should be kept by the Accounts Department of the respective e-commerce entity, where the analysts did not have access. So, it was not possible by the analysts to ascertain it accurately due to many reasons including the lack of accessibility to the necessary data/information required. Basically, they managed to analyze bank data to illustrate money trail. Some challenges they faced during the process are as follows:

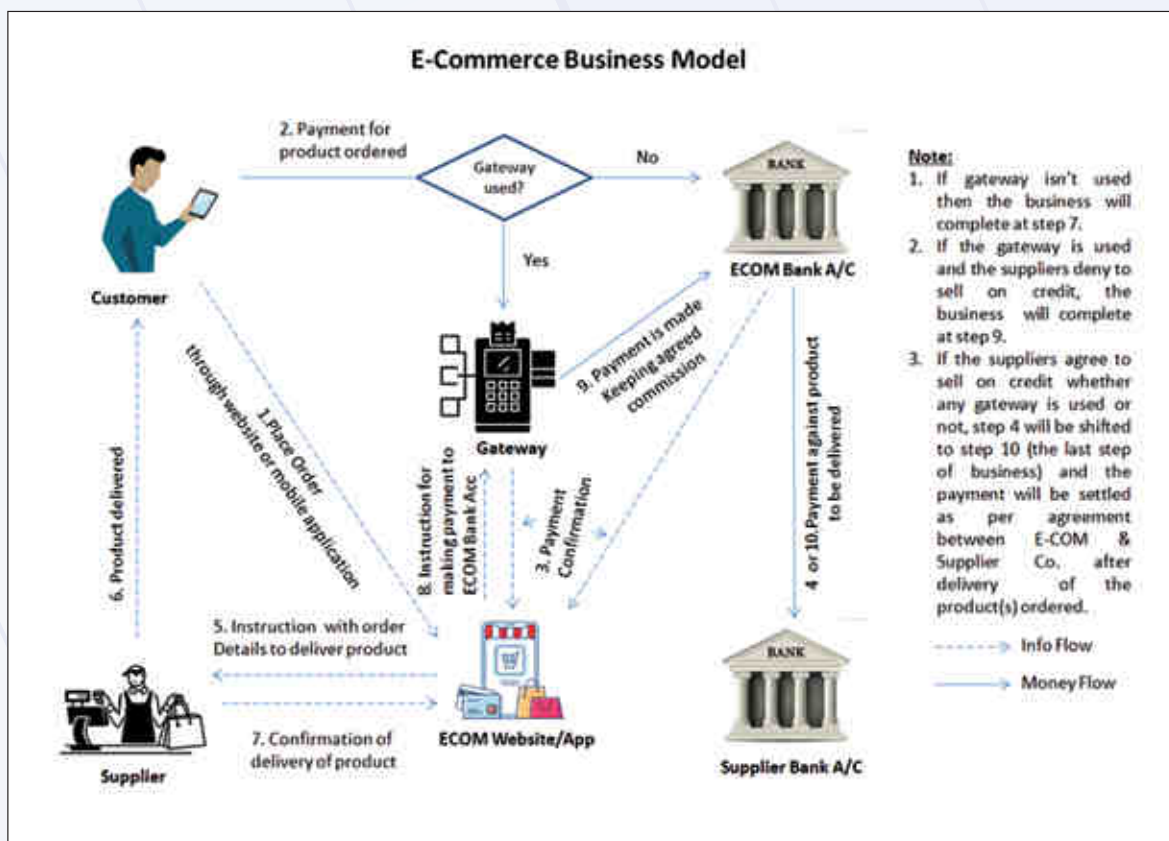
- After the scam, most of the organizations closed their business for the time being due to unbearable debt burden. The key management personnel were arrested. Few offices/warehouses were attacked by the customers. As most of the offices are closed, the books of accounts were not accessible;
- Cloud servers of the most suspected entities are temporarily expired due to non-payment of the dues in time. So, required data could not be extracted till now;
- As most of the suspected entities are sole proprietorship concerns; most of them could not even complete a full year of operation as well, the accounts were not audited and published;
- Key employees who can supply information became fugitive upon fear of being attacked by the aggrieved customers;
- The management/owners still fear re-opening office due to a possibility of being attacked by the aggrieved creditors;
- The new management appointed by the Honorable court for a certain E-com, still struggling to ascertain actual amount of debt to the supplier and customers as well as the money spent under specific cost heads;
- Having discussion with the top management/owners of the suspected entities in different meetings held during the process, it is suspected that many of them do not maintain accounts properly;
- Millions of transactions were conducted in the bank accounts of the suspected entities. Going through every transaction was practically impossible for the analysts. So, analysis was done based on a set threshold of the transacted value that varied and ensured the maximum coverage;

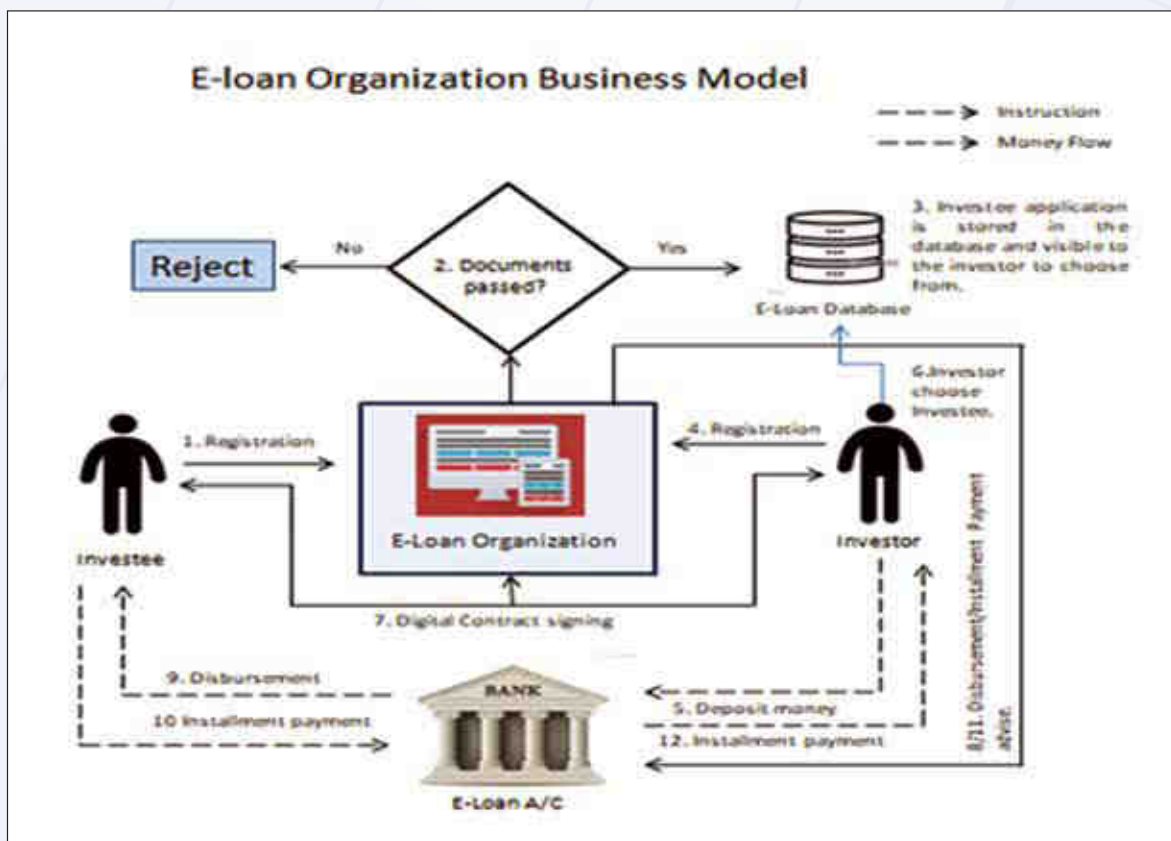
- A considerable portion of transactions made in the accounts was in cash form. So, the ultimate source/destination i.e the usage head was difficult to identify;
- In many cases, transaction vouchers did not have description written on it regarding the purpose of the transaction made;
- Analysts had to guess the purpose of payment/receipt based on the name of the beneficiary/payer written on the vouchers/cheques;
- No other agency or the associations still have accurate data on the creditors and cost heads from where analysts could collect.

7.4.7 Findings

E-commerce sector suffered a serious setback due to scams by a number of e-commerce entities in 2021. The scam causes failure to repay clients' money that prompted the government to streamline the sector. LEAs, intelligence agencies and other related organizations started working simultaneously to protect the interest of the customer. BFIU, being the central agency of ML & TF, started analyzing it in respect of its association with ML. Moreover, it endures its assistance and cooperation to all the parties working with the case.

Analysis revealed that all of the suspected e-commerce entities took advance payment by luring the customer with a commitment to provide products at very low price or high discount which is lower than the acquiring cost of the products. Initially, they managed to deliver products as they could cover the loss (as products were sold upto 70% discount) from the advance money of fresh orders. The shortfall of fund has not been met up by injecting capital in the business which caused the business fail to operate in the long run. The analysis revealed the following business models used by the suspected e-commerce and e-loan entities:





A significant portion of the customers' money was spent to keep the business running and attract new customers which included huge advertisement cost, payment to brand ambassadors (public figures), payment to suppliers, sponsoring big events like the National Cricket Team etc.

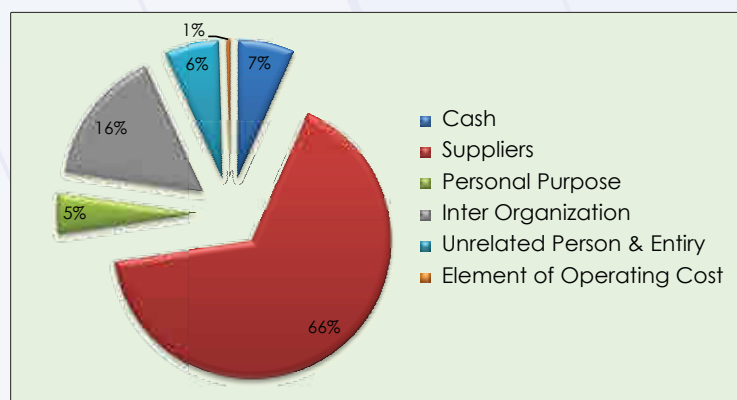
A significant portion of the raised money was diverted to the personal and other business account of the owners as well. The owner and their family members also led a snobbish life with the proceeds. A considerable portion was withdrawn in cash, the final usage of which cannot be identified.

The analysis of transaction vouchers, collected on threshold basis, revealed the utilization of funds collected from the customers as advance against the order placed in the relevant e-commerce platform. As stated previously in Limitation section that the utilization presented here is not accurate due to many reasons; but it will definitely give an idea about the expenditure heads of the money secured from customers.

Table-19: Utilization of Fund Collected against Order by Top 12 e-commerce Entities

Utilization of Funds(in BDT millions)							
E-commerce Entity	Fund Collected against Order	Cash	Suppliers	Personal Purpose	Inter Organization	Unrelated Person/ Entity	Element of Operating Cost
ECOM-1	52,679.80	1,888.30	36,370.10	331.90	7,585.00	1,417.00	373.10
ECOM-4	18,062.20	2,266.00	9,652.10	896.30	2,730.00	1,853.90	7.50
ECOM-2	9,000.00	259.40	4,977.90	278.20	-	-	-
ECOM-7	8,081.90	447.30	4,909.10	1,269.80	279.80	328.60	35.10
ECOM-12	4,747.50	685.40	1,204.30	717.50	783.10	862.50	11.70
ECOM-9	1,327.80	1.50	673.60	438.20	417.20	215.60	6.50
ECOM-6	7,500.00	15.20	1,769.40	297.20	2,570.00	540.00	-
ECOM-13	939.10	-	867.40	30.50	-	-	-
ECOM-14	495.00	149.90	-	74.30	-	264.90	-
ECOM-11	452.90	97.00	295.50	14.50	129.00	203.80	1.50
ECOM-15	718.00	63.20	441.30	63.40	95.60	-	-
ECOM-16	500.90	227.60	-	-	-	239.70	-
Total	104,505.10	6,100.80	61,160.80	4,411.80	14,589.70	5,926.00	435.40

A total of BDT 1,04,505.10 million has been collected by the top twelve e-commerce entities from the customers against order using 86 Bank and MFS accounts. The graph below demonstrates top 12 e-commerce entities utilization of collected fund:

**Graph-41: Utilization of Fund**

We can see from the graph-41 that maximum portion of the money (around BDT 61,160.80 million which is 66% of total money) was utilized for paying the suppliers of the goods sold on the platform. Around 16% transaction was related to inter-organization. BDT 4,411.80 million which is around 5% of total fund was transferred to the owners including personal amusement purposes like- shopping, personal tours; personal investment like- purchasing flats, opening FDRs in personal name, investment in capital market; advertisement and sponsorship purposes. BDT 5,926.00 million (6% of total money) was transferred to different persons including the associates and employees of the entities utilization of which is unknown. Around 1% (BDT 440.00 million) was linked to elements of business/operating cost (as the analysis was conducted on threshold basis, all small value transactions were ignored which may mostly be the part of the operating cost, so the representation of operating cost here is very low).

The following irregularities were observed in the review of activities of e-commerce entities currently operating in Bangladesh:

- Doing illegal business. For example: multilevel marketing business without prior approval.
- Selling unreal goods/services. For example: getting paid for viewing ads, offers for specific website or content clicking.
- Selling goods/services at incredible/unrealistic discounts to attract customers quickly.
- Instead of raising capital from own source to meet the shortfall arising from excessive discount, compensate it from the fresh order proceeds made it similar to Ponzi scheme.
- In the mentioned business model, the liability of the company has gradually increased which raised question about the survival of the organization. Long-term strategy of balancing assets and liabilities of the entities was not determined.
- In order to adjust the liabilities, the companies show the asset and liability gap as 'goodwill' which is contrary to the conventional accounting principles.
- In many cases money has been transferred without exchange of goods/services without actual purchase and sale in mutual agreement between merchant and buyer.
- Embezzlement of the money of the concerned business organization by transferring the money deposited by the customer to the e-commerce entity to various accounts related to the interests of the owner breaking the rules.
- Many customers have not received the desired goods/services after depositing money or have not received the refund which is kind of fraud.
- Issuance of e-wallet/virtual diamond/value card/gift cards in foreign currency by many organizations which are violation of existing laws/rules.

7.4.8 Recommendations

Based on the overall review it is noted that, the business and activities of e-commerce organizations are governed by the prevailing laws and regulations in Bangladesh, i.e National Digital Commerce Policy, 2018, Digital Commerce Management Guidelines, 2021, Consumer Rights Protection Act, 2009, Competition Act, 2012, PSD Circular No. 8, 2021 (Bangladesh Bank) (Regarding discounting of customer's payment against goods/services in digital commerce transactions by banks/PSOs/MFSSs and PSPs in favor of concerned digital commerce organizations (merchant) and PSD Circular No. Letter No. 13, 2021 (Bangladesh Bank) (in the context of not accepting direct deposit from the buyer as the digital commerce organization's own bank) is appropriate. However, it is possible to prevent e-commerce related irregularities and fraud if proper implementation of laws and regulations is ensured by the relevant regulatory institutions.

The following measures can be taken in the context described:

- On the website of the e-commerce organization, the business approval information of the organization, brief financial statement, type of business, ownership, management authority information should be kept open for all.
- In case of sale of products at abnormal discount, the capital and institutional investment of the e-commerce organization and the liability of the customer (advance money received for the sale of the product) should be limited to a certain proportional rate. Imposition of specific restrictions on the use of new customer's money in combination with previous customer's liability.
- In case of sale of products/services at discount, specifying the stock provided by the supplier/seller and determining the rules to implement it technically.
- Controlling the sale of illusory and unreal and illegal products/services and adopting strong monitoring measures.

- Simplification of payment and receipt of the ordered products in order to ensure the convenience of both the buyer and the seller.
- Ensuring and monitoring the practical up-to-date capacity building of the ESCROW account managing institution to ensure the use and benefits of the proposed/existing ESCROW account in the transaction of goods purchase and sale of e-commerce entities.
- Abolition of e-money, e-wallet services and sale of plastic money (cards) without prior permission/approval from Bangladesh Bank.
- Determination of the rules not to induce the buyer to pay extra by any alternative means in case of failure of delivery of the goods against the order.
- Imposition of fixed rates on marketing/advertising expenses of the organization to the capital of the organization/consistent with prevailing business practices.
- Adoption of policies to align the salaries and allowances of the management authorities with the income (turnover) of the organization and with the e-commerce sector.
- Determining and conducting action plans (mobile SMS service, advertisement, road show etc.) with the aim of creating mass public awareness.
- The operational aspect of e-commerce business is different from conventional business model. In this case, making specific laws for such businesses, determining specific penalties for breaking laws and above all ensuring effective and speedy implementation of laws/rules/policies and strengthening monitoring.
- Ensuring proper and expeditious implementation of existing relevant laws and regulations.



Case Study

Chapter 8

Case Study

Case 1: Taking bribe by the chairman of a regulatory authority using the account of an audit firm

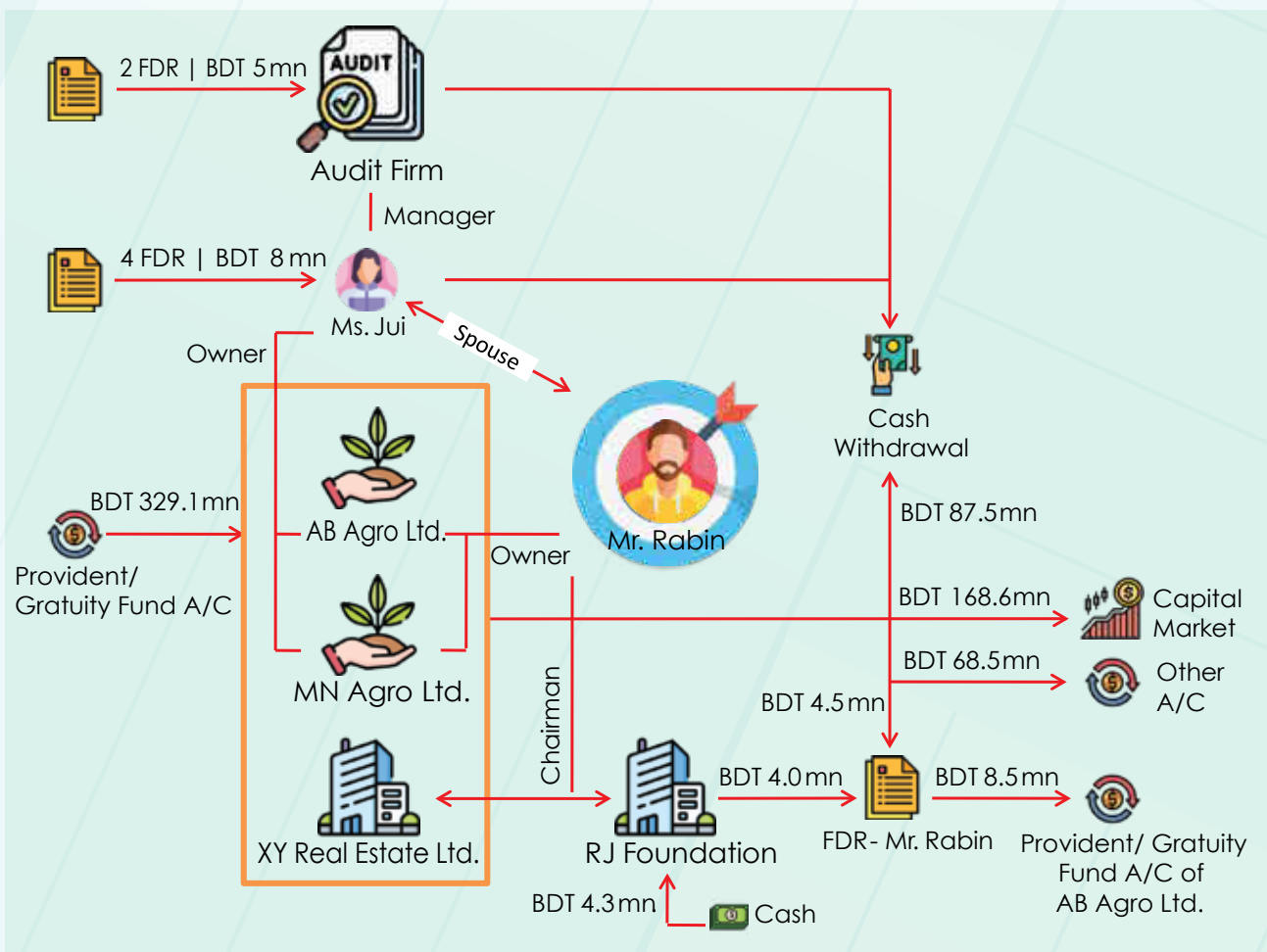
A news regarding taking BDT 5.00 million as bribe by the chairman of a regulatory authority of an insurance company was noticed by BFIU. Based on this information, BFIU identified 30 accounts in its database in the name of Chairman, Mr. Rabin, and his close associates, in which BDT 408.10 million had been deposited in four years. This amount doesn't commensurate with the declared source of income and profession of Mr. Rabin.

Analysis revealed that two FDR accounts each of BDT 2.50 million in the name of an audit firm where Mr. Rabin's wife, Ms. Jui, worked as a manager. Ms. Jui who was the only signatory of those accounts opened the FDRs in cash on the same day when the adverse news was published. The FDRs were encashed before maturity. No supporting document except an authorization letter in favor of Ms. Jui as an employee of the mentioned audit firm was found. Ms. Jui's position of manager in the audit firm at the age of only 22, being nominated to singly operate the firm's bank accounts and premature encashment of the FDRs raised suspicion on the source of fund and purpose of the account. It was presumed that the FDR fund came from the bribery as alleged and Mr. Rabin used the audit firm's account to conceal the illicit source of fund. Moreover, Ms. Jui opened four more FDRs in cash (total BDT 8.00 million) in her own name in the following month; Mr. Rabin was the nominee of those accounts.

Mr. Rabin and Ms Jui owned two agro-based companies namely "AB Agro Ltd" and "MN Agro Ltd". Besides, Mr. Rabin was the chairman of "XY Real Estate Ltd" and "RJ Foundation". While opening account, the residential address of Mr. Rabin was used as the address of three companies – AB, MN and RJ. BDT 36.00 million was credited to the current accounts of AB and MN, and no transaction took place in the current account of XY. But it was very unusual that the gratuity fund and provident fund accounts opened for the employees of AB, MN and XY had total deposits of BDT 329.10 million through cash, EFT, pay order and clearing cheque (this amount was almost ten times the amount deposited in the companies' current accounts). From gratuity/provident fund accounts, BDT 87.50 million was withdrawn in cash, BDT 168.60 million was invested in capital market, and the remaining fund was transferred to different accounts as well as to open two FDRs in the name of Mr. Rabin. Moreover, small amount of cash deposits into the account of "RJ Foundation" was accumulated to BDT 4.30 million that was used to open two FDRs in the name of Mr. Rabin. Later the fund was transferred to the provident fund account of "AB Agro Ltd". The transaction pattern observed in the mentioned gratuity fund accounts, provident fund accounts and foundation account does not commensurate with the nature and purpose of these accounts. It was presumed that Mr. Rabin established these front companies to conceal or disguise the illicit fund that he earned by means of abusing power, corruption and bribery.

Finally, BFIU disseminated an intelligence report to the respective investigating agency for further investigation and next course of action under Money Laundering Prevention Act, 2012 and the Rules thereunder. The case is under investigation now and Mr. Rabin has already resigned from the Position of chairman of regulatory authority.

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



Offense	Corruption and Bribery
Customer	Person, Entity
Industry	Bank
Channel	Banking
Report Type	SAR
Jurisdiction	Domestic
Designated Service	Account Service
Indicators	<ul style="list-style-type: none"> ▪ Incommensurate transaction in the account of local PEPs ▪ Transaction is inconsistent with the nature and purpose of gratuity/provident fund accounts

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

Case 2: Embezzlement of insurance fund in the name of land purchase, using fixed deposit to secure loan in favor of 3rd party account and capital flight by former chairman of “AA Insurance Co. Ltd.”

BFIU received information on diverting insurance fund by a former chairman of an insurance company, AA Insurance Co. Ltd, in the name of land purchase and misappropriating company's fixed deposit to secure loan in favor of his associated businesses and individuals. Based on the information BFIU analyzed relevant documents of land purchase by the insurance company during 2014-16 and other fixed deposit accounts Mudaraba Term Deposit Receipt of the insurance company along with Mr. Nick and his associates' accounts.

In March 2014, “AA Insurance Co. Ltd” purchased a land amounting BDT 2232.8 million (deed value) from two individuals, Mr. Smith and Mr. Klein. Analyzing the related documents, it is found that about BDT 1656.6 million of the land deed value was being transferred from “AA Insurance Co. Ltd.” to the account of “MM Textile”, business concern of Mr. Smith and Mr. Klein and of which an amount of BDT 700.00 million was then transferred to the accounts of 16 persons who are found to be the employees of “RR Group”, another business concern of Mr. Nick. From those 16 accounts, the entire amount was then transferred through pay-orders to different business entities of Mr. Nick, and his associated companies and individuals. On the other hand, another BDT 250.00 million was transferred from the account of “MM Textile” to the accounts of Mr. Nick, his wife and two other directors of “AA Insurance Co. Ltd.”

In another case, the “AA Insurance Co. Ltd” purchased a land valuing BDT 2137.0 million (deed value) from two persons, Mr. Robert and Mr. Ray who are the father-in-law and brother-in-law of Mr. Nick, the chairman of the insurance company. Like the previous case, the entire land sale amount got from the insurance company was transferred to the personal accounts of Mr. Nick and his associate companies and individuals through multiple layers. Analysis also revealed that the said land was bought just 10 months earlier from a third-party by Mr. Robert and Mr. Ray but as payment of the land, only about BDT 195.8 million was sent from the account of Mr. Robert and the rest BDT 633.7 million was paid from the account of another person named Mr. Max. It is found that Mr. Max is an employee of another business concern of Mr. Nick and the said 710.00 million had been taken as loan by him against a fixed deposit account of “AA Insurance Co. Ltd”. In both the case the ultimate beneficiary of the land sale was found to be the chairman of the insurance Mr. Nick which indicates that insurance fund has been diverted by the chairman himself in the name of purchasing land for the insurance company.

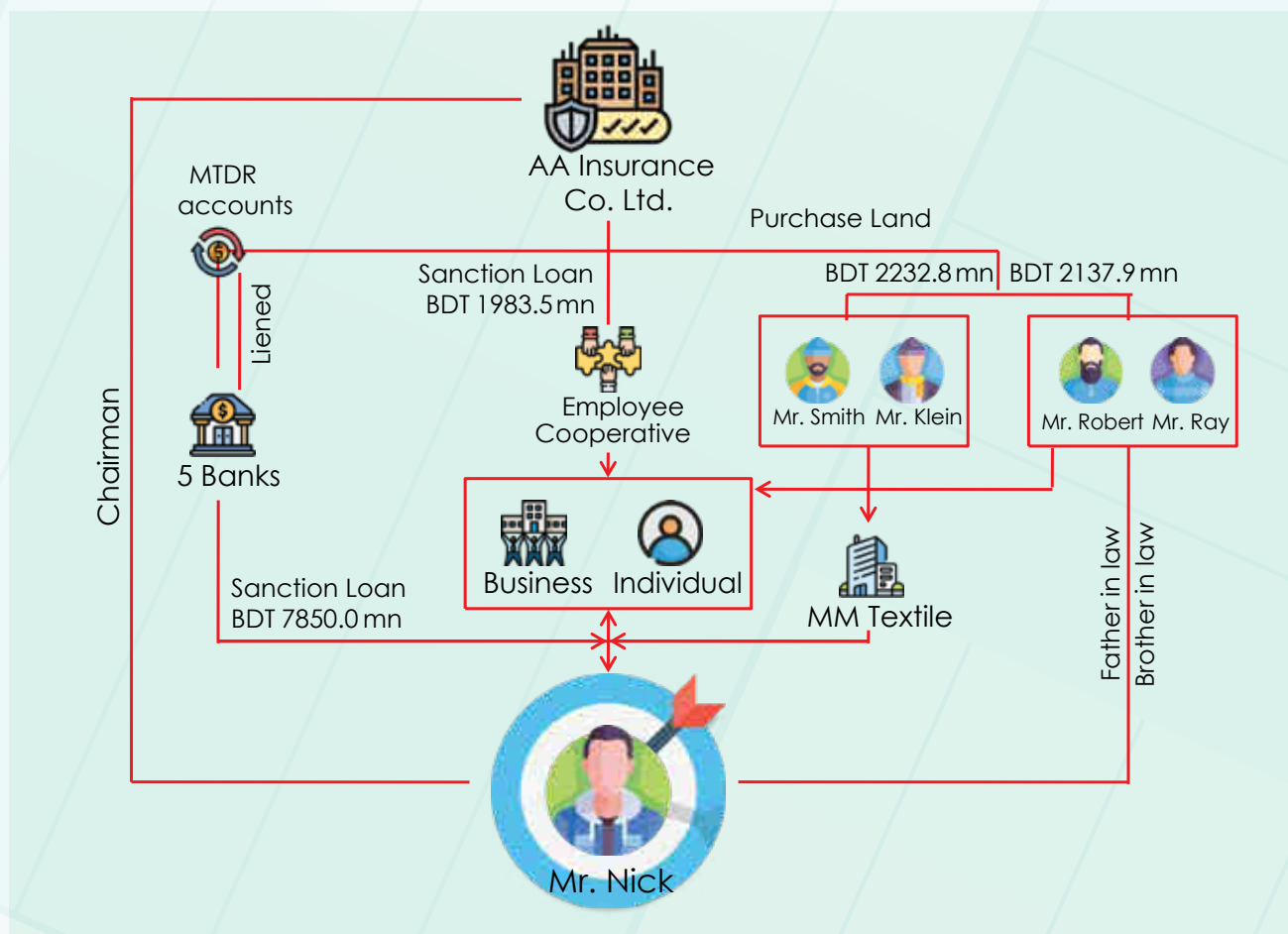
An amount of 1983.50 million was disbursed by “AA Insurance Co. Ltd” to its employee cooperatives for the purpose of land purchase but the amount was also been found to be diverted to personal accounts of some individuals.

Furthermore, “AA Insurance Co. Ltd” allowed creating loan about BDT 7850.0 million in favor of various third-party accounts against their fixed deposits (MTDR) maintained in 05 banks. The third parties did not pay the installment of loan in due time and in most of the cases banks made encashment of the lien MTDR and adjusted the loan that was sanctioned against those MTDRs in favor of third parties. The third parties were “Mr. Nick's wife, relatives, proprietorship business entity, University, Foundation, close associates and the previous directors of “AA Insurance”.

05 (Five) accounts were found related to Mr. Nick, his wife and daughter which were maintained in the banks of a foreign country (USA). As per collected information, about USD 70,463.00 was deposited in cash in those accounts in 03 (three) months which raised suspicion that the fund was embezzled from the insurance company and acquired in other means might have been siphoned off by Mr. Nick and his relatives to foreign country.

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

Based on the findings, intelligence report was disseminated to the respective LEA for further course of action as per MLPA, 2012.



Offence	Forgery, Smuggling of Currency
Customer	Insurers
Industry	Insurance Company, Bank
Channel	Banking channel
Report Type	Negative News
Jurisdiction	Domestic and International
Designated Service	Fixed Deposit (MTDR), Loan account
Indicators	Disburse loan to third party keeping lien of insurance company's fixed deposit, non-payment of loan by the third parties, multiple layering, huge amount disbursed/transferred to petty officials of company etc.

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

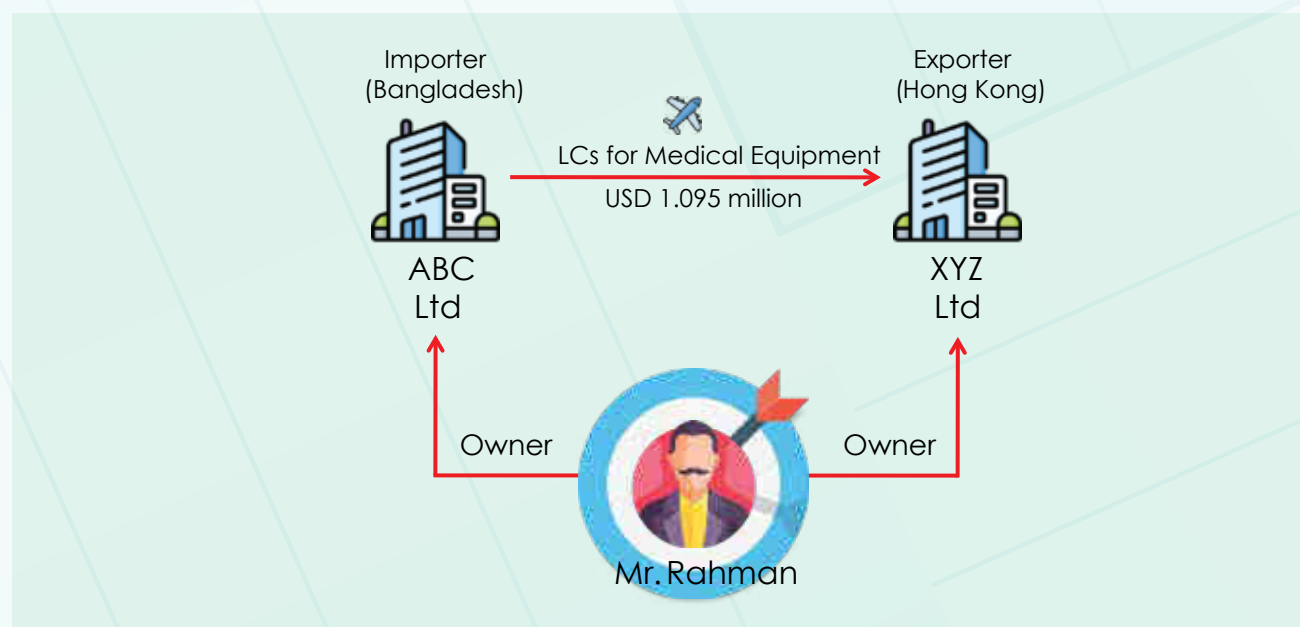
Case 3: Siphoning off money through a shell company established abroad

On the basis of a complaint regarding money laundering abroad under the guise of foreign trade by ABC Ltd., the alleged company's credit accounts and documents of import-export activities have been evaluated on a risk-based approach.

Analyzing the business documents, it was found that Mr. Rahman got trade license of ABC Ltd. from the Dhaka South City Corporation on 21/08/2013 and as per the trade license the company is engaged in first class contracting, supplying, importing, intending and commission business. The company, ABC Ltd. got five work orders from a govt. agency to supply various medical equipments. After that the said company made a contract with a Hong Kong based company XYZ Ltd. Analyzing the documents of the foreign exporter company, XYZ Ltd., it is found that the said company is owned by Mr. Rahman, who is also the owner of the Bangladeshi importer company, ABC Ltd., which indicates that foreign trade agreement was made between companies owned by the same person in two countries which is suspicious. To procure medical equipment, the company opened a total of ten letters of credit (LCs) valuing 1.095 million US dollar in two banks, 'P Bank Ltd' and 'Q Bank Ltd'. It is to be mentioned that another govt. bank 'R Bank Ltd.' also opened several LCs in favor of ABC Ltd. for the purpose of importing the mentioned products (medical equipment).

It is a common practice for the importing organizations to import goods from abroad costing a maximum of 85-90% of the received work order value. The remaining 10-15% of the money is used to meet the day-to-day expenses of the organization. But in this case, ABC Ltd. opened LCs with the full amount of the work order and under the guise of foreign trade, laundered money abroad.

On the other hand, D&B credit report evaluation indicates that the "XYZ Ltd." in Hong Kong is a shell company which might have been purchased by Mr. Rahman using the smuggled money from this country. The overall assessment shows that Mr. Rahman masterfully laundered a huge amount of money through a shell company of his own located abroad against government procurement orders. Based on the findings, BFIU intelligence report was disseminated to the respective investigating agency for further course of action as per MLPA, 2012.



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

Offence	Corruption, Smuggling of currency
Customer	Individual, Business Entity
Industry	Bank
Channel	Banking Channel, Foreign Trade
Report Type	Complaint
Jurisdiction	Domestic and International
Designated Service	Letter of Credit
Indicators	Unusual conditions of LC (Adverse Clause, establishment of LC with 100% money), LC between related companies (same owner)

Case 4: Misusing bank loan and incentive availed under bonded warehouse facility and siphoning off money abroad

BFIU analyzed a case based on a complaint against Mr. Xarif, owner of 100% export-oriented garment industry named M/s W & Z Limited. It had been alleged that Mr. Xarif opened LCs under bonded facilities and sold the products in the open market. It was further reported that Mr. Xarif had smuggled millions of BDT to other countries of the world including Australia and Canada under the disguise of export-import business.

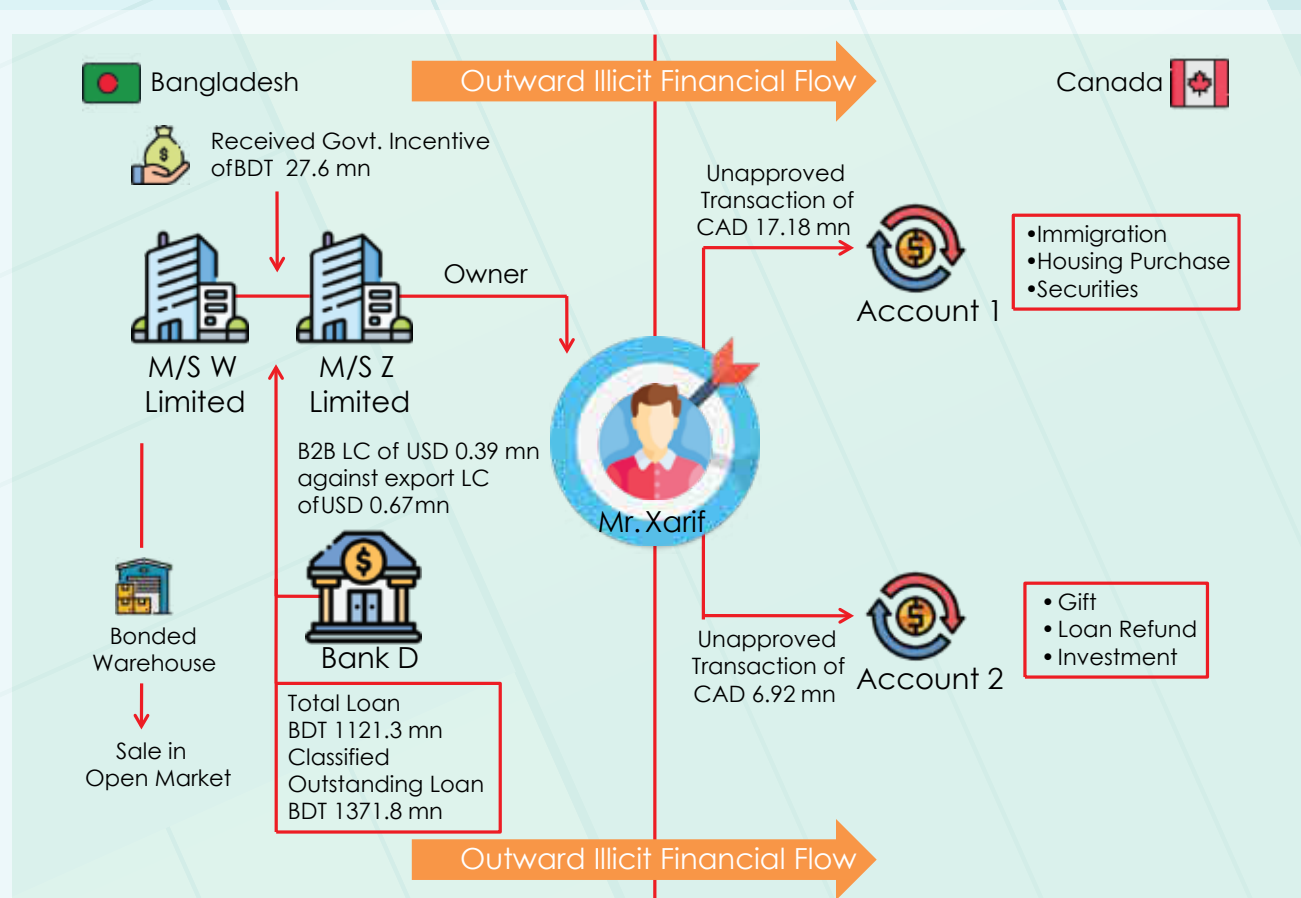
BFIU analysis revealed the following facts:

- The company owned by Mr. Xarif had received a total USD 671,680.50 export order during 2016 to 2017. Even though the company availed back to back L/C facilities for USD 390,243.53 (58.10% of total orders) but no export was made against the said order.
- Two companies of Mr. Xarif had received different loans amounting to BDT 1121.3 million. As on 27.03.2022 the outstanding classified loan amount was BDT 1371.80 million.
- Two companies of Mr. Xarif have received BDT 27.60 million under Special Incentive Facility of Government of Bangladesh for export of apparel products during 2016-2018.
- From 27/05/2019 to 17/03/2021 a total of CAD 17.18 million was transacted in the account of Mr. Xarif maintained in a North American country for the purpose of immigrating with family; purchasing house and initial settlement; investing in securities; supporting family and paying fees and other charges.
- From 09/10/2014 to 02/03/2021 total of CAD 6.92 million was transacted in the account of Mr. Xarif maintained abroad for the purpose of payment of fees and charges, gift, loan refund and investment therein.
- Mr. Xarif and his wife did not take permission from Bangladesh Bank for investment abroad.

It was concluded that Mr. Xarif appeared to have misused bonded warehouse facilities, under the disguise of import-export, contributed in creating willful defaulted loans with bank and taken out fund from Bangladesh through illicit means.

Based on the findings, BFIU prepared an intelligence report and disseminated to respective law enforcement agency under MLPA, 2012 for next course of action.

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



Offence	Smuggling of Currency
Customer	Person & Entity
Industry	Banking
Channel	Banking Channel, SWIFT
Report Type	Complaint
Jurisdiction	Domestic, International
Designated Service	Bank Advance, L/C payment, Back to Back LCs
Indicators	<ul style="list-style-type: none"> Huge amount of export order was not executed Huge amount of foreign currency account transacted No permission taken from Bangladesh Bank for investment in abroad

Case 5: Misappropriation of bank funds through loan fraud and laundering money abroad under the guise of import by a director of a bank

During inspection in "Bank A" by a team of BFIU, it has been observed that a company "PQR Builders Limited" associated with the said bank's director, Mr. Kabir, has involvement with loan fraud and money laundering. Based on the observation, all the loan accounts and information/documents of import-export activities related to the said director's company have been reviewed and analyzed through risk-based approach by the inspection team.

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

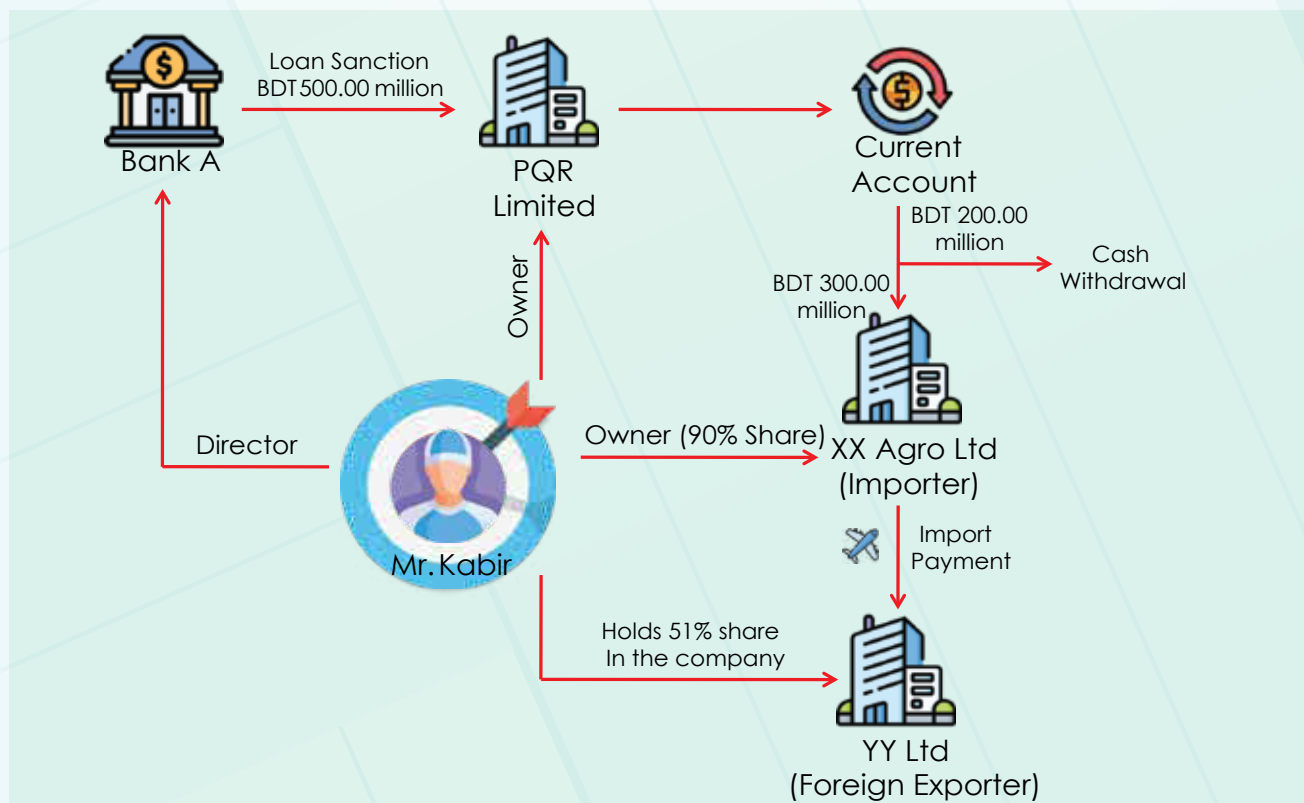
In the in-depth analysis, it is found that the company "PQR Builders Limited" was registered in the Register of Joint Stock Companies and Firms on 08/08/2010. Mr. Kabir is the managing director of the company having 51% share and his wife Mrs. Asia is the chairman having 49% share of the company. A current account was opened in the name of the company in a local branch of "Bank A", located in the village of Mr. Kabir on 08/08/2015, even though there was no business activity within five years of registration. Shortly thereafter (on 01/06/2016) he applied to the said branch for BDT 200.00 million SOD (General) credit limit without any collateral security. Astonishingly, the loan proposal was sent by the branch to the Credit Division of the Head Office on the same date. In the loan proposal, the branch mentioned that the customer has seven years of experience in the import-export and construction materials business and is playing an important role in moving the construction sector of Bangladesh forward by importing various products such as tiles, generators, furniture, elevators and other construction materials from different countries of the world. The SOD loan of BDT 200 million was approved in the board meeting held on the next date i.e. 02/06/2016 without evaluating the loan proposal. And the loan amount was disbursed immediately after approval which was then transferred from the SOD (General) account to another current account of the company and withdrawn the entire amount immediately in cash on the same date, 02/07/2016. Notably, 02/07/2016 was a Saturday and on that date the total credit limit was withdrawn in cash from a branch in a remote village (whose vault limit was only BDT 5.00 million) which is unusual.

Later the annual SOD limit was increased to BDT 400.00 million though the previous disbursed loan amount (200.00 million) was not repaid by the customer company. Even, out of the loan limit of BDT 400.00 million, a further BDT 100 million withdrawal facility was provided. Although withdrawals were shown as cash withdrawal in the statement, the entire amount was transferred to Mr. Kabir's another company, "XX Agro Ltd", an export-import company. Later, the said amount was used to pay off the liability for import from a foreign company, "YY Ltd" which is found to be an associated company of Mr. Kabir himself.

Though the address of the company was 300 km away from Dhaka city, the address of the godown (rod, cement, tiles etc) was shown in the 11th floor of a building in Dhaka City which seems completely unusual. But, during inspection, no documentary evidence was found in the records of the branch in support of verifying the business activities, capacity of the customer organization by the branch/head office before sending the loan proposal. Further, the existence of PQR Builders Ltd. was not found during onsite inspection at the business/registered address of the company. Even, no products (construction materials, tiles, generators, lifts) of the company were found in the provided address of the godown of the company. But in the inspection report by the team of the said branch, it was reported that the said office has sufficient manpower, construction materials, tiles, generators, elevators. On verification, it appears that the concerned officials submitted fake visit report without visiting the address who later acknowledged the same in written.

Overall analysis shows that the borrower company PQR Builders Ltd. is just a paper based company which has no physical existence. The director of the bank using his power embezzled BDT 500.00 million from the bank by creating fake documents in the name of a fake company and smuggled it abroad in the guise of import-export by his another company registered abroad. From the analysis, it appears that Mr. Kabir, Director of "Bank A", was involved in money laundering, loan fraud, corruption/abuse of power, forgery of documents. The transactions of the said director and all accounts related to his interests are frozen by BFIU under section 23(1)(c) of the Prevention of Money Laundering Act-2012 and a copy of the intelligence report prepared by this unit was sent to the respective investigating agency for further course of action.

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



Offence	Smuggling of Currency
Customer	Company, Individual
Industry	Bank
Channel	Banking Channel, Trade
Report Type	System Check Inspection Report
Jurisdiction	Domestic and International
Designated Service	Loan Account (SOD)
Indicators	<ul style="list-style-type: none"> ▪ Quick loan approval without verification ▪ Non-existent company, borrowing entity is owned by a director of the lending bank ▪ Loan amount transferred and withdrawn in bulk cash from a remote branch ▪ Cash withdrawal from branch on holiday

Case 6: Accumulation of huge amount of money through abduction, smuggling and hundi activities

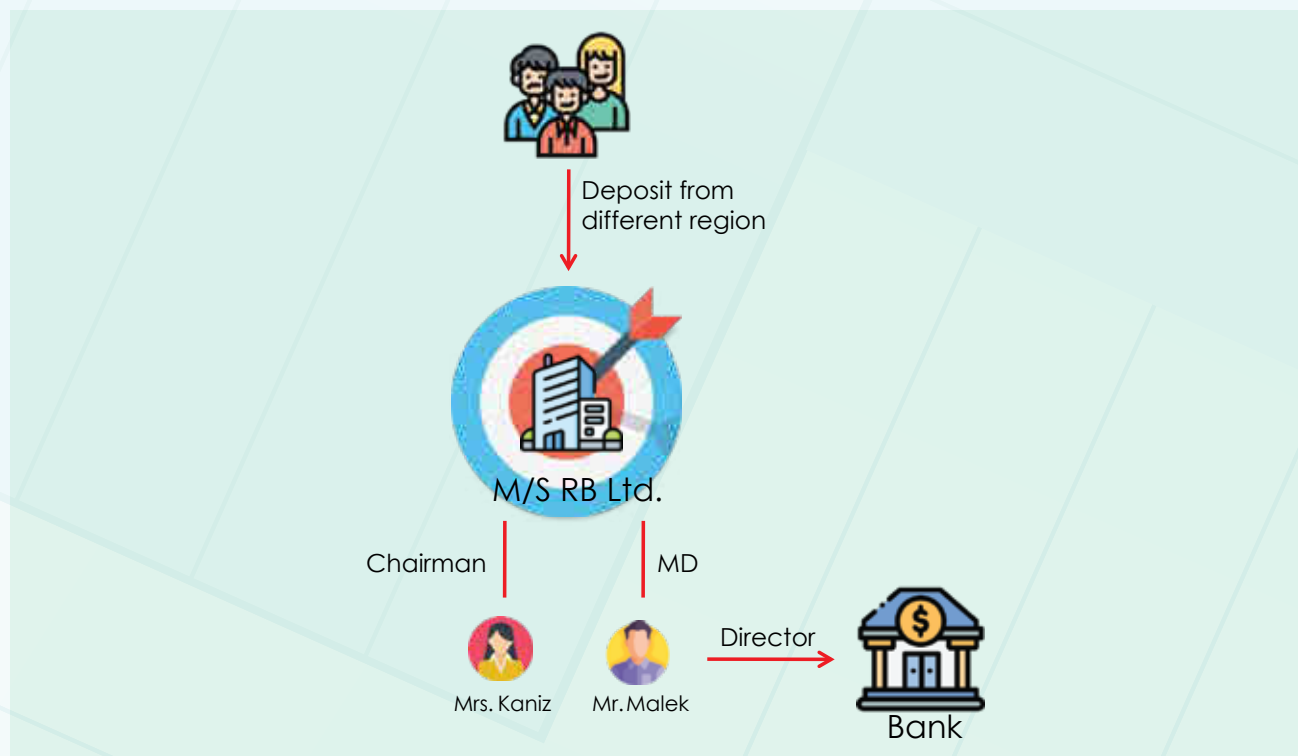
Based on an allegation for depositing ransomed money in an account of an MFS distributor, M/s RB Ltd, BFIU conducted in-depth analysis on that case.

Analysis reveals that Mr. Malek, director of a private commercial bank and his wife, Mrs. Kaniz are the owners (MD and Chairman respectively) of the alleged MFS distributor. A total 12 accounts have been found in the name of M/s RB Ltd in which a total of BDT 16358.2 million was found to be deposited and BDT 16292.10 million was withdrawn during January 4, 2021 to April 24, 2022.

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On the other hand, on in-depth analysis of the accused account for collecting ransomed money, it is found that BDT 1.26 million was deposited by a walk-in-customer on 21 April 2022 and on 25 April 2022 in that account which is reported as the ransom for a person illegally detained abroad. Further analysis reveals that a total of BDT 807.5 million was deposited to and BDT 805.5 million BDT was withdrawn from the said account. Of the total deposit in that account, about BDT 647.9 million was deposited through various branches of the same bank located outside the distributorship region by numerous people. The reasons as declared by the depositors for depositing those amounts do not commensurate with the nature of the business. Furthermore, depositing in an MFS distributor account by numerous people from different parts of the country seems unusual which indicates that those transactions might be conducted for doing hundi business which is illegal according to the existing laws in Bangladesh.

Based on the analysis, an intelligence report has been sent to the respective LEA for further course of action as per Money Laundering Prevention Act, 2012.



Offence	Abduction, Illegal Detention and Seizing, Smuggling
Customer	Person and Entity
Industry	Bank and Mobile Financial Services
Channel	Banking Systems
Report Type	STR
Jurisdiction	Domestic
Designated Service	Distributor Account
Indicators	<ul style="list-style-type: none"> Business activities doesn't commensurate with nature of the business Deposited amount supports indication of ransom

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Case 7: Embezzlement of government funds through fake bank account

A report regarding embezzlement of government fund was published in the newspaper mentioned that, a gang led by Mr. Md. Ahad, manager of the audit and compliance department of a government owned institution, AAA Corporation, embezzled BDT 261.50 million.

BFIU analysis revealed that using a fraud Board Resolution copy of AAA Corporation, a current account was opened in name of AAA Corporation on 28/01/2010 at XYZ Bank Ltd., CC Branch, Dhaka. The resolution did not include the procedure of managing the accounts and specimen signatures of the account managers.

Mr. Md. Ahad and Mr. Md. Imam, Deputy General Manager of Central Accounts Department of AAA Corporation was the signatory of the account. It was found that no person named Mr. Md. Imam was working in the said position and the income tax return filed in the name of him was the income tax return of Mr. Md. Ahad having few changes. The copies of resolution and income tax returns that submitted to were not verified by the bank properly.

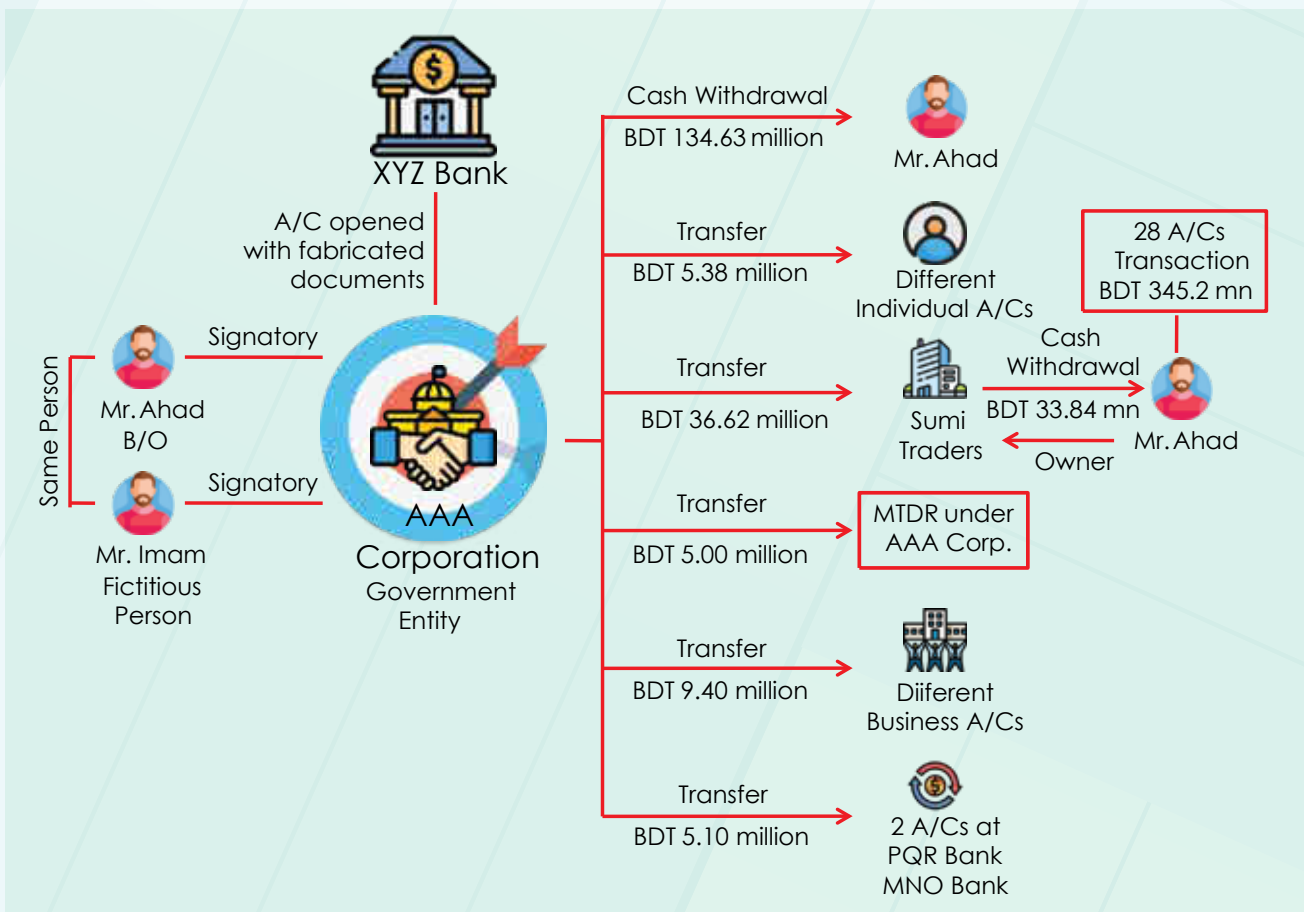
The insurance money of different projects of PDB, BCSIR, BUET was deposited through pay-order and clearing to said account. Mr. Md. Ahad withdrew money from that account in cash, by clearing and transfer; and then placed/parked into different personal and business accounts through clearing and transfer. The amount was further transferred into other personal or business accounts and withdrawn finally.

- A. A total of BDT 134.63 million was withdrawn by Mr. Md. Ahad in cash on multiple dates from the said account.
- B. BDT 5.38 million to a number of individuals' accounts, BDT 36.62 million to Md. Ahad, M/s Sumi Traders account, BDT 5.00 million to the MTDR account of AAA Corporation, BDT 9.40 million to others business accounts have been credited through clearing and transfer .
- C. From M/s Sumi Traders account BDT 33.84 million had been withdrawn by Mr. Md. Ahad in cash (out of BDT 36.62 million). The remaining amount is transferred to several individual and business accounts through clearing.
- D. BDT 5.10 million has been transferred to PQR Bank Ltd., RR Branch and MNO Bank Ltd., MM Branch through 27 transactions.

A total of 28 (in single and joint name) savings accounts were found in 8 banks in the name of Mr. Md. Ahad. The total transaction amount in the said accounts was about BDT 345.20 million and the balance was BDT 1.70 million.

Based on the analysis, an intelligence report has been sent to the respective investigating agency for investigation and further course of action as per MLPA, 2012.

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Offense	Corruption and Bribery
Customer	Government Official
Industry	Banking
Channel	Cash and Banking products
Report Type	SAR/Media News
Jurisdiction	Domestic
Designated Service	Cash Withdrawals, Transfer, Clearing, Pay-Order
Indicators	<ul style="list-style-type: none"> Cash withdrawn without prior approval of concerned authority and any valid business background Personal and business accounts used as conduit

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Case 8: Hacking bank account using internet banking service

BFIU received a complaint that a customer account (Ms. Meem) maintained with a foreign bank operating in Bangladesh has been hacked. The hacker stole BDT 10,000.00 from the account and while the hacking was being conducted, the customer received a total of six (06) OTPs on her mobile. The same day, the customer complained to the call center of the foreign bank citing the suspicious incident but did not get a solution from the bank.

Following the complaint, BFIU first collected the account information of Ms. Meem from the foreign bank. Upon analyzing the account statement, the suspicious transaction and the account to which the fund was transferred were identified. The account belonged to Mr. Habib which was being operated in a local bank (Bank D). Analyzing documents collected from bank D, it was found that Mr. Habib was a freelancer by profession as per bank records. However, there was not a single transaction which corroborated that the fund was originated from freelancing. Rather almost all the transactions were transfers from different accounts done through internet banking (P2P transactions). The transactions were small in nature ranging from BDT 10,000.00 to BDT 20,000.00. It is to be noted that there were lapses on bank D's part in ascertaining the profession of Mr. Habib. Inquired about the transaction by which fund was taken out from the account of Ms. Meem, Mr. Habib informed in writing to the bank that the fund was the payment for developing a website for some Mr. A having mobile number xxx. Information collected from BTRC revealed that the mobile number xxx was registered under the name of an aged lady and was used in Cumilla.

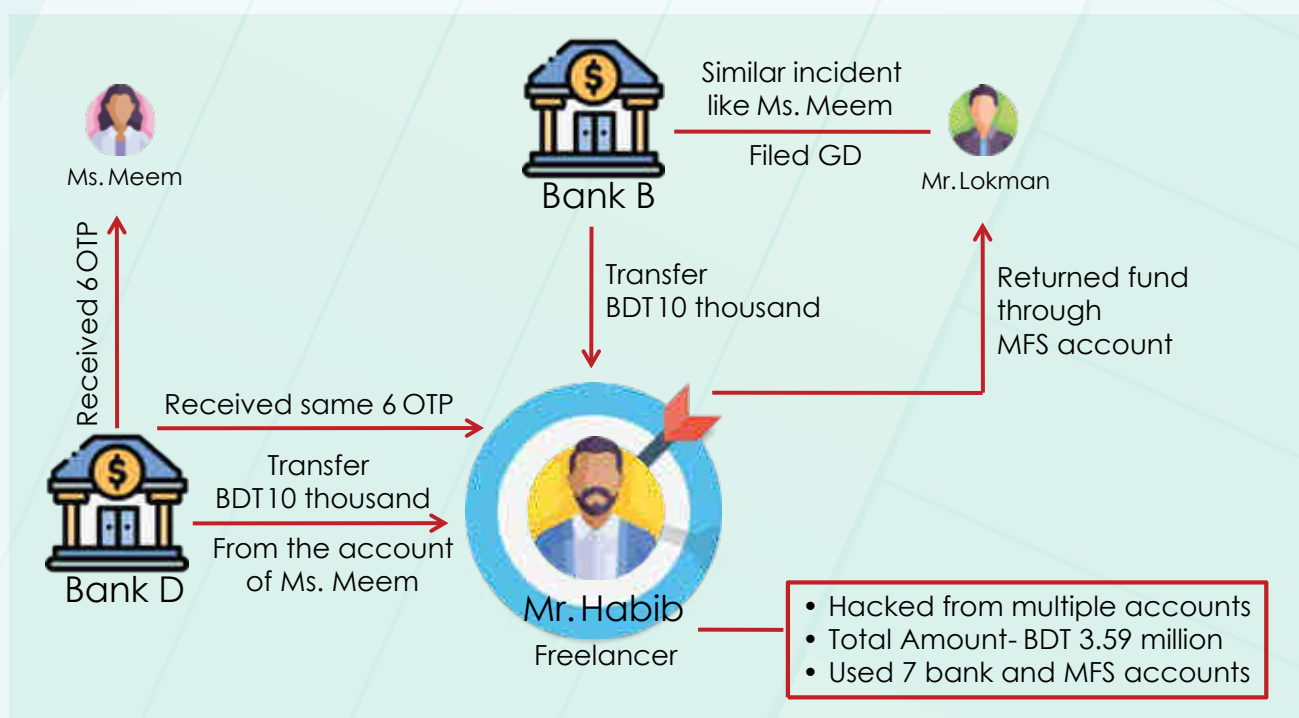
To further ascertain who has taken access to the internet banking system of the foreign bank, IP addresses were collected and analyzed. Upon analysis, it was found that in the transaction through which money was transferred from the account of Ms. Meem to the account of Mr. Habib, a unique IP address was used to connect with the server of the foreign bank. The IP address was different from any other IP addresses used by Ms. Meem while carrying out other legit transactions through the internet banking system.

Upon observing many P2P transactions in the account statement of Mr. Habib, randomly 2 other transactions amounting to BDT 10,000.00 each were selected for analysis by BFIU analyst. Following the money trail, it was found out that the money was transferred via the internet banking system from another account held at local bank B. The account belonged to a person (Mr. Lokman) who was a doctor by profession. Further analysis revealed that Mr. Lokman had lodged complaints at bank B, Bangladesh Bank and submitted a GD in Mohammadpur police station. Analyzing the GD copy, it was observed that the suspicious fund transfer request was initiated in a similar fashion regarding what Ms. Meem had a complaint to BFIU. Later Mr. Lokman received his fund back after 66 days through arbitration of Bangladesh Bank. The fund was returned to Mr. Lokman via an MFS account belonging to Mr. Habib.

Following the analysis, BFIU analyst searched for all accounts of Mr. Habib in the financial institutes and MFS providers of Bangladesh. While searching BFIU found a total of 7 accounts in banks and MFS providers. In those accounts, Mr. Habib's profession was recorded as a freelancer and small online business owner. But none of the sources of the fund had been verified by respective banks and MFS providers. Transactions in those accounts were similar in nature i.e. P2P and small in number as described above. It was concluded that a total of 3.59 million BDT had been hacked by Mr. Habib and associates from several bank accounts held at different banks by different persons. Most of the funds were withdrawn in cash.

BFIU prepared a report against the complaint based on the findings and forwarded the case with all the documents to the law enforcement agency, BRPD & CSU to take legal action and formulate/amend the necessary policy.

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Offence	Fraud (cyber crime)
Customer	Individual Customers of Different Professions
Industry	Bank
Channel	Internet Banking Systems
Report Type	Complaint
Jurisdiction	National
Designated Service	Internet Banking System
Indicators	<ul style="list-style-type: none"> ▪ Several ETP/OTPs sent over mobile phone in short span of time ▪ Unique IP address which had never been used by the victim ▪ Smaller transactions initiated via internet banking ▪ Improper KYC profile by banks

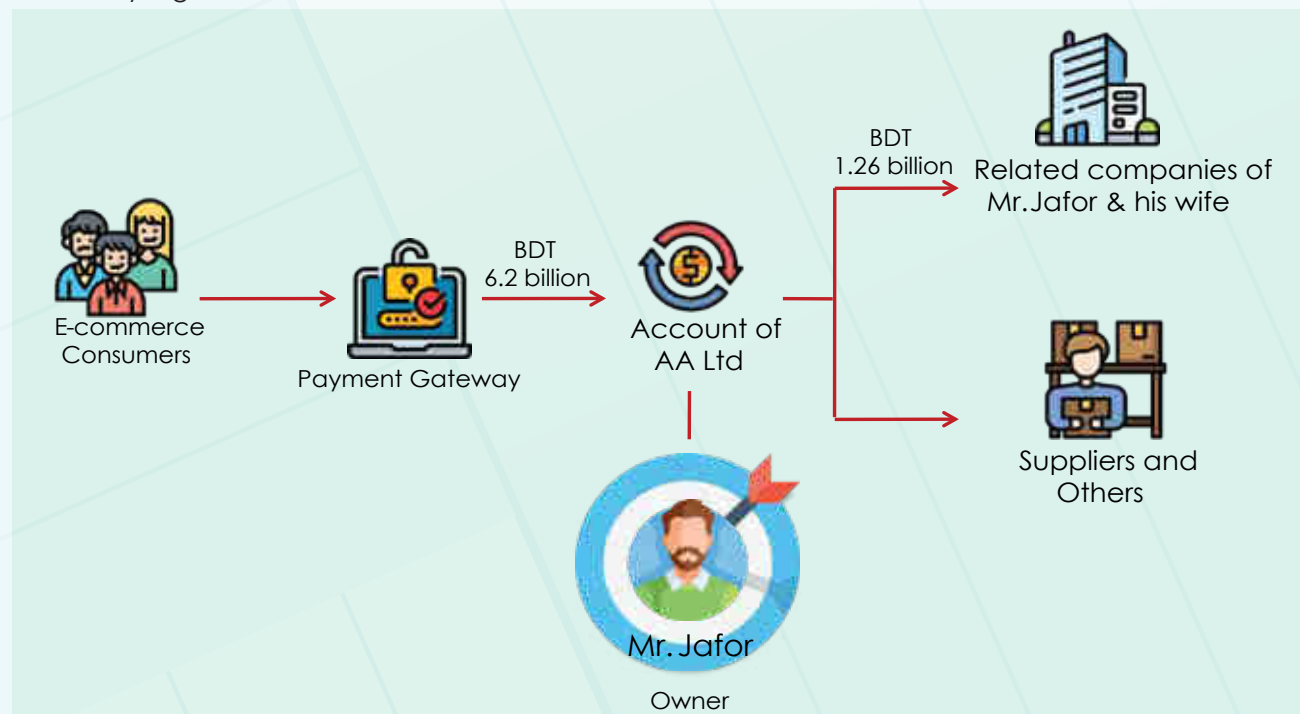
Case 9: Defrauding customers in the name of e-commerce business

BFIU paid attention to a media report on allegation against an e-commerce company "AA Ltd" for not delivering products to its customers after taking advance payment. The report claims that the said e-commerce company "AA Ltd." allured thousands of customers through enormous discounts (up to 70%) on the products. The customers began to raise complaint against "AA Ltd." when they did not get ordered product within the expected time. Besides, many suppliers of the said e-commerce company raised complaint for not being paid against the goods they supplied.

The owners of "AA Ltd" are Mr. Jafor and Mrs. Keya who are husband-wife in relation. On analysis BFIU found that "AA Ltd." had no bank account; rather it used accounts of "B Telecom Ltd", another concern of Mr. Jafor which is unusual. About BDT 6.20 billion was deposited as sale proceeds of the e-commerce company into three accounts of "B Telecom Ltd" maintained in three different banks through different payment gateways of which BDT 1.26 billion was transferred to the personal

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accounts of Mr. Jafor. He also conducted repeated transactions between the related companies to make the transaction complex and to hide the source of fraudulent fund. Based on the findings in this case, an intelligence report was sent to the relevant investigating agency for further investigation and necessary legal action.



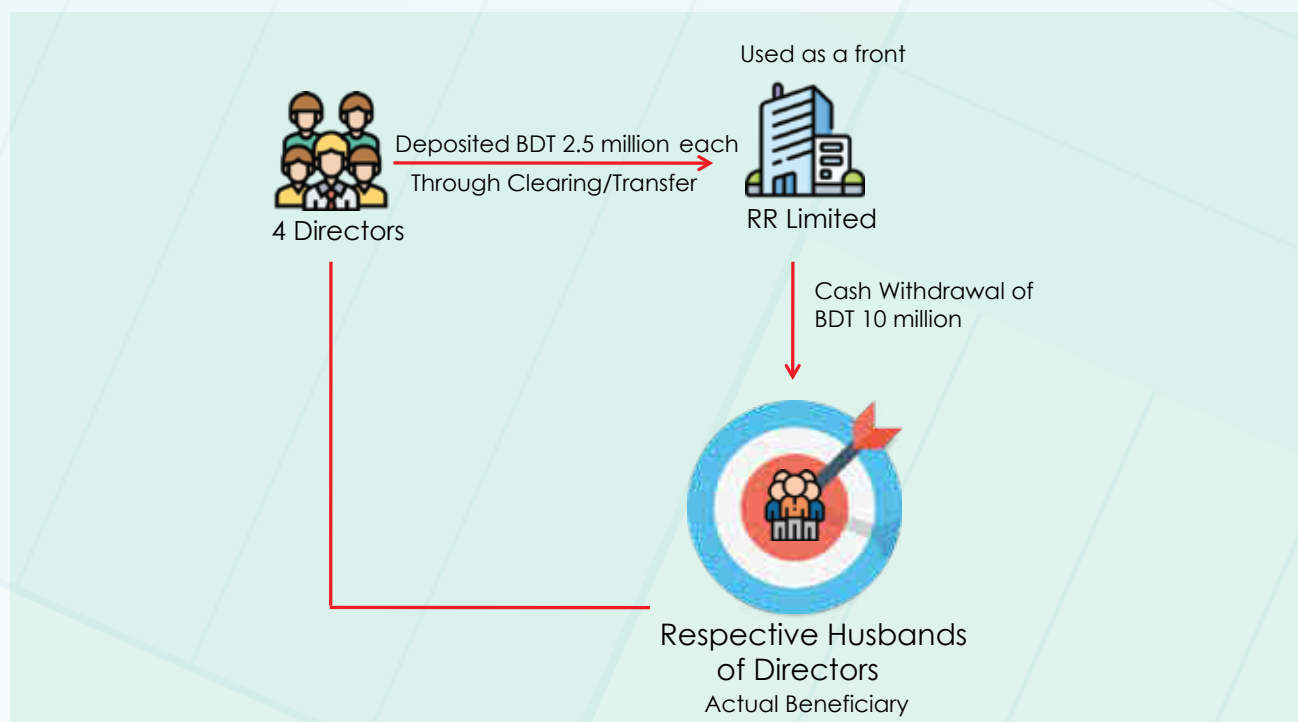
Offense	Fraud
Customer	Person, Entity
Industry	Bank
Channel	Banking, Payment gateway
Report Type	STR/SAR, Complaints, Adverse Media News
Jurisdiction	Domestic
Designated Service	Account Service
Indicators	<ul style="list-style-type: none"> Transferring money to personal and other business accounts of the owners Frequent transactions between the related companies Huge cash withdrawal Use of owner's other entities' account

Case 10: Establishment of a front company by the wives of government employees

Based on suspicious transaction in an account of a company, 'RR Limited', the relevant documents and transaction statements are analyzed by BFIU. On analysis it was found that the alleged company was a private limited company owned by Mrs. Rabeya, Mrs. Jhorna, Mrs. Nazia and Mrs. Lamia. According to trade license, the organization deals in first class contracting, export/import and pharmacy business. They got a franchise of a renowned pharmacy chain retail shop of the country. According to the documents, the owner/directors of 'RR Limited' are not relatives but their husbands are found to be friends who all are government service holders.

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Transaction statement of an account of 'RR Limited' shows that Mrs. Rabeya, Mrs. Jhorna, Mrs. Nazia and Mrs. Lamia deposited BDT 2.50 million each (total BDT 10.00 million) in the account within a few days. Almost all the deposited money was withdrawn in cash within few months afterwards which seems to be unusual. Further analysis reveals that the associated persons of the company (4 directors/owners and their husbands and mother-in-law of the one of them) maintains 77 accounts (including 2 loan accounts and 11 credit card accounts) in 17 banks. A total of BDT 2,488.10 million has been deposited of which BDT 2,377.81 million has been withdrawn from the deposit accounts (64 accounts) where balance remains total BDT 11.03 million. The nature and volume of transaction do not commensurate with the nature of business or their salary income. Furthermore, it is assumed that the husbands of the owners of 'RR Limited' might be the ultimate beneficiary of the company. They may have used the pharmacy business as a front company to hide their illegally acquired money. Based on the findings, an intelligence report was sent to the respective LEA for further investigation.



Offense	Corruption and Bribery
Customer	Person, Entity
Industry	Bank
Channel	Banking
Report Type	STR
Jurisdiction	Domestic
Designated Service	Account Service
Indicators	<ul style="list-style-type: none"> Unusual transaction pattern Huge amount of transaction compared to source of income Frequent cash withdrawal

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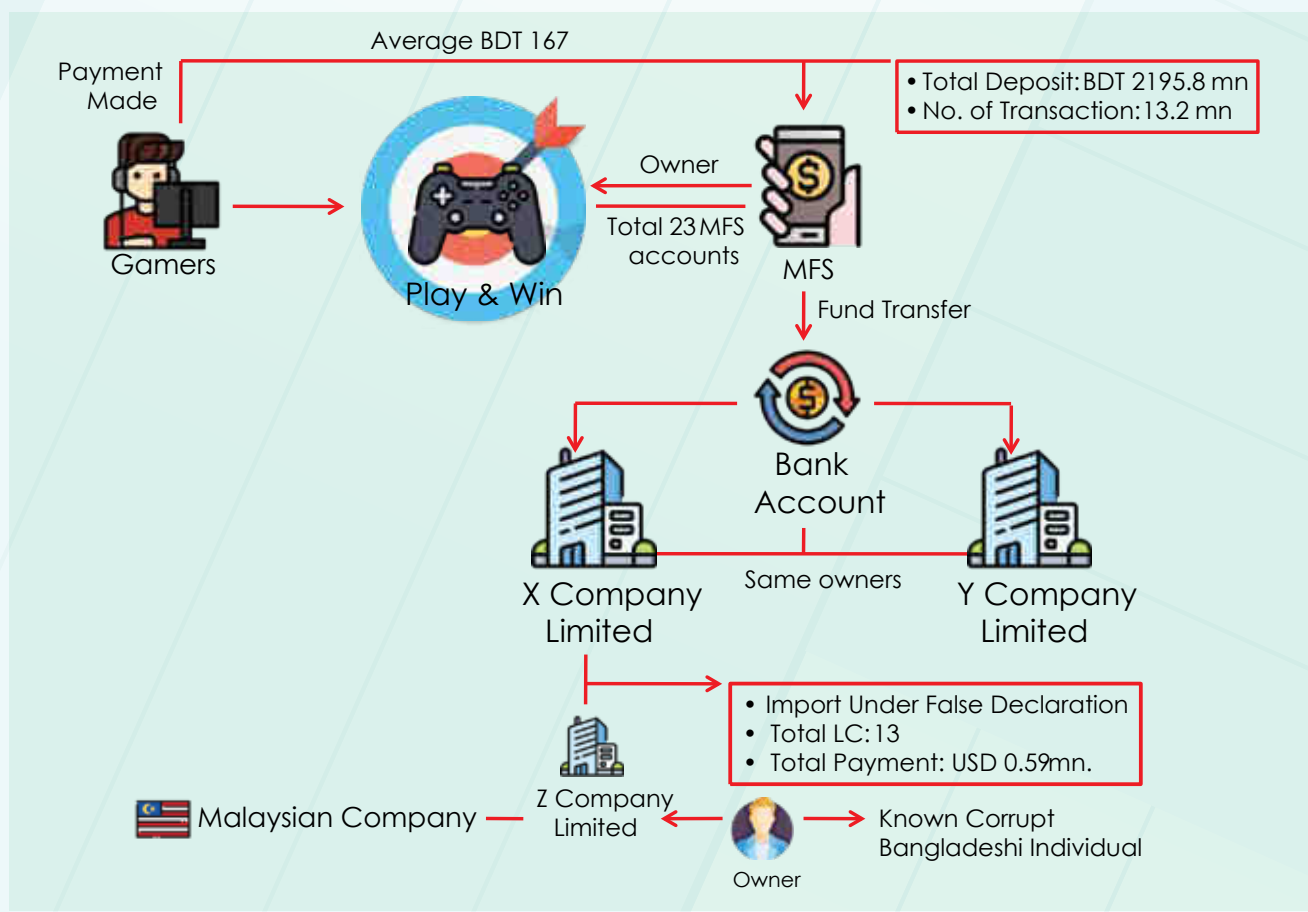
Case 11: Money laundering through purchasing online games coin under the guise of importing software

A complaint was lodged to BFIU regarding the payment of online game through MFS accounts (BDT account) whereas the ultimate payment was channeled to foreign currency account of the game owning company. One can play the game, 'Play & Win' by entering the link given on the social media advertisement. While playing the game, instructions pop-up to pay money to continue the game and few MFS accounts appear for payment. Once the payment is made by the gamer through MFS account, the gamer can continue the game. Suspecting it as illicit financial flow, related MFS and bank accounts along with related documents were collected and analyzed by BFIU analyst and found the following facts:

- The amount paid by the players of the game through MFS accounts were firstly deposited in 2 MFS accounts of 'X' Company Limited. Then the money was transferred to 2 different bank accounts of 'X' Company Limited and 2 different bank accounts of 'Y' Company Limited. Accordingly, a total of BDT 512.50 million was transferred.
- 'X' Company Limited & 'Y' Company Limited were owned by the same individuals. The companies had total 23 MFS accounts and BDT 2195.80 million had been deposited in those accounts in similar fashion. The money was deposited through 13.20 million numbers of transactions, with an average deposit amount of just BDT 167. Both companies were involved in internet services, SMS marketing, online library, various types of games (PUBG UC, Free fire, MLBB, Be the king, Lords Mobile, Razer Gold), e-learning products, videos, radio, quizzes, bd flicks etc.
- 'X' Company Limited has imported game coins under the declaration of software from a Malaysian company 'Z' through 13 LCs. According to D&B, the Malaysian company is in the business of financial consultancy. Under a period of just 6 months, Malaysian based offshore company Z Global (L) Inc. received around USD 0.59 million for exporting so called software to Bangladesh. Importing game coin under false declaration of software import from a company hiding under dubious legit business declaration raises suspicion.
- The 'Play & Win' game is designed in such a way that young people get hooked on screen to get awards (mostly monetary) which is like winning a bet. Rewarding young people with money may divert them to illicit activities such as various organized crimes.
- Most of the funds deposited in the accounts of X & Y Company limited were withdrawn in cash by different persons raising serious suspicion of tax evasion and end use of the withdrawn funds. Furthermore the Malaysian game coin exporting company belonged to a Bangladeshi person who is known to be corrupted.

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

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Offence	Smuggling of Currency
Customer	Public
Industry	Banking, MFS
Channel	Banking Channel
Report Type	Onsite Inspection findings of BFIU
Jurisdiction	Domestic, International
Designated Service	MFS Deposit, Cash Withdrawals, L/C payment
Indicators	<ul style="list-style-type: none"> ▪ Huge amount of money deposited in MFS Account ▪ Immediate money transferred from MFS to bank account ▪ Large numbers of money have been withdrawn in cash by various individuals ▪ Importing game coins under false declaration of software import ▪ Import conducted with a offshore company which is registered as financial consulted but is involved in betting like games.

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Case 12: Embezzlement of customers' money using E-commerce platform

Based on allegation against Mrs. Yesmin and her associates for defrauding and embezzling customers through fraudulent e-commerce business, Delta.Shop Ltd, BFIU analyzed the account details of the accused entity and its associate entities and individuals.

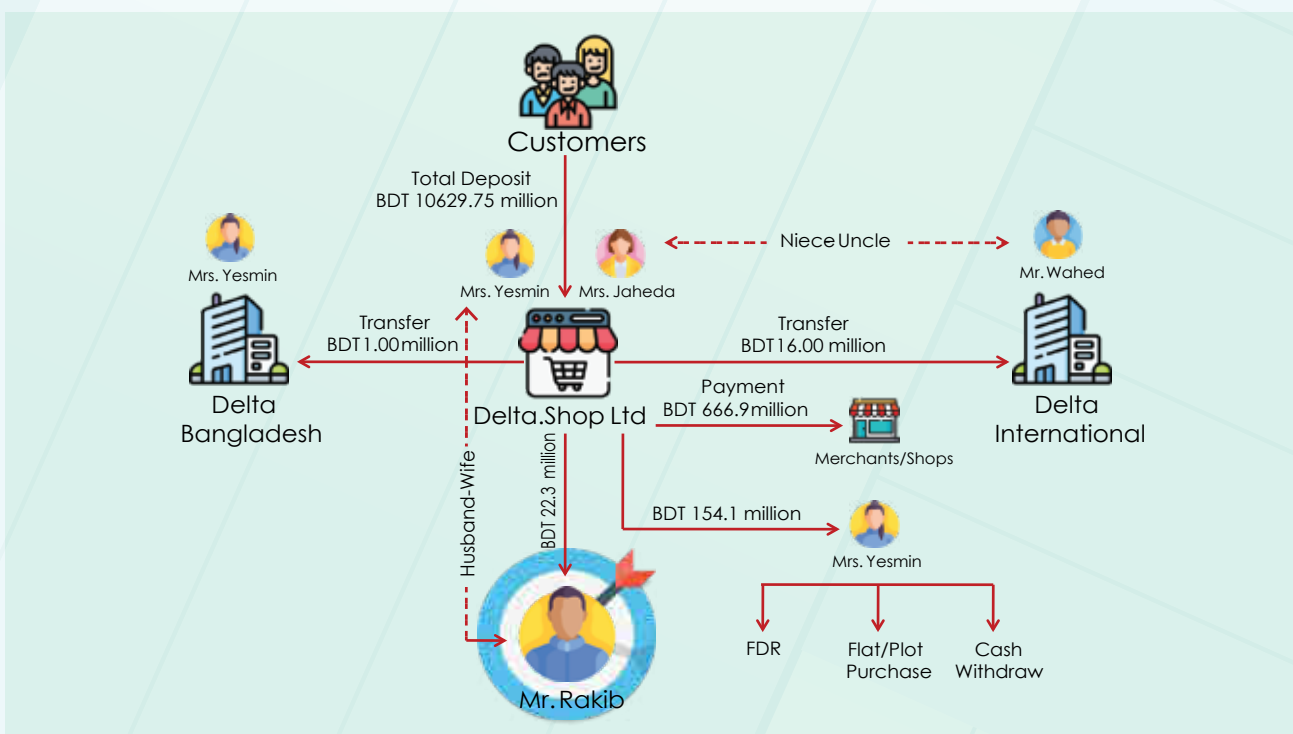
On analysis, it is found that Mrs. Yesmin took registration for two companies i.e. Delta.Shop Ltd and Delta Bangladesh for conducting e-commerce business and consultancy firm respectively. Mr. Wahed is also the director of Delta Bangladesh and owner of another company (export-import) named Delta International and nominee of several accounts operated by Mrs. Yesmin. The relationship between Mrs. Yesmin and Mr. Wahed is declared as 'niece-uncle' in the account opening form. Later, the ownership of Delta.Shop Ltd is transferred to Mrs. Jaheda, wife of Mr. Rakib. Astonishingly, the business address of the three entities is found to be same as per different documents submitted by them in account opening forms of the bank.

The aforementioned e-commerce company offered different tempting and lusting offers called Double Taka Voucher, Summer Voucher to sell TV, Motor Cycle, Freeze, Mobile Phone and other products at 50-60% discounted price to make the mass customers victim of their fraudulent activity. In the analysis, 7 accounts were found in the name of Delta.Shop Ltd, 5 accounts in the name of Delta Bangladesh and 1 account in the name of Delta International; of which most of those were opened in the year 2020-21. A total of BDT 10629.75 million was deposited in the seven accounts of the so called e-commerce company, Delta.Shop Ltd, from which huge amount is found to be diverted through the accounts of Delta Bangladesh, Delta International and the personal account of Mrs. Yesmin, her husband Mr. Sahed and her brother Mr. Rakib (husband of Mrs. Jaheda). On the other hand, BDT 352.74 million was deposited in the five accounts of Delta Bangladesh; BDT 116.05 million in one account of Delta International and BDT 568.25 million were deposited in the personal accounts of Mrs. Yesmin and her husband.

A total of BDT 22.30 million was withdrawn by Mr. Rakib in cash or through clearing check from the accounts of Delta.Shop Ltd who seemed to be the ultimate beneficial owner of the three entities. Notably, Mr. Rakib is a government official and as there is restriction for establishing or operating any other business by government officials, Mr. Rakib might have kept his relatives (wife, sister, uncle) on the front of his fraudulent business. Even, BDT 100.00 million was transferred from the account of Delta.Shop Ltd to buy flats and land in the name of Mrs. Yesmin which is the complete diversification and misappropriation of customers' money. It was also observed that the fund deposited by the customers was transferred to some non-established and novice merchant account named Red Zone, Bikes House etc. It seemed that these merchant entities may have been involved with the e-commerce entity to embezzle customers' money.

Above all, it was observed that the accused persons intentionally offered unusual discounted price to attract customers through the e-commerce business entity. When huge amount of orders were placed within a short period of time, the fund was then transferred to their personal account to purchase fixed assets without delivering ordered product to the customers. Based on the analysis, BFIU intelligence report was disseminated to the respective investigating agency for further course of action under MLPA, 2012.

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Offence	Fraud, forgery
Customer	Public, Individual
Industry	Bank, FI, MFS, Payment Gateway
Channel	Bank, FI, MFS, Payment Gateway, EFT, RTGS
Report Type	SAR, Complaints
Jurisdiction	Domestic
Designated Service	Current Account, FDR
Indicators	<ul style="list-style-type: none"> Business account transfer to personal account Number of accounts opened within a short period of time Address of all the businesses are same

Case 13: Embezzlement of BDT 500 million by the chairman of a bank by creating fake SOD loans in the names of ten employees of his companies from a district city branch of the said bank

During the on-site inspection conducted by BFIU in a local branch of a private commercial bank, Bank X, anomalous activities were observed in some SOD loans which were thoroughly scrutinized.

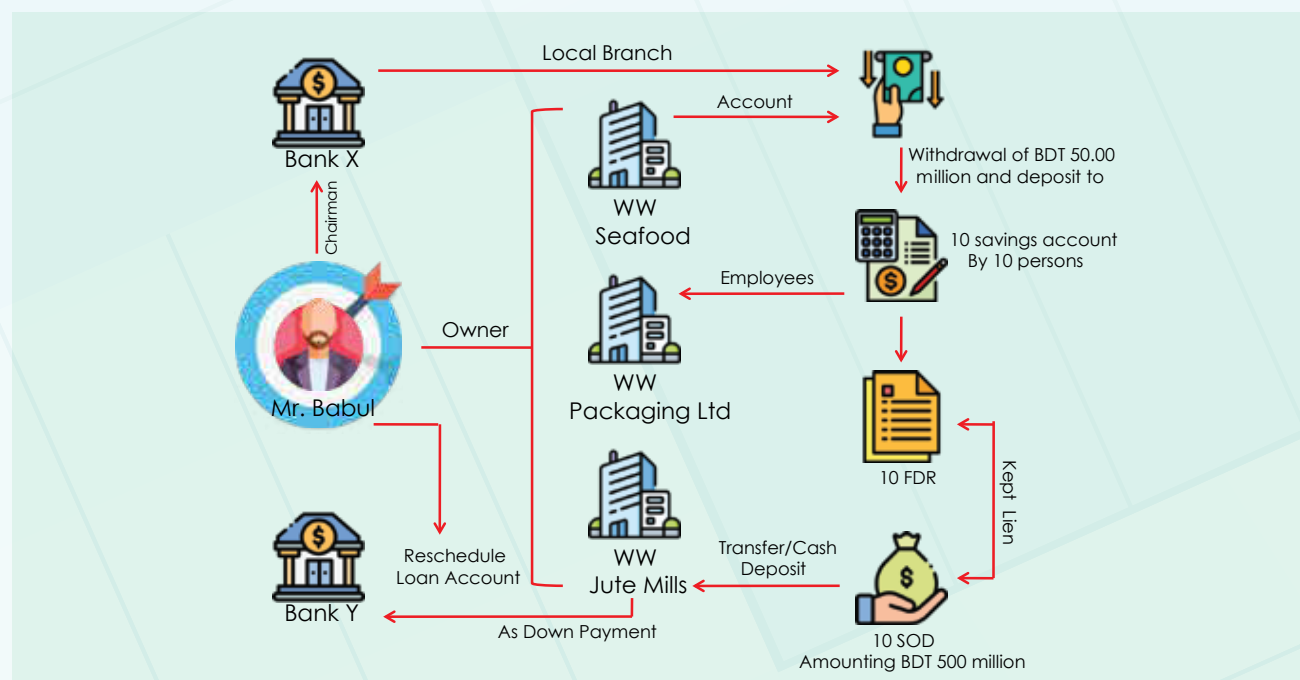
BFIU inspection revealed that cash withdrawal of BDT 50.00 million was made on 29/06/2020 from the account of “WW Sea Food”, a company related to the chairman of the same bank, though the vault limit of the said branch was only BDT 5.00 million! Analysis revealed that though the amount was shown to be withdrawn in cash, the said BDT 50.00 million was actually transferred in the 10 (ten) savings accounts opened in the name of 10 (ten) employees of “WW Packaging Ltd”, a sister concern of “WW Sea Food”. Of the deposited amount, 10 FDR accounts of BDT 5.00 million each were then opened in the name of those 10 (ten) employees at the same date (29/06/2020). Later, the 10 FDRs (BDT 5.00 million each) were placed in lien at the same bank to secure SOD amounting BDT 50.00 million against

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each account i.e. a total of BDT 500.00 million which is unusual as maximum 90% to 95% of the security (FDR) is sanctioned as SOD facilities to the customer as per normal banking practice. In this case, even the loan facility had been provided by the concerned branch manager and the second manager which is a complete violation of bank's business delegation; branch officers do not have the authority to sanction any type of loan.

Then, on the same date, BDT 500.00 million was withdrawn from all the 10 accounts and deposited to the account of "WW Jute Mills", another concern of the chairman, Mr. Babul. From that account the entire amount is paid as down payment to another bank, Bank Y, through pay-order to reschedule the loan account of the chairman, Mr. Babul. Even though the whole transaction is shown as cash deposits and withdrawals, not a single transaction has actually been made in cash in actual scenario. It appears that in order to hide the route of the loan money and the real beneficiary in this case, the said officials of the company acted as mule to layer the loan amount taken fraudulently from the own bank of the chairman of Bank X and hide its source.

Based on the findings, BFIU intelligence report was disseminated to the regulator of the Bank and respective investigating agency for further course of action under the provisions of MLPA, 2012.



Offence	Corruption, Embezzlement
Customer	Individual, Business Entity
Industry	Bank
Channel	Banking Channel
Report Type	Onsite Inspection Report
Jurisdiction	Domestic
Designated Service	Loan (SOD), Savings Account
Indicators	<ul style="list-style-type: none"> Huge amount cash withdrawal in a local branch exceeding the vault limit Deposit the whole amount in multiple accounts opened in the name of employees of another sister concern company Sanction 10 times larger the amount of FDR as SOD by the branch itself

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

List of Abbreviations

List of Abbreviations

ACC	Anti-Corruption Commission
AACOB	Association of Anti-Money Laundering Compliance Officers of Banks in Bangladesh
ADB	Asian Development Bank
AML & CFT	Anti-Money Laundering & Combating the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ATA	Anti-Terrorism Act
ATU	Anti-Terrorism Unit
BB	Bangladesh Bank
BDT	Bangladesh Taka
BFIU	Bangladesh Financial Intelligence Unit
BLFCA	Bangladesh Leasing and Finance Companies Association
BP	Bangladesh Police
BRPD	Banking Regulation and Policy Department
BSEC	Bangladesh Securities and Exchange Commission
CAD	Canadian Dollar
CAMLCO	Chief Anti-Money Laundering Compliance Officer
CCC	Central Compliance Committee
CCU	Central Compliance Unit
CDD	Customer Due Diligence
CCMS	Central Complaint Management System
CIC	Central Intelligence Cell
CID	Criminal Investigation Department
CIID	Customs Intelligence and Investigation Department
CMI	Capital Market Intermediaries
COSP	Conference of the States Parties
CTR	Cash Transaction Report
CTTC	Counter Terrorism and Transnational Crime Unit
DB	Detective Branch
DFS	Digital Financial Services
DMP	Dhaka Metropolitan Police
DNC	Department of Narcotics Control
DNCRP	Directorate of National Consumer Rights Protection
DNFBP	Designated Non-Financial Businesses and Profession
EDD	Enhanced Due Diligence
ECOFEL	Egmont Centre of FIU Excellence & Leadership
e-KYC	Electronic Know Your Customer
ESCAP	Economic and Social Commission for Asia and the Pacific
ESW	Egmont Secure Web
FATF	Financial Action Task Force
FEPD	Foreign Exchange Policy Department
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit

FSRB	FATF Style Regional Body
FX	Foreign Exchange
FY	Financial Year
ICRG	International Cooperation Review Group
IDRA	Insurance Development & Regulatory Authority
IMF	International Monetary Fund
ITP	Independent Testing Procedure
JD	Joint Director
KYC	Know Your Customer
LC	Letter of Credit
LEA	Law Enforcement Agency
ML & TF	Money Laundering & Terrorist Financing
MLA	Mutual Legal Assistance
MLPA	Money Laundering Prevention Act
ME	Mutual Evaluation
MER	Mutual Evaluation Report
MoC	Ministry of Commerce
MoU	Memorandum of Understanding
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MFS	Mobile Financial Service
MRA	Microcredit Regulatory Authority
NBR	National Board of Revenue
NBFI	Non-Bank Financial Institution
NCC	National Coordination Committee
NGO	Non-Government Organization
NGOAB	NGO Affairs Bureau
NID	National Identity Document
NPO	Non-Profit Organization
NRA	National Risk Assessment
PBI	Police Bureau of Investigation
PEPs	Politically Exposed Persons
PF	Proliferation Finance
PIL	Public Interest Litigation
PSD	Payment Systems Department
RBA	Risk-Based Approach
RJSC	Registrar of Joint Stock Companies and Firms
RO	Reporting Organization
SAR	Suspicious Activity Report
SB	Special Branch
SDG	Sustainable Development Goal
StAR	Stolen Asset Recovery

STC	Standards Training Course
STR	Suspicious Transaction Report
TBML	Trade Based Money Laundering
TC	Technical Compliance
TP	Transaction Profile
UBID	Unique Business ID
UNCAC	United Nations Convention against Corruption
UNODC	United Nations Office on Drugs and Crime
UNSCR	United Nations Security Council Resolutions
USD	United States Dollar
USDOJ	US Department of Justice
WMD	Weapons of Mass Destruction



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