



GUIDELINES ON THE REPORTING OF SUSPICIOUS TRANSACTIONS

**FOR
FINANCIAL INSTITUTIONS**

2018

1. Commencement

1.1. The Financial Reporting Center (FRC) has prepared these guidelines on reporting of suspicious transaction for Financial Institutions and shall take effect on **1st November 2018**.

2. Background

2.1. The Financial Reporting Center (FRC) is the central, national agency responsible for receiving, requesting and analysis of financial disclosures from reporting entities and dissemination of financial intelligence to competent authorities.

2.2. The FRC collects and collates information on suspicious transactions, large cash transactions and cross border movement of cash and negotiable bearer instruments from all reporting entities.

3. Objective

3.1. To effectively discharge its functions, the FRC needs credible data. This data must therefore meet reporting standards as well as be filed to the FRC appropriately. The FRC found it pertinent to develop a reporting template to ease the reporting process of suspicious transaction report for Financial Institutions.

3.2. The objective of these guidelines, therefore, is to inform the Financial Institutions of the steps to be followed to submit suspicious transaction reports (STRs) to the FRC.

4. Reporting Requirements

4.1. Article 14 (1) of the AML/CFT Act, 2018, and Regulation 22 of AML/CFT Regulation for Financial Institutions, the reporting entities are required to submit suspicious transaction reports to the FRC. The STRs cover any transactions that have occurred including attempted transactions that you suspect or have reasonable grounds to suspect are related to any serious offence including money laundering, terrorist financing and other criminal activities are suspicious transactions. Generally, a suspicious transaction will often be one which is inconsistent with a customer's known employment, profession, legitimate business or personal activities or with the normal business for that type of customer. Identification of suspicious transactions should prompt further enquiries and where necessary, investigations into the source of funds. To enable easier identification of inconsistent activity or behaviour, it is important to undertake the following actions:

- a. Ensure customer profiles are updated;
- b. Obtain records containing basic identification information, employment, other source of funds, nature of business / use of any specific account; and
- c. Conduct transaction monitoring via an appropriate system or manually depending on the volume of transactions conducted.

Where the customer profile is established and up to date, it becomes easier to detect any irregularities or unusual activities conducted by a certain customer that may just cause to trigger a STR. There is no threshold for reporting STRs.

4.2. The FRC has developed STR template (attached as **Annex 1** to these guidelines). Financial Institutions are therefore expected to use the STR template to submit the report.

4.3. The STR template in MS excel format can also be accessed on the FRC website: www.somfrc.so

4.4. The STR should be filed by the Chief Compliance Officer or Compliance Officer in their absence, by their respective alternates.

4.5. The STR should be submitted in the prescribed an electronic spreadsheet format (MS Excel), **within thirty days from the day suspicious has been established.**

4.6. Explanatory notes on how to complete the STR template is provided in the **Annex 2** attached to these guidelines.

5. The process leading up to the submission of a STR can be described as follows:

5.1. Initial detection or alert of unusual transaction or activity. This can be from the frontlines (tellers or customer service team) or during monitoring of accounts

5.2. Verification and further analysis by designated compliance officer. This stage involves the financial institution gathering and verifying information of the customer and transaction(s) to determine if the transaction is suspicious or if there is reasonable ground to suspect the transaction is linked to criminal proceeds or terrorism financing or other criminal activities;

5.3. Suspicion or reasonable grounds for suspicion are established. The moment compliance officer established suspicion or reasonable grounds to suspect the transaction is linked to criminal proceeds or terrorism financing. A STR should be Submitted using the prescribed spreadsheet form and attach the supporting documentations.

5.4. After the STR has been filed, the reporting entity may continue the relationship with customer. However, any repeated transaction or continuing pattern of activity that is still considered suspicious, should be reported again to the FRC to indicate that the suspicious activity is still ongoing.

5.5. Should reporting entity decide to cease any business relations with that customer, this action should be reported to the FRC, prior to notifying the customer. Notification of such action to the FRC should be included in the STR or separate email to SomaliaFRC@protonmail.com, if the decision was made after STR was submitted.

5.6. **Note:** There is no requirement for institution to exit relationship or stop dealing with the customer when you have reported or are preparing to report STRs. This is entirely up to the institution and your business practices. Unless instructed to do so by the **FRC or competent authorities**.

6. What to include in a STR?

6.1. At the basic level, an STR should cover the basic questions of Who, What, Where, When, How and Why. An ideal STR should include as much information known of the persons/entities involved and the suspicious transaction. Relevant and updated documents should be attached to support arguments for suspicion

6.2. The items below are the minimum technical requirements in submitting an STR:

- a. Identification information such as: For Individuals – Full name
For Business – Full name, date and place of incorporation and if possible, details of beneficial owners/directors and shareholder etc
- b. Transaction details including amount involved, type of transactions (wire transfer, withdrawal, attempted, etc), source and beneficiary of transaction and date of transactions
- c. Description of the suspicious transaction including why it is suspicious. Please include diagrams if necessary, to facilitate description.
- d. Action taken or that will be taken with regards to the account/ transaction such as account under monitoring, ordered to close, reject transactions or will exit relationship.
- e. Latest customer profile such as account opening document on each person/entity with updated information should be attached as supporting document.

7. Confidentiality/Information Security

Confidentiality of STR information is crucial in protecting the interest and security of the financial institutions, the compliance officers, the FRC and the public. STR information contains private and sensitive financial information as well as unproven allegations of individuals and entities. Confidential breaches may undermine the suspicious transaction reporting system and any prevention of criminal activities that could have been resulted from the STR.

- 7.1. Financial Institutions are to treat all STRs filed with the FRC as confidential. Under no circumstances should the customer of the Financial Institutions or any unauthorized person be aware that a report about them has been filed with the FRC.
- 7.2. All STRs should be protected by reasonable security safeguards against such risks as unauthorized access, destruction, use, modification or disclosure. Access to all STRs should be restricted and should be on a need-to-know basis.

8. What happens after a STR is received by FRC?

- 8.1. STRs received from reporting entities are analysed to determine if activities conducted by the reported individuals involved are suspicious or is linked to any suspicious activity or any existing investigation. The FRC gathers additional information from government and non-government records and in some cases from foreign counterparts in our analysis process.
- 8.2. If, after analysis and additional information gathering is conducted, the FRC finds enough information to substantiate a link between the activities to a serious offence, an intelligence will be disseminated to the relevant law enforcement agencies for further investigation. Otherwise, STRs are stored in the FRC's database for future reference and may be used to support any future analysis.

9. Feedback

The FRC may provide the following feedback

9.1. Quality of STRs submitted

As part of improvement in the quality of STRs submitted, the FRC will provide feedback in terms of missing important details, description of suspicious activities, etc. This will assist reporting entities in reporting future suspicious activity and a better understanding of a good STR. Generally, the better quality of an STR, the better quality STR will assist in better understanding/faster analysis and action on the suspicious activity.

9.2. Trends and typologies

The FRC will provide feedback of common indicators or current trends and typologies observed from the different STRs received from different reporting entities. This aims to facilitate awareness of current activities that may not be detected in your institution, that you should be vigilant of when monitoring transactions conducted in your institution.

9.3. If STR has led to successful investigation

It is always good to know if what has been reported as a STR has resulted in the detection and prevention or the successful conviction of a criminal activity. As you may be aware, information with regards to any open investigation cannot be revealed as such updates can only be provided after conviction in court. Note that the lack of information on successful investigations should not be taken as an indicator of the usefulness of an STR.

10. Comments

These guidelines paper will be reviewed on a periodic basis. If you have any comments or suggestions to help improve this paper, please send your comments by email to compliance@somfrc.so

ANNEX 1: Suspicious Transaction Reporting Form



FEDERAL REPUBLIC OF SOMALIA
FINANCIAL REPORTING CENTER
(FRC)

SUSPICIOUS TRANSACTION REPORT (STR) FORM

Reporting of suspicious transaction is required under Article 14 of AML/CFT Act, 2016 and Regulation 22 of the Financial Institutions 2018

Failure to report or reporting false or misleading information may result or imposed sanctions and penalties for non-compliance

PART I: DISCLOSING PARTY

1. SELECT TYPE OF REPORT

2. INSTITUTION NAME

3. CONTACT DETAILS OF THE HEAD OFFICE

3.1 Address

3.2 District / Area

3.3 Postal

If the subject of the disclosure is a company, fill in the below tables

6. COMPANY DETAILS

- 6.1 Name
- 6.2 Registered Address
- 6.3 Incorporation number
- 6.4 Type of business

If the subject of the disclosure is a trust, fill in the below tables

7. TRUST DETAILS

- 7.1 Trust name
- 7.2 Nature and purpose of the trust
- 7.3 Date of establishment
- 7.4 Identity of settler (s)
- 7.5 Identity of protector (s)
- 7.6 Trustee / Trustees
- 7.7 Beneficiary / Beneficiaries

PART III: ACCOUNT (S) SUBJECT OF THE SUSPICIOUS TRANSACTION REPORT

8. ACCOUNT DETAILS

- 8.1 Account number
- 8.2 Account-holder name
- 8.3 Sort / bank code

- 10.3 Incorporation number
- 10.4 Type of business
- 10.5 Relationship to main subject

11. ASSOCIATE DETAILS (Trust)

- 11.1 Trust name
- 11.2 Nature and purpose of the trust
- 11.3 Date of establishment
- 11.4 Identity of settler (s)
- 11.5 Identity of protector (s)
- 11.6 Beneficiary / Beneficiaries
- 11.7 Relationship to main subject

PART V: INFORMATION ABOUT SUSPICIOUS ACTIVITY OR TRANSACTION

12. SUSPICIOUS ACTIVITY (SA) OR SUSPICIOUS TRANSACTION (ST)

- 12.1 Date of ST / SA
- 12.2 Type of transaction (*cash, cheque, SWIFT*)
- 12.3 Amount involved (*CURRENCY*)
- 12.4 General description of suspicious activity
- 12.5 Source of fund (*account number, account name, sort/bank code, institution name*)

12.6 Destination of the fund (s) *(account number, account name, sort/bank code, institution name)*

--

12.7 Description of the transaction/Activity

--

12.8 Basis of suspicion

--

12.9 Has any action been taken by the reporting institution

--

12.10 Details or List of available documents

--

PART VI: DETAILS OF REPORTING OFFICER

13. REPORTING OFFICER

13.1 Full name

--

13.2 Position

--

13.3 Signature

13.4 Date

ANNEX 2: EXPLANATORY NOTES

Financial Institutions such as

- Banks and Microcredit providers shall complete the following parts in the STR form: Part I, II, III, IV (if it's applicable), V and VI.
- Money Transfer Business (Hawaalas) shall complete the following parts in the STR form: Part I, II, IV, V and VI.

PART I: DISCLOSING PARTY

- **Select Type of Report** – click the textbox and it will appear on the right-side a drop icon and then click the icon to select one of the following four themes (Money Laundering, Terrorist financing, Other Criminal Activity or Other) to indicate the basis of your suspicion. In most cases, it may not be possible to identify the actual criminal activity that is occurring. However, to assist in detecting suspicious transaction, reporting entity may refer to or screen transactions against red flag indicators, typologies and case studies. Please refer to **STR Guidance Notes** on the FRC website. It may sometimes require a combination of the indicators to occur for it to be suspicious.
- **Institution Name**
- **Contact Details of the Head Office** - such as the address, Area, postal, telephone numbers and emails
- **Address and contact details of the branch (es)** - where the activity / transaction took place such as the address, Area, postal, telephone numbers and emails

PART II: PERSON SUBJECT OF THE SUSPICIOUS TRANSACTION REPORT

Reporting entity shall only complete the applicable section. For example, if the subject is a person only complete the individual section and disregard the company and trust section.

- If the subject of the disclosure is an individual, provide Full name, Mother's Full Name, Aliases, Date of Birth, Place of Birth, Resident or registered Address, passport number, nationality (if it's not Somali national), ID number (if available), occupation and name of employer.
- If the subject of the disclosure is a company, provide company name, address, Incorporation number (License number) and type of business.

- If the subject of the disclosure is a trust, provide trust name, nature or purpose of trust, date of establishment, identity of settlers (name of the property owner), Identity of protector (name of third party to oversee the trust), name of trustees and name of beneficiaries. *There might not be any trust entities present in Somalia right now, but that could change the foreseeable future.*

PART III: ACCOUNT (S) SUBJECT OF THE SUSPICIOUS TRANSACTION REPORT

This section is applicable for the banks or microcredit providers to complete

- ACCOUNT DETAILS – provide account number, account name, sort/bank code, account type, account balance, date of account balance, date account opened, and date account closed.

PART IV: ASSOCIATES OF THE SUBJECT OF THE DISCLOSURE

- If the subject of the disclosure has an associate complete relevant section. For example – if the associate is person, complete the person section and disregard the company and trust sections.

PART V: INFORMATION ABOUT SUSPICIOUS ACTIVITY OR TRANSACTION

Reporting Entities shall provide, who is involved (name), what activity is occurring (kind of transactional activity occurred), when is the activity occurring (timeline), where is the activity occurring (district), how is the activity occurring (over the teller or ATM etc), and why the reporting entity has considered the transaction or attempted transaction suspicious (indicate the suspected offence).

- Provide, Date of suspicious transaction or activity, Type of transaction whether it is cash, cheque, swift or remittance, amount involved, General description of suspicious activity/transaction (refer to the aforementioned narratives), Source of fund – details such as account number, account name, sort/bank code, institution name & remitter name, Destination of the fund (s) details such account number, account name, sort/bank code, institution name, name of beneficiary and location, Description of the transaction/Activity specifics (refer to aforementioned narratives), Basis for suspicion (refer to the aforementioned narratives such as what and why), Has any action been taken by the reporting institution (mitigation measures taken after detection), Details or List of available documents (for disclosure).

PART VI: DETAILS OF REPORTING OFFICER

The designated AML/CFT officer under **Article 17 (b) of AML/CFT, Act 2016 and AML/CFT Regulation 26 for Financial Institutions 2018** named as Chief Compliance Officer shall be the person who is authorising the submission of the STR form.

- the Chief Compliance Officer shall sign and date the STR form or Compliance Officer in their absence, by their respective alternates shall sign the STR form