

U4 Helpdesk Answer

Money Laundering and Terrorist Financing risks in Fiji

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This short answer provides a brief overview over Fiji's exposure to money laundering risks.

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Query

Please provide an overview of Fiji's exposure to money laundering.

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Nature of money laundering and terrorist financing risks

According to the Financial Action Task Force's Asia Pacific Group (APG 2016) and the Fijian government's Money Laundering National Risk Assessment (Ministry of Justice 2016), the majority of proceedings for money laundering in Fiji come from drug trafficking, corruption, trade misinvoicing and tax evasion as well as tax crimes (VAT fraud etc).

Narcotics seem to be the main source of funds, and Fijian territories are reportedly used as a transhipment point for drugs, producing illicit cash flows into Fiji (Ministry of Justice 2016). Banking, real estate and foreign exchange sectors are the most vulnerable sectors for money laundering (APG 2016, Ministry of Justice 2016). In terms of terrorism financing, the non-profit sector has been identified as vulnerable, as certain charities might be willing to fund activities that could be linked to terrorism, such as travel (APG 2016). Money laundering risks are further compounded by large, porous maritime borders (APG 2016) and an economy in which cash is still widely used (Ministry of Justice 2016).

In spite of acknowledging these risks, the Fijian government does not consider itself to be a high-risk jurisdiction for money laundering and terrorist financing (Ministry of Justice 2016). The government of Fiji also does not consider terrorist

Main points

- Fiji's financial and real estate sectors are vulnerable to money laundering of proceedings from narco-trafficking, corruption, and tax evasion. Every year, around 100 million Fijian dollars (approx.. US \$46 million) are believed to be laundered via financial institutions.
- While the Government of Fiji has taken some steps to improve the national AML-TF regime in recent years, there are still gaps to be addressed.
- Fiji is currently listed on the EU blacklist of non-cooperative tax jurisdictions.

financing to be a high risk, though it acknowledges the importance of countering the financing of terrorism globally (Ministry of Justice 2016). APG (2016) believes that terrorist financing should be given more attention in Fiji's National Risk Assessments.

Prevalence of Money Laundering and Terrorist Financing issues

Global Financial Integrity, which provides global data on illicit financial flows and trade misinvoicing estimates that, from 2006 to 2015, Fiji had 367 million USD worth of illicit financial inflows and 421 million USD worth of outflows. In addition, Fiji's Financial Intelligence Unit (FIU)

believes that around 100 million Fiji dollars (US \$46 million) is laundered every year through various financial institutions in Fiji (Boyle 2019). In 2018, Fiji's FIU (2019) investigated transactions worth a total 78.8 million Fijian Dollars.

In 2018, Fiji's FIU received a total of 632 suspicious transaction reports, and from 2000 to 2018, it received 7,949. This makes for an average of 441 suspicious transactions over the 18 year period. Since 2015, however, this number has not been below 516 reports (Fiji FIU 2019). A tendency in recent years have been for the values of these transactions to increase. The average value of a suspicious transaction assessed in 2018 was 124,672 Fijian dollars in 2018 - in 2017 that number was only 75,503 (Fiji FIU 2019). The majority of suspicious transactions, however, continue to be below 20,000 dollars.

The most common grounds given in suspicious transactions reports in 2018 were scams (such as fee frauds), tax evasion, fraud, 'suspicious behavior' (unclarified), unusual account activity, inconsistent spending patterns, and suspicions on fraud on trade invoicing etc. (Fiji FIU 2019).

In 2018, 321 dissemination reports were referred to law enforcement agencies, 62 of which were handed to units specialising in transnational crime. Most of these cases are believed to be in breach of Fiji's Proceeds of Crime Act (Fiji FIU 2019).

In addition to this, the FIU provided investigative assistance to law enforcement agencies on 260 occasions in 2018. The most frequent requests for assistance came from the revenue and customs services, followed by the police and the Fiji Independent Commission Against Corruption (FICAC) (Fiji FIU 2019). The FIU assisted FICAC on 28 investigations in 2018 (*ibid*).

The majority of investigations carried out by the FIU concerned commercial banks, who also most frequently report suspicious transactions. Queries typically seek the transaction histories of specific individuals or details on specific accounts (Fiji FIU 2019). In addition to banks, the FIU has obtained information from remittance service providers,

insurance companies and finance companies (Fiji FIU 2019). It is important to stress that queries do not necessarily implicate an institution in corruption or money laundering and that self-reporting on the part of financial institutions is the most common trigger for investigation on the part of the FIU. Nonetheless, these numbers do indicate which sectors are at highest risk of money laundering schemes.

Fiji's AML-TF regime according to the Financial Action Task Force

The Mutual Evaluation Report of 2016 (APG 2016) identified a number of strategic and technical deficiencies in Fiji's AML-TF efforts. In particular the report points out:

- Coordination issues between agencies in money laundering investigations and prosecutors;
- Lack of understanding of terrorist financing risks, notably one individual subject to UN Security Council sanctions was residing in Fiji. Fiji also trades with Iran and North Korea, which puts it at odds with UN Security Council recommendations;
- While Fiji's Financial Intelligence Unit provides intelligence of good quality, it is not always certain that law enforcement bodies, especially the police, have the capacity to react in a timely to that intelligence. The Fiji Revenue and Customs Authority and the Fiji Independent Commission on Corruption are reportedly more effective, though they also suffer from resource limitations;
- In the 2016 report, the APG also pointed out the need for Fiji to provide more comprehensive statistics on investigations on money laundering suspicions.

After two follow-up APG reports in 2017 and 2019, some of the areas where Fiji was rated as partially compliant has been re-rated to compliant, such as on the statistics issue and on terrorist financing measures (APG 2019). Fiji was also moved from partially compliant to largely compliant on areas such as data protection and inter-agency

coordination. The APG (2019) also notes that Fiji's FIU seems to be effective and transparent. Nonetheless, Fiji is still only partially compliant on six FATF recommendations. These are:

- Recommendation 6: targeted financial sanctions related to terrorism and terrorist financing.
- Recommendation 7: Targeted financial sanctions related to proliferation.
- Recommendation 8: Non-profit organisations.
- Recommendation 24: Transparency and beneficial ownership of legal persons.
- Recommendation 25: Transparency and beneficial ownership of legal arrangements.
- Recommendation 39: Extradition.

Overall, while Fiji continues to have gaps in its national AML-TF regime, it is seen to be gradually improving (APG 2019). Fiji has not featured on FATF blacklists in the past.

EU blacklist on non-cooperative tax jurisdictions

On the other hand, Fiji has recently been added to the EU's list of non-cooperative tax jurisdictions. This list is developed by the European Commission after an assessment of third countries' performance against three criteria:

- Transparency (e.g. automatic information exchange);
- Fair Tax Competition: the country should live up to the principles of OECD's Forum on Harmful Tax Practices
- The state of commitment to the OECD's Base Erosion and Profit Shifting minimum standards.

Fiji was moved from EU's greylist to the blacklist after not having complied with the EU criteria in due time. According to a recent assessment by the EU, Fiji has "harmful preferential tax regimes" that have not yet been abolished (Council of the EU 2019). Fiji has committed to comply with EU recommendations, which will be "subject to monitoring" by the EU.

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