



# **Asia / Pacific Group on Money Laundering**

## **First Annual Report 1999 - 2000**

**April 2001**

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# 1. FOREWORD BY THE CO-CHAIRS OF THE APG

*“Provide a co-operative regional solution  
to the global problem of money laundering”*

We welcome you to share the activities and achievements of the Asia/Pacific Group on Money Laundering (APG) outlined in this Annual Report.

This is our first Annual Report. As well as setting out our achievements in the 1999-2000 financial year, it also briefly documents our beginning and our first three years of operation.

This has been a very rewarding year, with several new members welcomed to the APG and a range of plans set to offer a challenging year ahead.

This Annual Report provides a record of the day-to-day activities of the APG and outlines important activities, reports and strategies, which allow it to function effectively against a backdrop of geographical, cultural and economic diversity.

We would also like to make special mention of the people across the world who have supported the work of the APG since its launch and of the APG Secretariat team who provide the vital link between members, organisations and observers – all co-operating in the fight against money laundering and organised crime.

There are many challenges ahead for the APG as we have only really begun our journey towards greater international co-operation and co-ordination. These efforts – across legal frameworks, among law enforcers, within judicial settings and in the financial sector – will combine to create an environment which poses huge risk and many difficulties for organised criminals.

Gary Crooke QC  
Co-chair  
Australia



Dato' Huang Sin Cheng  
Co-chair  
Malaysia



Ambassador Rosalinda V. Tirona  
Outgoing Co-chair  
Republic of the Philippines



## 2. FOREWORD BY THE HEAD OF THE APG SECRETARIAT

It is a pleasure to provide an annual report on the work of the APG and the APG Secretariat for the first time. That this is possible, indeed necessary, is a reflection of the growing maturity of the APG and provides us with an opportunity to share the experiences we have gained over the last few years.

The APG was formally established following the fourth Asia/Pacific Money Laundering Symposium held in Bangkok, Thailand in February 1997 and had its first Annual Meeting in March 1998. At that time, only eight APG members had passed anti-money laundering laws. Significant progress has been made since then. By 30 June 2000, 12 members had passed anti-money laundering laws and the remaining seven members had them under consideration.

This is of course due largely to the commitment of the jurisdictions in the region but also owes something to the cohesive, constructive and co-operative nature of the APG. This is a credit to the members and a productive example to other jurisdictions in the region, a number of which either have enacted or are considering enacting anti-money laundering legislation.

As this Annual Report will show, the APG Secretariat is now busier than ever. We have a full work program of activities, involving our annual meeting, typologies exercises, a range of training initiatives and technical assistance and, very significantly, a busy program of mutual evaluations. I am confident that this work program will continue to expand the region's anti-money laundering efforts.

I would like to thank all the APG members and their dedicated officials for their efforts and support, and to encourage them to further enhance the effectiveness of the APG through continuing active participation in our joint efforts.

Rick McDonell  
Head of Secretariat



### **3. EXECUTIVE SUMMARY**

#### ***First Annual Report***

This is the APG's first Annual Report. As well as setting out our activities and achievements in the 1999-2000 financial year, it also briefly documents our beginning and our first three years of operation.

#### ***Purpose and Membership of the APG***

The purpose of the APG is to ensure the adoption, implementation and enforcement of internationally accepted anti-money laundering standards as set out in the 40 Recommendations of the Financial Action Task Force on Money Laundering (FATF). The APG was formally established in February 1997 in Bangkok and held its first annual meeting in Tokyo in March 1998.

Membership of the APG has expanded from a few core jurisdictions to a total of 19 members as at 30 June 2000. Membership currently comprises Australia, Bangladesh, Chinese Taipei, Fiji Islands, Hong Kong, China, India, Japan, Malaysia, New Zealand, Pakistan, Republic of Indonesia, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States of America and Vanuatu. There are also 11 observer jurisdictions and 14 observer international and regional organisations.

#### ***Establishment of the APG and Terms of Reference***

The APG was officially established in February 1997 at the fourth Asia/Pacific Money Laundering Symposium in Bangkok. Terms of Reference for the APG were agreed and adopted at that meeting and subsequently amended at later annual meetings (see Annex A).

#### ***Major Achievements from Establishment to June 1999***

The APG's major achievements during the period February 1997 to June 1999 were:

- the creation for the first time of a cohesive regional anti-money laundering body;
- an expansion of membership from 13 to 16 jurisdictions as at June 1999;
- the enactment of anti-money laundering legislation in many jurisdictions in the region;
- a better understanding of and action against money laundering methods through annual meetings, typologies workshops and various training and technical assistance initiatives;
- establishment of extensive and useful working relationships with related regional and international organisations; and
- direct benefit to law enforcement by increased information exchange.

#### ***Highlights of 1999-2000***

This year has witnessed a consolidation and maturing of the APG as a body. Highlights of the year have included:

- an expansion of membership, with the APG welcoming three new members (Malaysia, Pakistan and Samoa);
- the conduct of its Second and Third Annual Meetings, in August 1999 and June 2000;
- the conduct of its third Typologies Workshop in March 2000;
- the development and adoption of a Strategic Plan;
- endorsement of a Technical Assistance and Training Strategy and implementation of several training activities;

- the completion of the APG's first mutual evaluation and adoption of a schedule for the mutual evaluation of all members over the next three years; and
- adoption of a paper on regional co-operation and further enhancement of a co-operation with related regional and international organisations.

### ***Anti-Money Laundering Measures in the Asia/Pacific: A Regional Snapshot***

While much work remains to be done, the comparative progress made by jurisdictions in the Asia/Pacific region (including the 19 members of the APG) is shown through the following statistics:

#### *Vienna Convention 1988<sup>1</sup>*

In 1995, 12 jurisdictions had acceded to or ratified the Vienna Convention

In 2000, 21 jurisdictions had acceded to or ratified the Vienna Convention

#### *Anti-money laundering laws (narcotics offences)*

In 1995, 10 jurisdictions had enacted anti-money laundering laws

In 2000, 21 jurisdictions had enacted anti-money laundering laws and a further 16 were drafting such laws

#### *Anti-money laundering laws (serious offences)*

In 1995, 5 jurisdictions had enacted anti-money laundering laws

In 2000, 17 jurisdictions had enacted anti-money laundering laws and a further 16 were drafting such laws

#### *Suspicious transaction reporting*

In 1995, 10 jurisdictions had suspicious transaction reporting in place

In 2000, 17 jurisdictions had suspicious transaction reporting in place

### ***Future Priorities***

The APG has endorsed an ambitious work program for 2000-01. Highlights of the program include:

- mutual evaluations of four jurisdictions prior to the Annual Meeting in May 2001 (Samoa, Chinese Taipei, Labuan Offshore Financial Centre and Macau, China);
- a Mutual Evaluator Training Seminar, to be held in March 2001 in Bangkok;
- a second round APG self assessment questionnaire; and
- various technical assistance and training projects, including a regional technical assistance (RETA) project with the Asian Development Bank and a Pacific Islands Training Strategy Workshop to be held in February 2001.

<sup>1</sup> United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988

## 4. ROLE AND FUNCTIONS OF THE APG

The purpose of the APG is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money laundering standards as set out in the 40 Recommendations of the Financial Action Task Force on Money Laundering (FATF). The APG was formally established in February 1997.

The APG's main functions are:

- to facilitate the adoption and implementation of international anti-money laundering standards;
- to encourage the enactment of laws to deal with proceeds of crime;
- to facilitate the provision of legal and technical assistance in the setting up of systems designed to combat money laundering;
- to encourage the enactment of laws to enable confiscation and forfeiture of proceeds of crime;
- to encourage co-operation in extradition applications;
- to encourage the reporting of suspicious transactions;
- to encourage the establishment of Financial Intelligence Units (FIUs);
- to reduce the vulnerability to money laundering in the Asia/Pacific region as other regions introduce anti-money laundering measures; and
- to develop a plan of action to address regional co-operation, the adoption of standards and to provide assistance to jurisdictions in tackling the problem.

Membership of the APG has expanded from a few core jurisdictions to a total of 19 members as at 30 June 2000. Membership currently comprises Australia, Bangladesh, Chinese Taipei, Fiji Islands, Hong Kong, China, India, Japan, Malaysia, New Zealand, Pakistan, Republic of Indonesia, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States of America and Vanuatu. There are also 11 observer jurisdictions<sup>2</sup> and 14 observer international and regional organisations<sup>3</sup>.

Membership of the APG is open to any jurisdiction within the Asia/Pacific region which actively recognises the need for action to be taken to combat money laundering. Members must also recognise the benefits obtained through sharing knowledge and experience and take or consider taking steps to develop, pass and implement anti-money laundering legislation and other measures based on accepted international standards.

It is not a precondition for participation in the APG that anti-money laundering laws be already enacted.

In June 2000, at its third Annual Meeting, the APG adopted the following mission statement:

***To provide a co-operative regional solution to the global problem of money laundering.***

<sup>2</sup> Brunei Darussalam, Canada, Cook Islands, France, Macau, China, Nepal, Niue, Republic of the Marshall Islands, Republic of Nauru, Union of Myanmar, Vietnam.

<sup>3</sup> ASEAN Secretariat, Asian Development Bank, Commonwealth Secretariat, Egmont Group of Financial Intelligence Units of the World, Financial Action Task Force on Money Laundering Secretariat, International Development Law Institute, International Monetary Fund, Interpol, Offshore Group of Banking Supervisors, South Pacific Forum Secretariat, United Nations Drug Control Program (UNDCP), United Nations Office of Drug Control and Crime Prevention (UNODCCP), The World Bank, World Customs Organisation.

## 5. DEVELOPMENTS PRIOR TO THE CURRENT FINANCIAL YEAR

This is the APG's first annual report. The APG has been in existence since February 1997. This chapter of the annual report briefly documents 'for the record' the background to the establishment of the APG and its activities prior to the 1999-2000 financial year.

### Background to the Establishment of the APG

The establishment of the APG was a regional response to the global threat of money laundering. This section of the report briefly describes the nature of that threat and the countermeasures developed by the international community.

#### ***Defining Money Laundering: Its Nature and Scope***

In lay terms money laundering is most often described as the "turning of dirty money into clean money". Generally, the act of conversion and concealment is considered crucial to the laundering process. Perhaps the simplest definition then, is that money laundering is *the process of converting cash, or other property which is derived from criminal activity, so as to give it the appearance of having been obtained from a legitimate source.*

Successful money laundering enables criminals to:

- *remove or distance themselves* from the criminal activity generating the profits, thus making it more difficult to prosecute key organisers;
- *distance profits* from the criminal activity - to prevent them being confiscated if the criminal is caught;
- *enjoy the benefits of the profits* without bringing attention to themselves; and
- *reinvest the profits* in future criminal activity or in legitimate business.

The desirability of estimating the amount of money laundering that is occurring worldwide has been recognised for some time. Yet, producing a reliable estimate has proven to be problematic largely because it is, by definition, a concealed activity. Money laundering would certainly seem to be a significant problem amounting to at least hundreds of billions of dollars a year, and part of those funds would be adding to an international stock of illicit cash and assets purchased with proceeds of crime, thereby increasing the strength of a number of transnational organised crime groups. It can also be concluded that money laundering globally now presents not only a problem for criminal justice systems but also a macroeconomic problem.

#### ***Significance of Money Laundering for Governments***

The most obvious reason to establish money laundering counter-measures is to stop criminals from achieving the benefits of money laundering. Specifically:

- to stop them from enjoying the personal benefits of their profits (this may act as a deterrent as well as a punishment);
- to prevent them from reinvesting their funds in future criminal activities (that is to strip them of their working capital base); and



- to provide law enforcement with a means to detect criminal activities through the audit trail and to provide an evidentiary link for prosecution purposes between criminal acts and major organisers.

There are other negative consequences of money laundering, however, which are found at a macroeconomic level. These arise due to the absolute size of criminal proceeds entering the financial system each year, and the even greater mass of accumulated funds and assets. These negative consequences are a feature of the money itself and thus are relevant to any jurisdiction in which these funds move.

The main negative consequence is the impact money laundering can have on the stability of the financial system. A large-scale money laundering operation, involving one or more of a jurisdiction's financial institutions could, once detected, put at risk a smaller nation's entire financial system through the loss of credibility and investor confidence. Even the potential for financial institutions to be used by money launderers can greatly damage a jurisdiction's financial reputation and the institutions themselves.

A 1996 paper by the International Monetary Fund on the macroeconomic implications of money laundering reported that the level of money laundering is highly significant in determining currency and money balances, and may have a perceptible influence on economic growth rates. It canvassed available empirical estimates to identify macroeconomic consequences of money laundering, which included:

- policy mistakes due to measurement errors in macroeconomic statistics arising from money laundering;
- volatility in exchange and interest rates due to unanticipated cross border transfers of funds;
- development of an unstable liability base and unsound asset structures of individual financial institutions or groups of such institutions, creating risks of systemic crises and hence monetary instability;
- effects on tax collection and public expenditure allocation due to misreporting and under-reporting of income;
- misallocation of resources due to distortions in relative asset and commodity prices arising from money laundering activities; and
- contamination effects on legal transactions due to the perceived possibility of being associated with crime.<sup>4</sup>

### ***Money Laundering Countermeasures***

Until the mid-1980s, no jurisdiction had in place legislation specifically to address the crime of money laundering. In most places today, money laundering is seen as an issue for financial markets as well as criminal justice systems, raising questions about governance, anti-corruption measures, reputation and financial stability. To move forward, many jurisdictions now involve central banks, finance and justice ministries and law enforcement agencies in their strategies to address the issues. By the mid-1990s, the number of jurisdictions in the Asia/Pacific region who had responded with legislation had grown.

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<sup>4</sup>Quirk, Peter J. *Macroeconomic Implications of Money Laundering* June 1996, Working Paper, International Monetary Fund Monetary and Exchange Affairs Department WP/96/66 p27-28.

## *Financial Action Task Force on Money Laundering (FATF)*

The first co-operative policy response to money laundering was by the Financial Action Task Force on Money Laundering (FATF) – founded in 1989 by the G7 industrialised countries and today consisting of 29 members, most of whom are OECD members.

The first task of the FATF was to determine what steps should be taken to deter and detect money laundering. The result of the initial work of the task force was the publication of 40 Recommendations, now known universally as "the FATF's 40 Recommendations". The Recommendations cover three areas - legal, financial and regulatory, and law enforcement. A copy of the 40 Recommendations is at Annex D

In the legal area, the first requirement is to ensure that money laundering is made a criminal offence and that there are legal measures to enable the confiscation of proceeds of crime.

In the financial and regulatory area, there must be a prohibition on anonymous accounts and procedures within financial institutions to identify and report suspicious transactions.

In the law enforcement area, there must be the widest range of assistance between jurisdictions in money laundering investigations and prosecutions, and the capacity to extradite individuals charged with money laundering offences.

The 40 Recommendations have now been implemented in their entirety in almost all of the FATF member countries. The Recommendations have been accepted internationally as the global policy standard for anti-money laundering measures. This is shown not only by the adoption of the 40 Recommendations within the FATF and regional bodies but also by the United Nations Political Declaration and Action Plan Against Money Laundering adopted by the UN General Assembly in June 1998.

### **1993 – 97: *Symposia and the Asia Secretariat***

In conjunction with the Commonwealth Secretariat, the FATF began 'awareness raising' in the Asia/Pacific region several years ago as part of its global strategy. A number of symposia were held, the first in Singapore in April 1993. A second symposium was held in Kuala Lumpur, Malaysia in November/December 1994, at which time 16 attending governments had endorsed and agreed to implement the FATF's 40 Recommendations.

In order to achieve more concrete results, Australia agreed in 1995 to set up a Secretariat with the aim of getting regional commitment and establishing a regional group with practical objectives. The Asia Secretariat, in co-operation with the Commonwealth Secretariat and other international bodies, continued to work to garner support for anti-money laundering measures. Typologies Workshops were held in Hong Kong in October 1995 and November 1996, and the Third Asia Money Laundering Symposium was held in Tokyo in December 1995.

## **Establishment of the APG and its first years of operation**

### ***Background and Overview***

The APG was officially established in February 1997 at the fourth Asia/Pacific Money Laundering Symposium in Bangkok.

Terms of Reference for the APG were agreed and adopted at that meeting. The Terms of Reference have been revised and approved at each of the APG's annual meetings – Tokyo, Japan, March 1998; Manila, The Philippines, August 1999; and Sydney, Australia, June 2000.

The APG's major achievements during the period February 1997 to June 1999 were:

- an expansion of membership from 13 to 16 jurisdictions as at June 1999;
- the enactment of anti-money laundering legislation in many jurisdictions in the region;
- a better understanding of and action against money laundering methods through annual meetings and typologies workshops and other training and technical assistance;
- establishment of extensive and useful working relationships with related regional and international organisations; and
- direct benefit to law enforcement by increased information exchange.

### ***Membership***

Representatives from jurisdictions throughout the region and international organisations attended the Bangkok Symposium in February 1997. Thirteen jurisdictions indicated their intention to join the APG at the Bangkok Symposium. They were:

Australia, Bangladesh, Chinese Taipei, Hong Kong, China, Japan, New Zealand, People's Republic of China, Philippines, Singapore, Sri Lanka, Thailand, United States of America and Vanuatu.

By the time of the First Annual Meeting in March 1998, Fiji, India and the Republic of Korea had joined the APG. As at 30 June 1999, the APG's membership stood at 16.

### ***Co-Chairs***

The APG decided at its first Annual Meeting to appoint two Co-Chairs. Australia has, since the APG's inception, occupied one of the Co-Chair positions, with the other being rotated amongst Members.

The inaugural Co-Chairs were Mr John Broome, Chairperson, National Crime Authority, Australia and Ambassador Rodolfo I Dumapias, Special Assistant, Office of the Secretary, Intelligence and Security Services, Department of Foreign Affairs, Republic of the Philippines.

In June 1999, Mr Dumapias was replaced as Co-Chair by Ambassador Rosalinda V Tirona, Assistant Secretary, Department of Foreign Affairs.

In September 1999, Mr Broome was replaced by Mr Gary Crooke QC, the new Chairperson of Australia's National Crime Authority.

Brief resumes of the current Co-Chairs can be found in the next chapter of this report.

## ***Terms of Reference***

Terms of Reference were adopted at the Bangkok Symposium and have been amended at subsequent annual meetings. The Terms of Reference, as amended at the Third Annual Meeting held in June 2000, can be found at Annex A.

## ***Budget***

In its early years, the Secretariat was funded primarily by Australia with other contributions from the United States, Japan, Hong Kong, China, the United Kingdom and Singapore.

At the first Annual Meeting in March 1998, members adopted an Action Plan which included a commitment to develop specific budgetary requirements and proposals for options on how to fund the APG Secretariat and the agreed upon work plan (see next chapter for further details).

## ***APG Secretariat***

The APG Secretariat was formally established in February 1997 and is located in Sydney, Australia.

## ***Role of the Secretariat***

The role of the Secretariat is to assist jurisdictions in the Asia/Pacific region to introduce internationally accepted anti-money laundering measures. Responsibilities of the Secretariat include:

- providing secretariat services to the APG;
- providing expertise and material concerning money laundering to member jurisdictions and other interested parties;
- organising/conducting the APG's annual and other meetings;
- preparing, conducting and chairing specialist law enforcement typology workshops (methods, trends and case studies on money laundering);
- reporting to and advising the APG annual meeting and Working Groups and the FATF;
- providing advice and information to and linkages between agencies (especially financial, legal and law enforcement agencies) on anti-money laundering matters;
- establishing and maintaining effective working relationships with relevant international and regional organisations in order to advance the APG's work and its regional strategy;
- implementing the APG's technical assistance and training strategy including improvements to information exchange mechanisms and financial investigation skills;
- preparing assessment mechanisms and conducting evaluations of the anti-money laundering systems in jurisdictions in the Asia/Pacific region.

## **Staff**

Rick McDonell has been Head of the APG Secretariat since its inception. Mr McDonell is a lawyer specialising in criminal law. He has previously worked as a University tutor and in private legal practice. He has worked with a Government appointed special commission into certain aspects of organised crime and has worked as a Federal prosecutor. For fifteen years he also worked in areas of criminal investigation and prosecution in Australia including domestic and international organised crime and money laundering investigation cases.

Immediately prior to his present position he worked for three years as National Co-ordinator of Investigations for Australia's National Crime Authority which is a specialist organised crime investigation agency.

Merle Tuckey was the Executive Assistant in the Secretariat from its inception to her retirement in November 1999. Bob Lightfoot was seconded to the APG Secretariat from the Reserve Bank of Australia as a consultant from September 1997 to November 1998. Anastasia Petropoulos became the Project Officer and Administrator of the APG Secretariat in April 1998.

Contact details for the APG Secretariat can be found at the end of this report.

## **Annual Meetings**

The APG's Terms of Reference specify that the APG will meet at least once each year. The first such meeting was held in Tokyo in March 1998 (summaries of subsequent meetings can be found in the following chapter).

### ***Summary of APG 1<sup>st</sup> Annual Meeting, Tokyo, March 1998***

Representatives of 25 jurisdictions and seven international organisations or bodies, comprising member jurisdictions and observers to the APG, attended the First Annual Meeting of the APG in Tokyo, Japan on 10 - 12 March 1998.

The meeting began by noting that while the APG was created in Bangkok in February 1997, this was its first substantive meeting. The member jurisdictions agreed that the APG will be an extremely viable and informative regional organisation in the global effort to deter and reduce money laundering.

The meeting noted an assessment by the International Monetary Fund that it regards the adoption of anti-money laundering standards as "crucial to the smooth functioning of financial markets." The Managing Director of the IMF has said that "the estimates of the present scale of money laundering transactions are almost beyond imagination – 2 to 5 percent of global GDP would probably be a consensus range."

The meeting noted the particular economic difficulties facing a number of jurisdictions in Asia at that time and further noted that because of these difficulties there is an even greater need for the introduction of sound and transparent financial and regulatory systems that can address money laundering issues.

The meeting adopted Revised Terms of Reference for the APG which, in particular, clarified questions of membership and procedure.

The meeting considered and endorsed a report of a Working Party of the APG, which met in Beijing in July 1997. The Working Party had agreed that the 40 Recommendations of the FATF were the guiding principles for the creation of an effective anti-money laundering framework.

The Working Party also identified a number of activities to be undertaken by the APG and that are reflected in the endorsed Action Plan.

Noting the diversity of legal and economic systems within the region, while emphasising the commitment to effective anti-money laundering strategies, the APG recognised that a measure of flexibility is required in the way each jurisdiction deals with the issue. The APG also recognised that there are certain regional factors which it will need to deal with including adding additional measures or explanatory notes to the 40 Recommendations to enable members to implement an effective anti-money laundering framework.

Jurisdiction reports demonstrated that many of the jurisdictions at the meeting had made significant progress toward implementation of the internationally accepted anti-money laundering standards.

The emphasis throughout the deliberations was on practical and effective responses that could be taken by member jurisdictions or by the APG itself. In this connection, the APG meeting incorporated specialist workshops that examined the particular needs of the financial, legal and law enforcement sectors in each jurisdiction. Experts identified specific strategies to combat money laundering that could be assisted, co-ordinated or conducted under the auspices of the APG. The key findings of each workshop were as follows:

#### Legal Workshop

The Legal Workshop collected and summarised information from participating jurisdictions concerning the current status of laws on money laundering, bank secrecy, extradition, and mutual legal assistance treaties. Participants agreed to provide written summaries of this information, as well as contact points for this information, to the Secretariat by the end of May 1998. Each participant also identified his or her particular jurisdiction's need for, or ability to provide, training and technical assistance in legal matters.

#### Financial Workshop

The majority of the participants in the Financial Workshop were of the view that jurisdictions need to have laws, regulations, policies or procedures that require the identification of customers, the reporting of suspicious transactions by financial institutions to competent authorities, and protection from liability to financial institutions for such reporting. The Workshop agreed to provide information on existing secrecy laws, regulations or policies, information sharing procedures and points of contact which will be collated into a handbook to be provided to the participants. The Workshop was also of a consensus that the APG should develop a training and technical assistance strategy.

#### Law Enforcement Workshop

The Law Enforcement Workshop participants believed that their discussion was extremely useful and that more time should be allocated to workshop sessions at future APG meetings. Many topics were discussed, and there was general consensus on a range of topics, including that:

- Financial Intelligence Units ("FIUs") as defined by the Egmont Group constitute best practice for the receipt, analysis and dissemination of financial information related to money laundering investigations;
- there is a continued need for regional typologies meetings and that the priority topics for consideration at such meetings should be trust-based, unlicensed remittance services and offshore banking;
- jurisdictions need to focus in various ways on improving co-operation between law enforcement and financial institutions; and



- training sessions can serve as a particularly useful venue for networking among law enforcement personnel from various jurisdictions.

Each of the international organisations which attended the meeting emphasised the importance of the issue of money laundering and indicated that the operation of the APG was a significant step to countering this threat in the region. The importance of effective anti-money laundering initiatives to the sound operation of financial markets was emphasised by a number of international organisations. Each of the organisations said they were committed to assisting the APG in its work in the region.

### ***Typologies Workshops***

The APG has conducted three annual money laundering methods and proceeds of crime typologies workshops: in Wellington, New Zealand, October 1998; Tokyo, Japan, March 1999, and Bangkok, Thailand, March 2000. Summary reports of these workshops are at Annex B.

The typologies workshops have four main purposes:

- to bring together knowledgeable law enforcement officers and other specialists in the areas of money laundering investigations and regulations;
- to identify the current ways by which proceeds of crime are used or laundered in the Asia/Pacific region;
- to determine any emerging money laundering trends or patterns within and between jurisdictions in the Asia/Pacific region; and
- to consider ways to improve international co-operation in the detection, investigation and seizure of proceeds of crime, and where appropriate, the repatriation of the proceeds of crime, especially when the proceeds are transmitted to other jurisdictions.

### ***APG Working Group on Underground Banking and Alternative Remittance Systems***

A key outcome of the second APG workshop on money laundering typologies (Tokyo, Japan March 1999), was agreement that a Typologies Working Group be established to undertake: 'a co-ordinated and intensive examination of money laundering through underground banking and alternative remittance systems.' It was further agreed that the first task of this Typologies Working Group would be the compilation and analysis of an ongoing collection of case studies on underground banking and alternative remittance systems. Australia and Thailand agreed to act as Co-Chairs of the Typologies Working Group. The Working Group reported to the APG's Second Annual Meeting held in August 1999.

### ***Self-Assessment Exercise***

#### ***Background***

At the fourth Asia/Pacific Money Laundering Symposium, held in Bangkok, Thailand in February 1997, most jurisdictions represented completed a questionnaire containing 20 questions each on legal and financial aspects of money laundering.

Responses were received to the questionnaire from 18 jurisdictions.<sup>5</sup> The Secretariat collated and summarised those responses. Copies of the summary were distributed to participants.

As a result of that experience, the formation of the APG and an APG Working Party meeting held in Beijing in July 1997, it was decided that a “Jurisdiction Report”, based on a questionnaire, be prepared by the Secretariat for use by APG members (and observers).

It was the view of the Working Party that the “Jurisdiction Reports” should form the first step towards self-assessment. As a consequence, the Secretariat developed a questionnaire based on the FATF self-assessment questionnaires for legal and financial issues.

While the questionnaire developed for the APG was based on the FATF documents, it was modified in a number of ways to reflect local conditions and circumstances.

The questionnaire was intended not only to provide the Secretariat with information on the status of anti-money laundering measures in the region but also to enable each jurisdiction to assess its situation against world’s best practice with regard to both legal and financial aspects of anti-money laundering policy and practice.

### *Implementation and Distribution – APG Self-Assessment Questionnaire, 1998 – 1999*

The questionnaire was distributed to the 24 jurisdictions listed below, at the first APG Annual Meeting, held in Tokyo, Japan in March 1998.

APG members: Australia; Bangladesh; Chinese Taipei; Fiji; Hong Kong,China; India; Japan; Korea; New Zealand; The Philippines; Singapore; Sri Lanka; Thailand; United States of America; Vanuatu.

Observers: Brunei Darussalam; Cambodia; Indonesia; Lao PDR; Macau; Malaysia; Nepal; Pakistan; Vietnam.

### *Responses*

Completed questionnaires were returned by 14 jurisdictions (nine members and five observers).

APG members: Australia; Chinese Taipei; Fiji; Hong Kong,China; Japan; New Zealand; Singapore; Thailand; United States of America.

Observers: Brunei Darussalam; Cambodia; Macau; Malaysia; Pakistan.

Lao PDR did not return a completed questionnaire but indicated that the answers given to the earlier (1997) questionnaire should be taken as still being valid. A number of other initial responses were followed up in relation to outstanding matters about certain questions. Most of these follow-ups were successful and outstanding matters regarding the responses were provided by Cambodia; Fiji; Malaysia; Pakistan; and the United States of America.

The responses provided by Australia; Chinese Taipei; Hong Kong,China; Japan; Macau; New Zealand; Singapore; and Thailand were regarded as complete, any aspects requiring clarification having been resolved.

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<sup>5</sup> The jurisdictions which provided responses were: Bangladesh; Cambodia; Chinese Taipei; Hong Kong, China; India; Indonesia; Japan; Korea; Lao PDR; Malaysia; New Zealand; Pakistan; People’s Republic of China; Sri Lanka; Thailand; The Philippines; Vanuatu; and Vietnam.



## *Results*

Not surprisingly, the results showed that the FATF members in the region had generally done most with regard to both anti-money laundering policy and practice. However, a number of other jurisdictions had taken important steps in developing anti-money laundering strategies.

The questionnaire provided the Secretariat with valuable information on the status of anti-money laundering measures in much of the region. It also enabled participating jurisdictions to assess their situations against world's best practice.

## *Future Assessments*

The APG Secretariat is currently revising the questionnaire to distribute to members in early 2001.

## ***Co-operation with other bodies and related developments in the region***

Over the last ten years money laundering has become a significant international issue. The G7, the OECD, the United Nations, APEC Finance Ministers, ASEM Leaders, International Monetary Fund and Commonwealth Heads of Government (and others) have identified the global problem of money laundering and are supporting anti-money laundering policy and practises in their member countries.

International and regional co-operation (as part of international efforts to implement a global anti-money laundering network) assist in strengthening existing institutional capacity at the regional level, and will assist in developing new (or enhance existing) institutional capacity at the national level.

Since its inception, the APG has put considerable effort into establishing effective working relationships with international and regional bodies working in the anti-money laundering area. Such international and regional co-operation facilitates the:

- building of technical expertise on the basis of a better understanding of the problems faced by each jurisdiction, across regions and internationally;
- strengthening, on a national, regional and international basis, of the ability of financial institutions to resist the threats of criminal capital flows;
- creation of technical expertise and systems necessary to develop the self-sustaining growth of anti-money laundering organisations suited to local conditions;
- strengthening of law enforcement and judicial co-operation between jurisdictions; and
- continuing ongoing existence of dialogue, mutual trust and understanding between judicial, financial and law enforcement agencies in order to tackle international organised crime and drug trafficking.

Significant instances of regional and international co-operation undertaken in the APG's first two and a half years of operation included:

- provision of technical and other assistance to Thai authorities in the drafting of their anti-money laundering legislation and the establishment of a Financial Intelligence Unit and training of relevant law enforcement officials;

- extensive involvement in the South Pacific region, including the conduct of ‘roadshows’ in May 1998 and November 1998 to offshore centres to present and discuss issues on money laundering. The first roadshow included Vanuatu, Fiji, Niue, Samoa, Cook Islands and Tonga. This trip was sponsored by the Reserve Bank, New Zealand. The second roadshow visited the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu. It was designed to raise awareness of the wider consequences and risks inherent in the perpetration of financial crime and to reinforce the need for effective, internationally recognised countermeasures at national and regional levels. Assistance was also arranged for the Cook Islands, Samoa and Vanuatu in the drafting of their anti-money laundering laws;
- involvement and co-operation with various regional organisations, including the Asia Pacific Economic Co-operation forum (APEC), the Council for Security Co-operation in the Asia Pacific (CSCAP), the South East Asian Central Banks (SEACEN), the Commonwealth Heads of Government Meeting (CHOGM) and the United Nations (UN). For example, the APG attended and presented a paper at the CSCAP Study Group on Transnational Crime meeting held in Bangkok in October 1997. The APG also contributed to a workshop conducted by SEACEN and the Labuan Offshore Financial Services Authority in May 1998 on Regulatory Aspects in International Financial Centres and attended the UN General Assembly Special Session Money Laundering Panel Discussion in New York in June 1998.

## 6. 1999 – 2000: THE YEAR IN REVIEW

### Highlights

This year has witnessed a consolidation and maturing of the APG as an organisation. Highlights of the year have included:

- an expansion of membership, with the APG welcoming three new members (Malaysia, Pakistan and Samoa);
- the conduct of its Second and Third Annual Meetings, in August 1999 and June 2000;
- the conduct of its third Typologies Workshop in March 2000;
- the development and adoption of a Strategic Plan;
- endorsement of a Technical Assistance and Training Strategy and implementation of several training activities;
- the conduct of the first mutual evaluation and adoption of a schedule for the mutual evaluation of all members over the next three years; and
- adoption of a paper on regional co-operation and further enhancement of co-operative relationships with related regional and international organisations.

These achievements are outlined in greater detail below.

### New Members

Malaysia, Pakistan and Samoa were warmly welcomed as new members of the APG during the year, bringing the membership to 19 jurisdictions.

### Co-chairs

The co-chairs are:

#### **Ambassador Rosalinda V. Tirona (1999-2000) outgoing**

Ambassador Rosalinda V Tirona, Assistant Secretary, Department of Foreign Affairs was appointed APG Co-Chair in June 1999 and served as Co-Chair for one year. Ambassador Tirona is a distinguished Philippines diplomat with 32 years experience particularly in matters concerning the United Nations. She is currently the Director of the United and International Organisation Division of the Philippines Department of Foreign Affairs. The APG would like to thank Ambassador Tirona for her significant contribution to the consolidation of the APG and, in particular, to her role in strengthening regional relations on behalf of the APG.

#### **Gary Crooke QC (1999-2001)**

Gary Crooke QC is the Chairman of the National Crime Authority, an Australian crime fighting agency established to combat complex, national organised crime. His appointment to this role follows a distinguished legal career spanning 33 years. In 1982 he was appointed a Queen's Counsel and in 1993 he was made a life member of the Bar Association of Queensland. He has acted as senior counsel assisting both the high-profile Fitzgerald Inquiry and the Wood Royal Commission into the New South Wales Police Service. Mr Crooke has also held the role of President of the Australian Bar Association and as Vice President of the Law Council of Australia.

## **Dato' Huang Sin Cheng (2000-2001) incoming**

Dato' Huang Sin Cheng was appointed Co-Chair in June 2000. He has been the Deputy Governor of Bank Negara Malaysia (Central Bank of Malaysia) since May 2000. He joined Bank Negara Malaysia as an Administrative Officer in 1967 and has served the Bank for 33 years. His long service with the Bank has enabled him to acquire expertise in many areas of central banking and financial operations. He assumed Co-Chair of the APG in May 2000.

## **Budget and Financial Statements**

A draft APG Budget Paper containing proposals for funding the work of the APG was considered at the Second Annual Meeting held in August 1999. Members agreed that, in order to ensure the continued viability of the APG, they must agree to a basis on which the APG will be funded. Members considered a formula based on GDP which provided a predictable and equitable basis for the APG Secretariat. While noting that some members have contributed to the APG at levels of funding in excess of that provided by the proposed formula, it was understood that this level of funding could not be expected to continue indefinitely. It was therefore necessary to ensure a predictable funding formula. Members agreed to respond to the APG Secretariat by 31 October 1999 concerning the funding proposals and the funding formula was subsequently adopted.

The APG's total operating revenues for 1999-2000 were AUD\$628,363 and total operating expenses were AUD\$592,211. As at 30 June 2000, total assets were AUD\$143,066. The full financial statements for the financial year 1999-2000 are at Annex C.

At the Third Annual Meeting held in June 2000, the meeting agreed to an overall budget for the APG Secretariat for the 2000-01 financial year of US\$325,000 excluding voluntary donations, and decided that contributions would be in accordance with calculations determined by the agreed formula. The meeting also decided that the budget formula for the APG should be further revised at the next annual meeting and to that end directed the Secretariat to prepare alternative options for consideration.

## **Annual Meetings**

### ***Summary of APG 2nd Annual Meeting, August 1999***

The Second Annual Meeting was held in Manila, The Philippines on 4-6 August 1999. Representatives of 25 jurisdictions and ten international and regional organisations attended. The meeting was hosted by the Asian Development Bank and the Republic of the Philippines.

### ***International Anti-Money Laundering Standards***

An explanation of the 40 Recommendations of the FATF was provided by the FATF Secretariat.

The meeting noted other initiatives in relation to money laundering that have been undertaken by various national and international organisations since the last meeting including such as:

- the unanimous adoption by the UN General Assembly of the Political Declaration and Action Plan Against Money Laundering at the General Assembly Special Session, in June 1998;

- the continuing deliberations in relation to the UN Draft Convention on Transnational Organised Crime;
- the Second Asia Europe Meeting (ASEM II), in which the Leaders called for an initiative against money laundering;
- the Manila Ministerial Meeting on Transnational Crime held in 1998 which discussed ways to combat money laundering and other transnational crimes more effectively in Asia and the Pacific; and
- the ASEAN initiative on the establishment of a Transnational Crime Centre.

### *Sharing of Information and Experiences*

A number of jurisdictions were called upon to share their experiences in establishing anti-money laundering systems. Jurisdictions explained how they implemented international standards, reported suspicious transactions and established financial intelligence units. The need to evaluate the effectiveness of anti-money laundering systems was discussed in the light of the experience of members who had undergone mutual evaluations.

The meeting received written and oral reports from the APG Secretariat concerning:

- a draft outline of anti-money laundering laws passed or under consideration in the Asia/Pacific region;
- the collated responses to the APG Jurisdiction Questionnaire distributed at the first annual meeting, covering legal and financial issues relevant to money laundering;
- the APG Money Laundering Methods and Typologies Workshop held in Wellington, New Zealand in October 1998;
- the APG Money Laundering Methods and Typologies Workshop held in Tokyo, Japan in March 1999; and
- the APG Typologies Working Group established at the Tokyo Typologies Workshop.

An oral and written report was also given by Thailand, as co-chair of the APG Typologies Working Group, on the Working Group's first task: the collection of case studies on underground banking and alternative remittance systems.

In addition the participants submitted to the APG Secretariat information to enable the completion of the APG Contact Points List for Members and the APG Contact Points List for Observer Jurisdictions and International and Regional Organisations.

### *International and Regional Co-operation*

The meeting noted and accepted the draft paper on International and Regional Co-operation prepared by the Secretariat.

During the plenary oral reports were received from the international and regional organisations and groups regarding the functions and activities of those organisations and groups in relation to anti-money laundering initiatives.

In addition, a separate meeting of international and regional organisations and groups was held. Two distinct perspectives emerged. The first related to those international and regional organisations with an operational focus in areas of law enforcement. Those organisations highlighted the need for close co-operation in the investigation of money laundering activities and the provision of training and technical assistance. The second related to those organisations with responsibilities in the financial sector. They emphasised the importance of good governance and anti-corruption policies in the financial sector and the relationship of anti-money laundering initiatives to those policies. Each of the organisations expressed its support for the APG in its work in the region.

### *Breakout Group Workshops*

The emphasis throughout the meeting was on practical and effective responses to money laundering which could be taken by member jurisdictions or by the APG itself. In this connection, the meeting incorporated three specialist breakout group workshops which examined the particular needs of the financial, legal and law enforcement sectors in each jurisdiction. Experts in each breakout group identified specific strategies to combat money laundering that could be assisted, co-ordinated or conducted under the auspices of the APG. A written report was prepared by each breakout group.

### *Future Work and Action Plan for the APG*

The following papers were introduced and endorsed by the Plenary:

- draft Technical Assistance and Training Paper (discussed further below); and
- draft APG Membership Paper.

The following papers were introduced for consideration and were endorsed in principle by the plenary. Further comments on the details of these papers were to be provided to the Secretariat:

- draft APG Strategic Plan; and
- draft Outline for an APG Annual Report.

The meeting noted the outcomes of the typologies workshops which were held in Wellington and Tokyo. The members recognised the importance of these workshops in providing practical information to members about current trends in money laundering methods and countermeasures and emphasised the need for typologies exercises to be conducted on a regular basis. The members welcomed the establishment of the APG Typologies Working Group and noted that its first task was the collection of comprehensive case studies on Underground Banking and Alternative Remittance Systems.

Members agreed to establish a mutual evaluation process to assess the effectiveness of anti-money laundering initiatives in member jurisdictions. Members noted that this would ensure that the procedures of the APG were consistent with the internationally established and accepted practice for evaluating the effectiveness of the process. The participants agreed to the implementation of a suitable mutual evaluation process, relevant to the APG, to evaluate the effectiveness of anti-money laundering programs based on accepted international standards and agreed to the conduct of evaluations of member jurisdictions.

The meeting noted the significant advances of the APG since its first annual meeting. It recognised that the APG is now becoming a mature body contributing to successful anti-money laundering initiatives in the region. It noted the action tasks which had been identified during the meeting to be conducted in the coming year, and looked forward to the completion of the tasks it had endorsed.

The meeting noted that since the last meeting anti-money laundering laws had been passed in Thailand and were before parliament in a number of other jurisdictions.

There was consensus among the participants that membership of the APG is a necessary component for the continued viability and success of the APG. The participants identified specific benefits and obligations that will flow from membership. Benefits of membership would include the opportunity to participate in all meetings of the APG, including typologies meetings and ad hoc working parties established to address particular issues as well as other specific activities and initiatives, such as training and technical assistance.

### ***Summary of APG 3rd Annual Meeting, June 2000***

Representatives of 29 jurisdictions and 14 international and regional organisations and bodies attended the meeting, which was held in Sydney, Australia from 30 May to 2 June 2000.

The meeting was opened by Senator, the Honourable Amanda Vanstone, Minister for Justice and Customs, Australia. In her opening address the Minister emphasised the importance of anti-money laundering initiatives because of the undermining affect on the financial system which money laundering can cause. She also noted a number of emerging issues which required particular attention including money laundering by means of the internet, internet banking, electronic gambling and underground banking and alternative remittance systems.

Malaysia, Pakistan and Samoa were welcomed as new members of the APG bringing the membership to 19 jurisdictions.

The President of the Financial Action Task Force on Money Laundering (FATF), Dr Gil Galvao, addressed the meeting and highlighted the significant risks to financial systems and economies which arise from the problem of money laundering. He listed the activities of the FATF and its desire to continue and increase the level of co-operation between the FATF and the APG including in the areas of money laundering typologies, mutual evaluations and technical assistance and training. Mr Galvao also described the FATF's "non co-operative countries and territories" work and the criteria and process which the FATF has adopted.

The representative of the United Nations Drug Control Programme (UNDCP), Dr Sandro Calvani, addressed the meeting and described the role which the UN has played globally in facilitating and co-ordinating anti-money laundering initiatives.

### ***The Primary Elements of Effective Anti-Money Laundering Systems***

A special presentation was made to the meeting by Mrs Elizabeth Montano, Director, Australian Transaction Reports and Analysis Centre (AUSTRAC). The presentation concentrated on the following issues:

- necessary legislation;
- establishing financial intelligence units;
- reporting suspicious transactions;
- working with financial institutions; and
- the roles of relevant government agencies.



### *Progress on the implementation of anti-money laundering measures*

The meeting heard short oral reports from jurisdictions about the progress they had made in implementing anti-money laundering measures and also heard short oral reports from international and regional organisations and bodies about the work they were doing to encourage and assist jurisdictions in their anti-money laundering efforts.

The meeting considered a document prepared by the APG Secretariat entitled “Outline of anti-money laundering laws passed or under consideration in the Asia/Pacific Region”, which collates information provided by jurisdictions about anti-money laundering legislation passed or under consideration, and noted that for the document to continue to be useful it would need to be updated on a regular basis.

### *Examining money laundering measures and counter measures*

The meeting received oral and written reports concerning:

- the APG Typologies Workshop held in Bangkok, Thailand in March 2000;
- the APG Typologies Working Group on Underground Banking and Alternative Remittance Systems; and
- an Outline by the APG Secretariat of Future Typologies Work.

The meeting endorsed the Bangkok Typologies Report, the holding of APG annual typologies workshops and the continuation of the proposed work by the Working Group on Underground Banking and Alternative Remittance Systems.

### *Information exchange assessments in South Pacific Island Countries*

The meeting noted that the APG Secretariat has worked closely with the South Pacific Forum Secretariat and a number of Pacific Island Countries in order to improve the adoption and implementation of the FATF 40 Recommendations. This has included a “roadshow” mission to almost all countries in the region, provision of model and comparative money laundering legislation, provision of some training programs and the development of a framework for a training needs assessment.

### *Structure and Operation of the APG*

The meeting considered and made decisions on various issues including:

- revised APG Terms of Reference;
- revised APG Strategic Plan;
- revised APG Membership Paper;
- APG Budget;
- APG Paper on Regional Co-operation;
- APG Strategy for Technical Assistance and Training;
- preliminary Draft APG Annual Report; and
- update of APG Member Contact Points List.



## *APG Mutual Evaluations*

The meeting noted that the FATF and other anti-money laundering bodies conduct mutual evaluations of their members and that the APG at its last annual meeting agreed that the APG should also conduct mutual evaluations. The meeting decided that all members would undergo a mutual evaluation and that at least three mutual evaluations should be conducted before and reported at the next annual meeting.

The meeting also received and formally adopted a report on the mutual evaluation of Vanuatu. The meeting commended Vanuatu for accepting and implementing the recommendations contained in the mutual evaluation report.

The meeting:

- asked the Secretariat to prepare a schedule of future mutual evaluations;
- noted that the APG would need a pool of expert evaluators in order to conduct future mutual evaluations;
- agreed that for the immediate future the APG would have to rely on those members with such experience to supply evaluators but that the APG should expand its expertise in mutual evaluations so that all members could in future provide evaluators; and
- accepted the generous offer of the US to sponsor a mutual evaluation training course and asked the Secretariat to make arrangements to conduct the mutual evaluation training course.

## *Breakout Group Workshops*

The meeting received an oral summary from the facilitator concerning the outcome of the separate breakout session held for observer jurisdictions and organisations and noted that this session had provided considerable benefits to non-member jurisdictions which were beginning to implement anti-money laundering measures.

The meeting also received written and oral reports from the Chairman of the meeting of International & Regional Organisations, noting that the meeting had emphasised the need for increased co-operation between APG members, observer jurisdictions and organisations and the view of the meeting that there needed to be a closer working relationship developed between governments and the private sector. It was also noted that the meeting had emphasised the importance of a full legislative package if jurisdictions were to introduce a comprehensive anti-money laundering system.

## *Future International Co-operation and Information Exchange*

The meeting heard a special presentation by Australia concerning the need for improved international information exchange and accepted that improvements to international information exchange were vital if jurisdictions were to combat organised crime effectively.

## **Strategic Plan**

At the Second Annual Meeting of the APG held in August 1999, the Draft Strategic Plan was accepted in principle.

There was considerable discussion about the purpose and content of the Draft Strategic Plan. It was agreed that the Draft Strategic Plan provided a professional framework, collective vision and direction for the APG.

A Draft Business Plan for the Secretariat was also tabled with the Draft Strategic Plan at the August 1999 meeting and was accepted. The APG Secretariat was asked to refine the Business Plan so that it better complemented the Strategic Plan. There was also some concern that all the work outlined in the two documents might not be able to be undertaken if the necessary budget and resources were not available. It was considered by some members that decisions would need to be made about work priorities, timetables, budget and other available resources.

At the Third Annual Meeting of the APG held in May/June 2000, a revised version of the Strategic Plan was adopted at that meeting, including the following mission and goals:

### **Mission Statement**

The APG's mission is to ***provide a co-operative regional solution to the global problem of money laundering.***

The role of the APG is to:

- identify and promote a regional understanding of the problems/issues associated with money laundering;
- sponsor study and research into/identify money laundering methodologies (particularly by means of the annual typology exercise);
- exchange experience and identify/promote best practice in anti-money laundering strategies among member jurisdictions; and
- implement recommendations/assessment.

The goals of the APG are to achieve:

- a better understanding of the nature, extent and impact of money laundering in the region;
- agreement on comprehensive measures to address the problem of money laundering;
- comprehensive anti-money laundering measures implemented across the region to an APG-endorsed standard; and
- a systematic and periodic review of measures, standards and levels of implementation.

## **Typologies Workshop**

As noted above, the APG conducted its third typologies workshop during the year. Held in Bangkok in March 2000, the theme of the workshop was 'The Use of False Identities for Money Laundering Purposes'.

Experts from 23 jurisdictions and seven international and regional organisations attended the workshop, which was opened by His Excellency Major General Sanan Kajornprasart, Deputy Prime Minister of Thailand.

The purposes of the Workshop were:

- to receive a report from the Working Group on Underground Banking and Alternative Remittance Systems and discuss the future work and direction of this group;
- to bring together knowledgeable law enforcement officers and other specialists concerned with the use of false identities for money laundering purposes, with special emphasis on financial institutions, electronic/internet transactions and offshore financial centres;
- to gain a better understanding of how false identities are used for money laundering purposes and what countermeasures are available;

- to determine any money laundering emerging trends or patterns within and between jurisdictions in the region and to consider appropriate countermeasures.

A full summary of proceedings can be found at Annex B.

## Technical Assistance and Training

At the second Annual Meeting of the APG on 4-6 August 1999, a draft Technical Assistance and Training Paper was endorsed by the Plenary. This authorised the APG Secretariat to commence the activities described and reported against in the following table.

**Table: Status of the Endorsed Technical Assistance and Training Initiatives**

Technical Assistance and Training Recommendations	Action to Date
Conduct a needs assessment, within the next twelve months, for the APG membership jurisdictions.	The APG Secretariat has prepared a Framework For A Training Needs Assessment On Money Laundering. The APG Secretariat has also requested a professional research company to prepare a Training Survey proposal for member's consideration.
Analysing the results of the needs assessment survey to determine what training and technical assistance is required and then prioritising needs.	Dependent on outcome of 1 above.
Determining what resources, both personnel and financial, are available to deliver the required training and technical assistance.	The APG Secretariat has prepared a submission to the Asian Development Bank seeking funding support for the APG's Training & Technical Assistance Strategy.
Consulting and co-ordinating with all jurisdictions and international and regional organisations that have provided, or anticipate providing, technical assistance and training in the region.	The APG Secretariat has consulted with all relevant organisations and a number of member jurisdictions. This work is ongoing. The outcome will combine the results of the proposed training needs survey and broader review of similar training opportunities offered by other international and regional bodies.
Delivery of training and technical assistance.	The APG Secretariat has, in the past year, arranged a number of technical assistance and training programs for members on an ad hoc basis. Delivery of training in a systematic manner depends on the outcome of 1-4 above.

In addition, the APG Secretariat is using the work of the Typologies Workshops and the contributions of the breakout groups at the Second annual APG meeting on 4-6 August 1999:

Breakout Group	Outcome
Financial Group "Developing Awareness"	Provide jurisdictions with details of technical co-operation and training opportunities available in the region – ongoing Contact international financial institutions and seek their support (funding) for technical co-operation and training or including an anti-money laundering session into their training courses for financial supervisors – ongoing
Legal Group "Providing Technical Support"	Recognised the importance of education for law enforcement, prosecution, financial sector and international bodies. Various programs provided.
Law Enforcement Group "Eliciting Professional Support"	Strongly endorsed, in principle, the papers and recognised that budget considerations must be taken into account before any training initiatives could be implemented.

## ***Conducting a Training Needs Survey***

The APG has a vast diversity of members. In order to be effective, the APG training strategy will need to respond to:

- individual member requirements; and
- the APG's requirements as set out in the Terms of Reference and Strategic Plan.

A training needs survey would be a necessary step towards facilitating the establishment of an appropriate legal and administrative regime that would enable each jurisdiction to detect, investigate and prosecute money laundering and substantive offences from which the laundered proceeds derive.

The feedback from the previous two APG meetings and the respective breakout groups (Financial, Law Enforcement and Legal) indicates that the technical assistance and training will need to serve three key purposes:

- **raise awareness:** assist in developing awareness of money laundering activities and offences, the environment in which they are committed, and their financial and economic implications;
- **provide technical support:** to provide expert advice in the establishment of an effective legislative, regulatory and law enforcement framework to counter money laundering; and
- **elicit professional support:** to enhance the professional skills of personnel in the legal, financial, regulatory and law enforcement sectors of member jurisdictions.

In order to assist in the development of the APG Technical Assistance and Training Strategy, the APG Secretariat proposes to conduct a training needs survey of APG members.

APG members' response to the survey would also be utilised to bench-mark the type of anti-money laundering regime suitable to a range of APG members, and the skills required to administer it.

In addition, the APG Secretariat would aim to identify existing anti-money laundering training providers and seek to work in co-ordination with them.

## **Mutual Evaluations**

### ***Introduction***

A central part of the work of the APG is the implementation by its members of the FATF 40 Recommendations and the primary means of monitoring implementation of the 40 Recommendations is the mutual evaluation process.

Substantial progress was made during the year under review, with the first mutual evaluation being completed and members agreeing to a schedule of mutual evaluations to take place through to 2003.

Members agreed at the second annual meeting in August 1999 to establish a mutual evaluation process to assess the effectiveness of anti-money laundering initiatives in member jurisdictions. This will ensure that the procedures of the APG are consistent with the internationally established and accepted practice for evaluating the effectiveness of the process.

Each member will be evaluated in turn by the APG on the basis of a report drawn up by a team of three or four selected experts, drawn from the legal, financial and law enforcement fields of other APG members.

The mutual evaluation process is designed to give due recognition where the standard benchmarks are met, and to identify weaknesses and make appropriate recommendations with a view to rectification where they are not.

### ***Mutual Evaluation of Vanuatu***

The first mutual evaluation, of Vanuatu, was conducted in March 2000. The report was tabled at the annual general meeting held in June 2000 and was accepted. The conclusions and recommendations contained in the report are reproduced below.

#### ***Conclusions***

Vanuatu does not have a major drug or organised crime problem. The extent of money laundering relating to overseas proceeds is unknown. Whilst few cases of suspected money laundering have been identified or investigated, Vanuatu has the potential to be used for money laundering purposes. It is a tax haven, has no foreign exchange regulations and has efficient domestic and offshore banking systems.

The current secrecy arrangements in place for international companies also contribute to the risks for Vanuatu as a place that might appeal to a money launderer.

Vanuatu does not at this time meet the anti-money laundering standards set out in the Financial Action Task Force on Money Laundering's 40 Recommendations. Vanuatu has expressed an intention to comply with international anti-money laundering standards. If that intention is put into practice, Vanuatu should be able to reach the international standards. However, although at present there is a legislative platform in place, there is need for significant steps to be taken to amend the law if Vanuatu is to meet world standards in this area.

In Vanuatu there is a need to ensure that regulators, law enforcement agencies and prosecutors have the skills and capacity to effectively identify, investigate and prosecute money laundering offences. Due to the limited experience to date, there is little or no expertise in these areas. It is likely that if rapid progress is to be made in relation to investigations of money laundering some form of international assistance will be required. Assistance will also be required for the other relevant departments if their skill levels are to be raised to a standard that would enable them to effectively carry out money laundering investigations and institute measures to combat money laundering both at the domestic level and within the offshore centre.

The Evaluation Team made a number of recommendations designed to strengthen Vanuatu's anti-money laundering system. Some of these recommendations include:

- Ratify the Vienna Convention (*United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988*).
- Introduce laws to require mandatory reporting by financial institutions of suspicious transactions, with such reporting made to a single competent authority.
- Develop an all-of-government anti-money laundering strategy that defines responsibilities of regulatory and law enforcement agencies.

- Upgrade training of law enforcement personnel to improve the capacity of police, customs and other relevant agencies to effectively investigate suspected money laundering and related offences.
- Review the secrecy provisions in Vanuatu laws and amend laws where the secrecy provisions inhibit effective investigation of money laundering offences.
- Ensure that anti-money laundering requirements in Vanuatu apply to non-bank financial institutions as well as the banking sector. This would include casinos, bookmakers, securities dealers, insurance companies, accountants, managers of unit trusts and the like.

As noted earlier in this report, Vanuatu accepted all the recommendations made by the Evaluation Team, and by the time of this annual report had implemented almost all of them.

### ***Schedule of Mutual Evaluations***

APG members agreed at their third annual meeting in June 2000 to the implementation of a suitable mutual evaluation process in line with all other anti-money laundering groups, relevant to the APG, to evaluate the effectiveness of anti-money laundering programs based on accepted international standards and agreed to the conduct of evaluations of member jurisdictions.

The APG proposed schedule for mutual evaluations for 2001 is as follows:

APG MEMBER	CONDUCT EVALUATION	REPORTING OF FINAL REPORT
Samoa [Jointly with OGBS]	February 2001	APG annual meeting May 2001
Chinese Taipei	March 2001	APG annual meeting May 2001
Labuan Offshore Financial Centre (Malaysia) [Jointly with OGBS]	April 2001	APG annual meeting May 2001
Macau, China [Jointly with OGBS]	April 2001	APG annual meeting May 2001
Malaysia	July 2001	APG annual meeting May 2002
Thailand	November 2001	APG annual meeting May 2002

Remaining members will be mutually evaluated in 2002 and 2003.

### **Co-operation with other bodies and related developments in the region**

Over the past 12 months, the APG has continued to place a strong emphasis on developing and strengthening its working relationships with international and regional bodies working in the anti-money laundering area. This section of the annual report briefly sets out the APG's dealings with related international organisations over the past 12 months.

At the Second APG Annual Meeting in August 1999, APG members endorsed the following steps that aim to facilitate international and regional co-operation. Next to these steps are the actions so far taken.



**Table: Status of steps toward international and regional co-operation**

Step	Actions to Date
Submissions be made to all relevant fora in the region, or which have relevance to the region, seeking formal support for the APG's efforts	The APG Secretariat has sought and received expressions of support from:  APEC ASEAN Secretariat Commonwealth Secretariat ICPO – Interpol World Customs Organisation South Pacific Forum Secretariat United Nations Office of Drug Control and Crime Prevention (UNODCCP) International Monetary Fund Asian Development Bank The World Bank
The APG Secretariat is tasked to continue and expand liaison and co-operation with all relevant regional and international organisations	Ongoing with each organisation identified above
Explore the possibility of joint efforts and project support with relevant organisations	Joint projects undertaken or under discussion with: ASEAN Secretariat Commonwealth Secretariat ICPO – Interpol World Customs Organisation UNODCCP South Pacific Forum Secretariat Asian Development Bank SEACEN (South East Asian Central Banks Training Centre)

In addition to the above:

- the APG Typologies Workshops and the Technical Assistance and Training Strategy have provided mechanisms and opportunities for practical co-operation. These are discussed elsewhere in this Annual Report;
- most of the organisations listed in the table above have attended each of the APG Annual Meetings and other activities, contributing both in practical ways and also by lending their credibility, expertise and international resources to the APG's anti-money laundering efforts;
- *the FATF* - the APG has continued to have extensive dealings with the FATF during 1999-2000. The FATF is conducting an ongoing process to identify jurisdictions with serious deficiencies in their anti-money laundering regimes and to encourage them to implement international standards in this area. In June 2000, the FATF finalised the assessment of 29 countries and territories according to 25 publicly stated criteria and identified 15 jurisdictions as non-cooperative in the fight against money laundering. The APG will be working to assist jurisdictions in the Asia/Pacific region identified as 'non-cooperative' to address the issues raised in the FATF's report;
- *Asian Development Bank (ADB)* - during the year, the ADB accepted a submission from the APG to undertake a Regional Technical Assistance (RETA) project to deliver a number of sub-projects and training in the region. The RETA will also contain some threshold projects including a needs assessment diagnostic for training purposes which will identify training needs in terms of money laundering requirements for a number of selected jurisdictions. The APG Secretariat will be the executing agency for this RETA and therefore oversee the work of consultants who, in accordance with ADB requirements, will be engaged. The project is likely to be formally signed off by the President of the ADB in December 2000. It is worth US\$735,000.

## **7. ANTI-MONEY LAUNDERING MEASURES IN THE ASIA/PACIFIC: A REGIONAL SNAPSHOT**

As noted in chapter 5 of this report, a self-assessment exercise was undertaken by the APG in 1998-99. At that meeting, a number of jurisdictions were called upon to share their experiences in establishing anti-money laundering systems. Jurisdictions explained how they implemented international standards, reported suspicious transactions and whether they had established financial intelligence units.

At the Third Annual Meeting held in June 2000, members:

- provided short oral reports about the progress they had made in implementing anti-money laundering measures; and
- considered a document prepared by the APG Secretariat entitled 'Outline of anti-money laundering laws passed or under consideration in the Asia/Pacific Region' which collated information provided by jurisdictions.

The APG Secretariat is revising the self-assessment questionnaire to distribute to members early in 2001 for completion.

APG members and other jurisdictions in the region have made considerable progress over the last few years in implementing anti-money laundering legislative measures. What follows is a 'snapshot' of the situation as at 30 June 2000 and a comparison with the situation in 1995.

### **Introduction**

For the purposes of this summary the term "Asia/Pacific Region" includes the following 43 jurisdictions, not all of which are sovereign states:

Australia; Bangladesh; Brunei Darussalam; Burma (Myanmar); Cambodia, Kingdom of; China, People's Republic of; Cook Islands; Fiji, Republic of; Hong Kong, China; India; Indonesia, Republic of; Japan; Kiribati; Korea, Republic of; Laos (Lao People's Democratic Republic); Macau, China; Malaysia; Marshall Islands; Micronesia, Federated States of; Nauru, Republic of; Nepal; New Caledonia (France); New Zealand; Niue; Northern Mariana Islands; Pakistan; Palau; Papua New Guinea; Philippines, Republic of the; Pitcairn Islands (UK); Samoa; Singapore; Solomon Islands; Sri Lanka; Taiwan; Thailand; Tokelau; Tonga, Kingdom of; Tuvalu; United States of America; Vanuatu, Republic of; Vietnam; and Wallis and Futuna (France).

### **Caveats**

The information in this summary is derived from a number of sources. While efforts have been made to ensure its accuracy it is possible that some errors exist or that changes have occurred since preparation. As a consequence readers should only rely on this summary as an outline.

Even though a jurisdiction may be shown to have money laundering laws in place, this does not necessarily mean that those jurisdictions have a complete 'package' of anti-money laundering laws (a criminal offence of money laundering, seizure, confiscation and forfeiture of criminal proceeds, a full suspicious transactions reporting regime and extradition for money laundering offences) or have established a financial intelligence unit.



**Statistically the legislative position in the region as at 30 June 2000 was as follows:**

21	Jurisdictions had acceded to, or ratified the Vienna Convention 1988
21	Jurisdictions had enacted anti-money laundering laws with respect to narcotic offences
16	Jurisdictions had draft anti-money laundering laws under consideration with respect to narcotic offences
17	Jurisdictions had enacted anti-money laundering laws with respect to serious offences
16	Jurisdictions had draft anti-money laundering laws under consideration with respect to serious offences
17	Jurisdictions had suspicious transaction reporting in place

### **Statistical Summary by Jurisdiction as at 30 June 2000**

#### **21      *Jurisdictions had acceded to, or ratified the Vienna Convention 1988***

Australia	Bangladesh	Brunei Darussalam
Burma (Myanmar)	China, PRC	Fiji Islands
Hong Kong, China	India	Indonesia
Japan	Korea	Malaysia
Nepal	New Zealand	Pakistan
Philippines	Singapore	Sri Lanka
Tonga	United States of America	Vietnam

#### **21      *Jurisdictions had enacted anti-money laundering laws with respect to narcotic offences***

Australia	Brunei Darussalam	Burma (Myanmar)
Cambodia	China, PRC	Chinese Taipei
Fiji Islands	Hong Kong, China	Japan
Korea	Macau, China	Malaysia
Micronesia	New Caledonia (Fr)	New Zealand
Pakistan	Singapore	Thailand
United States of America	Vanuatu	Wallis and Futuna (Fr)

#### **16      *Jurisdictions had draft anti-money laundering laws under consideration with respect to narcotic offences***

Bangladesh	India	Indonesia
Kiribati	Marshall Islands	Nauru
Nepal	Niue	Palau
Philippines	Samoa	Solomon Islands
Sri Lanka	Tonga	Tuvalu
Vietnam		

17 *Jurisdictions had enacted money laundering laws with respect to serious offences*

Australia	China, PRC	Chinese Taipei
Cook Islands	Fiji Islands	Hong Kong, China
Japan	Macau, China	Malaysia
New Caledonia(Fr)	New Zealand	Pakistan
Singapore	Thailand	United States of America
Vanuatu	Wallis and Futuna (Fr)	

16 *Jurisdictions had draft anti-money laundering laws under consideration with respect to serious offences*

Bangladesh	Brunei Darussalam	India
Kiribati	Korea	Marshall Islands
Micronesia	Nauru	Nepal
Niue	Palau	Philippines
Samoa	Solomon Islands	Tonga
Tuvalu		

17 *Jurisdictions had suspicious transactions reporting in place*

Australia	Brunei Darussalam	Burma (Myanmar)
Chinese Taipei	Fiji Islands	Hong Kong, China
Japan	Macau, China	Malaysia
New Caledonia(Fr)	New Zealand	Pakistan
Singapore	Thailand	United States of America
Vanuatu	Wallis and Futuna (Fr)	

## Comparative progress

While much work remains to be done, the comparative progress made by jurisdictions in the Asia/Pacific region is shown through the following statistics:

### *Vienna Convention 1988*

In 1995, 12 jurisdictions had acceded to or ratified the Vienna Convention

In 2000, 21 jurisdictions had acceded to or ratified the Vienna Convention

### *Anti-money laundering laws (narcotics offences)*

In 1995, 10 jurisdictions had enacted anti-money laundering laws

In 2000, 21 jurisdictions had enacted anti-money laundering laws and a further 16 were drafting such laws

### *Anti-money laundering laws (serious offences)*

In 1995, 5 jurisdictions had enacted anti-money laundering laws

In 2000, 17 jurisdictions had enacted anti-money laundering laws and a further 16 were drafting such laws

### *Suspicious transaction reporting*

In 1995, 10 jurisdictions had suspicious transaction reporting in place

In 2000, 17 jurisdictions had suspicious transaction reporting in place

## **8. FUTURE DIRECTIONS AND PRIORITIES**

### **Work Program**

The APG has endorsed an ambitious Work Program for 2000-01. Highlights of the program will include:

- mutual evaluations of four members prior to the Annual Meeting in May 2001 (Samoa, Chinese Taipei, Labuan Offshore Financial Centre and Macau, China);
- a Mutual Evaluator Training Seminar, to be held in March 2001 in Bangkok. Funding for this event has been generously provided by the US State Department;
- a second round APG self assessment questionnaire; and
- various technical assistance and training projects, including a regional technical assistance project with the Asian Development Bank, a Pacific Islands Training Strategy Workshop to be held in February 2001 and working with SEACEN to introduce anti-money laundering components into its regular training courses.

### **Annual Meeting**

The next APG annual meeting will be held from 22-24 May 2001 in Kuala Lumpur, Malaysia. There will be a very full agenda for this meeting, including consideration of:

- revised APG Terms of Reference;
- revised APG Strategic Plan;
- revised APG Budget Paper;
- revised outline of anti-money laundering laws in the region;
- revised APG paper on training and technical assistance;
- reports of four mutual evaluations; and
- the First Annual Report.

### **Typologies Workshop**

Because of the heavy APG workload, particularly with mutual evaluations, the typologies workshop will be held in the second half of 2001.

### **Technical Assistance and Training**

The Asia Pacific is in need of extensive technical assistance and training if anti-money laundering laws are to be effectively implemented and enforced.

Consequently the APG has adopted a detailed technical assistance and training strategy to provide necessary assistance to its members covering the legal, financial and law enforcement sectors. The APG has entered a number of joint arrangements with other organisations in this regard.

Over the next six months, the APG Secretariat will either directly provide or arrange for the provision of advice, assistance and training to many jurisdictions in the region.

### ***Asian Development Bank (ADB) Regional Technical Assistance (RETA) Project***

The ADB has accepted a submission from the APG to enter into a Regional Technical Assistance (RETA) project in order to deliver a number of sub-projects and training in the region.

The RETA will also contain some threshold projects including a needs assessment for training purposes which will identify training needs in terms of money laundering requirements for a number of selected jurisdictions.

The APG Secretariat will be the executing agency for this RETA and therefore oversee the work of consultants who, in accordance with ADB requirements, will be engaged to carry out the project.

As part of the partnership arrangement, the APG through the Secretariat is required to provide some time and expertise to oversee the project.

### ***Pacific Islands Training Strategy Workshop***

The APG Secretariat and the Pacific Islands Forum Secretariat will be holding a workshop in Wellington New Zealand on 13-15 February 2001. The purpose of the workshop is to bring together all relevant providers of technical assistance and training to Pacific Island countries and to develop a co-operative and co-ordinated approach.

## 9. CONCLUSION

During 1999-2000, further progress was made in implementing a program of regional co-ordination in combating money laundering.

The APG will continue to work with the relevant international organisations to assist in promoting systems and methodologies which establish international recognition and a network of anti-money laundering co-operation.

Furthermore, it is essential that the APG continue to monitor and analyse international trends in money laundering practices and countermeasures, as well as keep abreast of the changes in technology that may affect criminal activities.

In doing so, the APG will continue to assist its members in complying with the FATF 40 Recommendations and act as a focal point for the development of anti-money laundering strategies within the Asia/Pacific region.

The APG's 2000-2001 work program, typologies exercises and mutual evaluations will continue to promote a mobilisation against money laundering that will act in conjunction with international efforts as well as regional priorities.



# **Asia / Pacific Group on Money Laundering**

## **First Annual Report 1999 - 2000**

### **ANNEXES**

**April 2001**

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# **ANNEX A: APG TERMS OF REFERENCE**

**As amended by the APG Annual Meeting, June 2000**

## **ASIA/PACIFIC GROUP ON MONEY LAUNDERING**

### **BACKGROUND**

The Asia/Pacific Group on Money Laundering (APG) was established at a meeting held in Bangkok, 25–27 February 1997. Terms of Reference for the APG were agreed and adopted at that meeting.

The Terms of Reference have been revised and approved at each of the APG's annual meetings – Tokyo, March 1998, Manila, August 1999, and Sydney, June 2000.

### **TERMS OF REFERENCE**

RECOGNISING IN BANGKOK ON 27 FEBRUARY 1997 THAT:

- Money laundering is a significant international issue which requires global action;
- The Asia/Pacific region needs to address this issue as part of the global response;
- The capacity of individual jurisdictions to deal with the issue is limited because of its nature, complexity and international scope;
- Close co-operation between jurisdictions is necessary and much can be gained by increasing understanding of the problem and its solutions;
- There are accepted international standards (the Financial Action Task Force on Money Laundering's 40 Recommendations) but the best way to apply the standards within the region needs to be reviewed;
- There is an increasing risk of vulnerability to money laundering in the Asia/Pacific region as other regions introduce anti-money laundering measures; and
- A plan of action should be developed to address regional co-operation, the adoption of standards and to provide assistance to jurisdictions in tackling the problem,

JURISDICTIONS ESTABLISHED THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING.

NOTING THAT

The Working Party, established by the APG met in Beijing 7 - 9 July 1997 and agreed that:

The 40 Recommendations are the guiding principles for action for the creation of an effective anti-money laundering framework. Member jurisdictions will implement the 40 Recommendations according to their particular cultural values and constitutional frameworks thus allowing them a measure of flexibility rather than prescribing every detail.

## **Purpose**

The APG:

1. Provides a focus for co-operative anti-money laundering efforts in the region;
2. Provides a forum in which:
  - (a) regional issues can be discussed and experiences shared,
  - (b) operational co-operation among member jurisdictions is encouraged;
3. Facilitates the adoption and implementation by member jurisdictions of internationally recognised money laundering measures;
4. Enables regional and jurisdictional factors to be taken into account in the implementation of international anti-money laundering measures;
5. Encourages jurisdictions to implement anti-money laundering initiatives including more effective mutual legal assistance; and
6. Co-ordinates and provides practical support, where possible, to jurisdictions in the region which request it.

## **Nature**

The APG is voluntary and co-operative in nature. The APG is established by agreement among its members and is autonomous. It does not derive from an international treaty. It is not part of any international organisation. However, it will need to keep itself informed of action taken or formal agreements made by relevant international and regional organisations or bodies in order to promote a consistent global response to money laundering.

The work to be done by the APG and its procedures will be decided by agreement among its members.

## **Membership**

Membership of the APG is open to any jurisdiction within the Asia/Pacific region which:

1. Recognises the need for action to be taken to combat money laundering;
2. Recognises the benefits to be obtained by sharing knowledge and experience; and
3. Has taken or is considering taking steps to develop, pass and implement anti-money laundering legislation and other measures based on accepted international standards;
4. Subject to its domestic laws, commits itself to implementing the decisions made by the APG;
5. Commits itself to participation in the mutual evaluation programme;
6. Contributes to the APG budget in accordance with arrangements agreed by the APG.

It is not a precondition for participation in the APG that anti-money laundering laws be already enacted.



Each jurisdiction will decide on the particular steps it will take to combat money laundering. The response by individual jurisdictions will, however, be significantly assisted by participation in the APG.

The APG will welcome new members from the Asia/Pacific region. Smaller jurisdictions whose direct involvement may be difficult may wish to participate in the APG through an appropriate sub-regional forum. To those jurisdictions not yet ready to assume the requirements of full membership, the APG offers a form of participation in its activities through observer status.

### **Observer Status**

The APG recognises that there are significant benefits for members from continuing contact with non-member jurisdictions. As such, the meetings of the APG will also serve to provide opportunities for regular consultation with non-member jurisdictions from within and outside the region who could be invited to attend as observers.

The APG recognised that many international organisations have a strong interest in anti-money laundering initiatives. In addition to the FATF, the organisations which attended the inaugural meeting (ASEAN Secretariat, Asian Development Bank, International Monetary Fund, International Organisation of Securities Commissions, INTERPOL, Offshore Group of Banking Supervisors, United Nations Crime Prevention and Criminal Justice Division, United Nations International Drug Control Programme and World Customs Organisation) and any other international organisation with an interest in effectively combating money laundering will be encouraged to participate in future meetings of the APG as observers.

The APG welcomes the support and co-operation from international organisations and other, non-member jurisdictions that may be willing to provide resources to assist the work of the APG. The participation (and the nature of such participation) of non-member jurisdictions and international organisations will be determined by the APG on a case-by-case basis.

### **Meetings**

The APG will meet at least once each year.

Meetings will normally be held in member jurisdictions. In addition to an annual meeting of the APG, meetings may be conducted to coincide with money laundering methods meetings. Some meetings may be limited to APG members only.

Invitations to the annual meeting may be extended to non-member jurisdictions to attend as observers.

While meetings will generally be open to observers some parts of a meeting may be limited to members only to enable the APG to conduct formal consideration of issues which require the agreement of its members.

To ensure a global approach to anti-money laundering, members of the APG will work closely with the Financial Action Task Force on Money Laundering (FATF). The FATF Secretariat will attend APG meetings on the same basis that the APG Secretariat attends FATF meetings.

Meetings should be held at the same time each year.

## **Secretariat**

Secretariat services will be provided by the Asia/Pacific Group on Money Laundering Secretariat. The APG Secretariat is located in Sydney, Australia. The APG Secretariat will provide a similar service to that provided by secretariats of other anti-money laundering bodies.

## **Working Parties**

To enable the work of the APG to be addressed between meetings, Working Parties may be formed. Members may participate in all APG Working Parties, Typologies Workshops and ad hoc committees established in response to specific issues.

## **Chairing of the APG**

There will be two co-chairs of the APG. During the formative stage of the APG, one co-chair position will be held by Australia. The other co-chair position will be rotated amongst member jurisdictions. The rotating co-chair position will be decided at each annual meeting and will carry with it the responsibility of hosting the following annual meeting.

## **Resources**

The APG recognises that the ongoing work of the APG, and in particular the capacity of the Secretariat to assist jurisdictions will depend on the resources available to it. In the future, members will need to determine the work programme, priorities and available resources of the APG. It will also need to determine a fair and equitable procedure to meet the costs of undertaking APG activities.

## **Contact Points**

Each member jurisdiction is required to nominate a person to act as the central contact point for the APG Secretariat. In addition, each member will nominate an appropriate contact point for the three relevant money laundering sectors: legal, financial and law enforcement.

Non-member jurisdictions will be requested to nominate a person or persons who will be the first point of contact in relation to money laundering matters and the work of the APG.

# **ANNEX B: APG TYPOLOGIES WORKSHOPS SUMMARY REPORTS**

## **MONEY LAUNDERING METHODS AND TYPOLOGIES WORKSHOP “THE USE OF FALSE IDENTITIES FOR MONEY LAUNDERING PURPOSES”**

**BANGKOK, THAILAND  
1–2 MARCH, 2000**

### **PUBLIC SUMMARY REPORT**

#### ***Introduction***

A group of experts from twenty-three (23) jurisdictions and seven (7) international and regional organisations<sup>6</sup> met in Bangkok, Thailand on March 1 and 2, 2000. This Workshop was the third annual Asia/Pacific Money Laundering Methods and Typologies Workshop.

The Workshop participants were honoured to have an opening address delivered by His Excellency Major General Sanan Kajornprasart, Deputy Prime Minister of Thailand. In his address, the Deputy Prime Minister emphasised the need to establish effective contacts and to engage in close co-operation and information exchange between jurisdictions in order to be successful in the fight against money laundering.

#### **The purposes of the Workshop were:**

- To receive a report from the Working Group on Underground Banking and Alternative Remittance Systems and discuss the future work and direction of this group;
- To bring together knowledgeable law enforcement officers and other specialists concerned with the use of false identities for money laundering purposes, with special emphasis on financial institutions, electronic/internet transactions and offshore financial centres;
- To gain a better understanding of how false identities are used for money laundering purposes and what countermeasures are available;
- To determine any money laundering emerging trends or patterns within and between jurisdictions in the region and to consider appropriate countermeasures.

#### **Workshop Highlights**

##### **1. Underground Banking and Alternative Remittance Systems**

Following from the Second Asia/Pacific Money Laundering Methods Typologies Workshop, which concentrated on Underground Banking and Alternative Remittance Systems, the Workshop received a report from the Working Group on Underground Banking and Alternative Remittance Systems.

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<sup>6</sup> Australia, Canada, Chinese Taipei, Fiji Islands, Hong Kong, China, India, Japan, Kingdom of Cambodia, Macau, China, Malaysia, New Zealand, Pakistan, Republic of Indonesia, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, Union of Myanmar, United States of America, Vanuatu, Vietnam, Asian Development Bank, Egmont Group, Financial Action Task Force on Money Laundering Secretariat, Interpol, South Pacific Forum Secretariat, United Nations Drug Control Program, World Customs Organisation.

The report, which was comprehensive and very informative, highlighted the following:

- The Working Group developed a "working definition" of Alternative Remittance Systems for purposes of conducting their project.
  - Alternative Remittance Systems are operated by entities (alternative remittance agents) for moving money (or other forms of stored value) between countries on behalf of customers who do not wish to directly use the "formal" banking system. There are two general types of alternative remittance systems:
    - Unregulated alternative remittance networks, or underground banking, involve a variety of methods through which funds (or value) are made available to a partner service in the recipient country as a result of a telephone call, telex, fax or request via the Internet. The funds may be transferred by physical transport of the cash, gold smuggling, false invoicing or other such means; and
    - Remittance services provided by alternative remittance agents through the regulated financial sector usually involving an attempt to conceal the nature of the transaction, such as structuring, the use of false bank accounts and/or sender details.
- The Working Group collected sixty-two (62) case studies from participating jurisdictions to assist in the development of information relevant to Underground Banking and Alternative Remittance Systems.
- A summary of the Working Group's findings were:
  - The movement of funds and value through Underground Banking and Alternative Remittance Systems involves both legitimate and illicit transactions.
  - Illicit transactions through Underground Banking and Alternative Remittance Systems were derived mostly from narcotics trafficking.
  - In the case studies submitted by the various jurisdictions, substantial sums of money, in excess of US \$7.5 billion, were detected as being channeled through Underground Banking and Alternative Remittance Systems.
  - The ability to detect and successfully investigate money laundering through Underground Banking and Alternative Remittance Systems is hampered by a lack of understanding and experience in this area.
  - There is a need to enhance training and develop other appropriate mechanisms to better understand, investigate and successfully prosecute money laundering offences using Underground Banking and Alternative Remittance Systems.
- As a result of the Working Group's report and subsequent discussion within the Workshop, there was agreement to a framework for the continued review of Underground Banking and Alternative Remittance Systems, to include:
  - The continued collection of case studies from interested jurisdictions.
  - The case studies, while providing a valuable foundation for understanding the problems associated with Underground Banking and Alternative Remittance Systems, do not provide all of the relevant information necessary to address money laundering through these systems and, therefore, it may be necessary to commission a comprehensive

research paper to identify all issues related to money laundering through these systems, including the attractiveness of these systems as opposed to regulated banking systems.

- Identify and then co-ordinate with, other jurisdictions and entities that may be conducting similar reviews of Underground Banking and Alternative Remittance Systems.
- Identify the remaining policy and practical issues that require continued emphasis, including:
  - The need to understand the existing legal and regulatory framework with regard to these systems and determine what reforms may be necessary;
  - The need for increased compliance in the regulatory framework; and
  - The need for enhanced training and technical assistance in identifying, investigating and prosecuting money laundering using these systems.

## **2. The Use of False Identities for Money Laundering Purposes**

The subject matter of special emphasis for the Third Asia/Pacific Money Laundering Methods Typologies Workshop was the use of false identities for money laundering purposes. During the Workshop, participants were asked to discuss jurisdictional experiences in this area. The Workshop received special presentations from two bank industry representatives. The discussions that ensued were constructive and resulted in an open and frank exchange of information and expertise.

The Workshop concentrated on:

- Understanding what constitutes the use of false identities, especially as it relates to the conduct of financial transactions; and, in particular, money laundering.
- Learning the experiences of jurisdictions that have identified illicit activities that, at least in part, made use of false identities to assist in the movement of funds.
- Discussing various countermeasures that are, or should be, available to address the issue of money laundering through the use of false identities, with a heightened emphasis on issues specific to regulatory, investigative and financial institution matters.
- Discussing how money laundering through the use of false identities can be investigated.
- Determining what information is needed by investigators, regulators, supervisors and prosecutors when conducting money laundering investigations involving the use of false identities.
- Determine what technical assistance and training skills are needed in order to detect, investigate and prosecute money laundering cases involving the use of false identities.

These issues were examined both by special presentations and by the sharing of jurisdictional experience that brought forth the following:

- Special presentations were made by Brendan Hewson, Bank of America, and Douglas Hopton, Barclays Bank PLC. These presentations provided useful information on the state of false identities being used to conduct transactions at financial institutions.

- Hong Kong, China, Japan, Korea, Malaysia and Thailand made presentations on their experiences with regard to the use of false identities in money laundering activities and the countermeasures that they are applying to address these matters, including the establishment of financial intelligence units.
- The special presentations, jurisdiction presentations and experiences and the Workshop discussion identified countermeasures which currently exist and countermeasures which are needed to continue to address money laundering through the use of false identities.
- The Workshop participants agreed that it would be useful to continue to exchange information on effective countermeasures and, as a result, that the Secretariat would compile a checklist of countermeasures and distribute it to all of the jurisdictions for comment and expansion.

### **3. Other significant money laundering methods and trends**

The Workshop participants presented information on other matters of significance with regard to money laundering methods and trends. In particular, the Workshop received presentations from Canada and Pakistan.

- The representative from Canada presented a case study involving heroin trafficking organisations. He demonstrated the difficulties and complexities of an investigation that moved through many jurisdictions and required the use of numerous investigative techniques, including the interception of telephone communications and the tracing of the proceeds of the trafficking through various financial institutions.
- The representative from Pakistan presented a case study involving an individual who became involved in the trafficking of hashish to the United States and Canada which generated substantial amounts of drug proceeds. In order to legitimise these drug proceeds, this individual used foreign exchange bearer certificates, a financial instrument issued by the Government, the Hundi system and transactions involving the purchase and re-sale of real estate.

The presentation of the case studies, as well as the Workshop discussion identified the continued existence of significant criminal activity, especially as it relates to drug trafficking, fraud and tax evasion, that generates substantial amounts of criminally derived funds that move through legitimate, as well as illegitimate, financial systems. This evidences the continued need for Typologies Workshops to address emerging trends in the movement of illicit funds.

The participants in the Workshop extended their gratitude to Thailand, and in particular to the Royal Thai Police and the Office of Money Laundering Prevention and Suppression for the arrangements they made in hosting the Workshop.

# **MONEY LAUNDERING METHODS AND TYPOLOGIES WORKSHOP “UNDERGROUND BANKING AND ALTERNATIVE REMITTANCE SYSTEMS”**

**TOKYO, JAPAN  
2–3 MARCH, 1999**

## **PUBLIC SUMMARY REPORT**

### **Introduction**

A group of experts from twenty-five (25) jurisdictions and six (6) international and regional organisations<sup>1</sup> met in Tokyo, Japan on March 2 and 3, 1999. This Workshop was the second annual Asia/Pacific Money Laundering Methods and Typologies Workshop.

The Workshop participants were honoured to have an opening address delivered by Mr. Sekiguchi, Commissioner-General, National Police Agency of Japan. Mr Sekiguchi included in his address the following:

- The globalisation of the financial sector has significance not only for the legitimate world economy but also for the underground economy because it increases opportunities for transnational money laundering by criminals;
- In order to prevent criminals from taking advantage of this opportunity jurisdictions need to act together and increase regional and global co-operation between law enforcement and regulatory authorities; and
- The experience of the Japanese Police has shown that underground banking operations provide significant means of money laundering, which, therefore, requires co-operative arrangements between jurisdictions as evidenced by the Workshop.

### **The purposes of the Workshop were:**

- To bring together knowledgeable law enforcement officers and other specialists in the areas of Underground Banking and Alternative Remittance Systems;
- To gain a better understanding of Underground Banking and Alternative Remittance Systems;
- To identify the current ways by which proceeds of crime are laundered through Underground Banking and Alternative Remittance Systems;
- To determine any emerging trends or patterns within and between jurisdictions in the region with regard to Underground Banking and Alternative Remittance Systems; and
- To consider ways to improve detection and seizure of proceeds of crime that are laundered through Underground Banking and Alternative Remittance Systems.

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<sup>1</sup> Australia, Bangladesh, Canada, Chinese Taipei, Cook Islands, Hong Kong, China, India, Indonesia, Japan, Kingdom of Cambodia, Macau, China, Malaysia, Nepal, Netherlands, New Zealand, Pakistan, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States of America, Vanuatu, Vietnam, Commonwealth Secretariat, Egmont Group, Financial Action Task Force on Money Laundering Secretariat, International Monetary Fund, Interpol, World Customs Organisation



## Workshop Highlights

At the Workshop, participants were asked to discuss Underground Banking and Alternative Remittance Systems as they relate to their particular jurisdictions, as well as to the Asia/Pacific region as a whole. The discussions that ensued were constructive and informative and resulted in an open and frank exchange of information and expertise.

The Workshop concentrated on four main issues:

- How Underground Banking and Alternative Remittance Systems are being used for money laundering;
- How money laundering through Underground Banking and Alternative Remittance Systems can be investigated;
- What information is needed by investigators and prosecutors when conducting money laundering investigations involving Underground Banking and Alternative Remittance Systems; and
- What technical assistance and training skills are needed in order to detect, investigate and prosecute money laundering cases involving Underground Banking and Alternative Remittance Systems.

These issues were examined both by special presentations and by the sharing of jurisdictional experience that brought forth the following:

- A special presentation by Interpol that highlighted;
  - the ease, efficiency and therefore attractiveness of trust based (Hawala) alternative remittance systems;
  - the fact that these systems provide an effective means to transmit funds outside conventional financial institutions with minimal or no record keeping and with little risk of detection by the authorities; and
  - the types of transmission of funds by these systems, including hawala swap, invoice manipulation, and gold smuggling.
- Case Studies by Japan, Australia and Hong Kong, China that highlighted how these systems have been investigated by the jurisdictions, the difficulties in conducting these investigations and the skills needed for investigators.
- The Commonwealth Secretariat shared the preliminary results of a major study involving all Commonwealth countries regarding Underground Banking and Alternative Remittance Systems;
- The Netherlands shared the preliminary results of a study involving the Netherlands and other European countries regarding Underground Banking and Alternative Remittance Systems; and
- The Hong Kong and Shanghai Banking Corporation made a very useful presentation from a commercial bank's perspective on the need for good working relationships between government authorities and financial institutions so as to improve practical co-operation in money laundering investigations.

In addition, jurisdictions noted the following:

- Underground Banking and Alternative Remittance Systems are not limited to just a few jurisdictions;
- The magnitude of the problem is substantial in most jurisdictions with a significant portion of the funds remitted overseas by alternative remittance dealers believed to be derived from serious criminal activity; and
- The remittances are not directed to just a few jurisdictions, but that a great diversity of jurisdictions are the recipients of the remittances.

Jurisdictions also engaged in discussions regarding the development of effective countermeasures to combat money laundering which could include:

- Licensing and regulation of Remittance Agents<sup>2</sup> so as to ensure record keeping and identification of clients;
- Supervision and inspection of Remittance Agents with sanctions for non-compliance;
- Reporting of suspicious transactions by Remittance Agents;
- Use of informants and covert operations, where necessary, to gain a better understanding of the operations of Remittance Agents.

### **Agreed Future Action**

As a result of the discussions and presentations during the course of the Workshop, participants agreed to the following future action:

- To establish a Working Group which will undertake a co-ordinated and intensive examination of money laundering through Underground Banking and Alternative Remittance Systems;
- The Working Group will undertake as its first task the compilation of an ongoing database of Underground Banking and Alternative Remittance Systems case studies;
- To improve methods of information exchange in money laundering investigations including the establishment of Financial Intelligence Units where they do not yet exist and the use of mutual legal assistance between jurisdictions;
- To improve detection and investigation skills in the region by participating in a training needs assessment for law enforcement and as a first step to identify appropriate contact points in each jurisdiction;
- That the Asia Pacific Group on Money Laundering should address the issue of improved control and monitoring of Alternative Remittance Systems and Underground Banking during its consideration of additional measures to the 40 Recommendations of the FATF.

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<sup>2</sup> For purposes of this Summary Report, the term Remittance Agents refers to agents of underground banking and alternative remittance services and specifically does not refer to agents of conventional financial institutions.

# **MONEY LAUNDERING METHODS AND PROCEEDS OF CRIME TYPOLOGIES WORKSHOP**

**WELLINGTON, NEW ZEALAND  
27-28 October, 1998**

## **PUBLIC SUMMARY REPORT**

### **Introduction**

A group of experts from twenty-five (25) jurisdictions and four (4) international and regional organisations<sup>3</sup> met in Wellington, New Zealand on October 27 and 28, 1998. This Workshop was mandated by the first annual meeting of the Asia/Pacific Group on Money Laundering, held in Tokyo, Japan, in March, 1998.

The purposes of the Workshop were:

- To bring together knowledgeable law enforcement officers and other specialists in the areas of money laundering investigations and regulations;
- To identify the current ways by which proceeds of crime are used or laundered in the Asia/Pacific region;
- To determine any emerging money laundering trends or patterns within and between jurisdictions in the Asia/Pacific region; and
- To consider ways to improve international co-operation in the detection, investigation and seizure of proceeds of crime, and where appropriate, the repatriation of the proceeds of crime, especially when the proceeds are transmitted to other jurisdictions.

### **Workshop Highlights**

Workshop participants were called upon to submit written reports prior to the commencement of the Workshop. At the Workshop, participants were asked to highlight the most significant money laundering related issues specific to their particular jurisdictions, as well as to the Asia/Pacific region as a whole.

Identified below, in summary fashion, are the most common and significant issues:

- Proceeds of crime derived from the activities of traffickers, in both people and illicit drugs, gambling operations and organised criminal groups.
- Money laundering as a means of disguising and hiding the proceeds of violent and serious crimes such as kidnapping, arms smuggling, highjacking, extortion, public corruption and crimes by terrorist groups.
- Money laundering as a means of tax evasion.

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<sup>3</sup> Australia, Canada, Chinese Taipei, Cook Islands, Fiji, Hong Kong, China, India, Indonesia, Japan, Kingdom of Cambodia, Macau, Malaysia, Nepal, New Zealand, Republic of Maldives, Republic of Philippines, Samoa, Singapore, Sri Lanka, Thailand, Union of Myanmar, United Kingdom, United States of America, Vanuatu, Vietnam, Interpol, South Pacific Forum Secretariat, United Nations (ODCCP), World Customs Organisation

- The use and abuse of the services offered by offshore financial centres for the purposes of money laundering.
- The increasing use of professionals, including lawyers and accountants, for the purposes of money laundering.
- Structuring, or deliberately breaking down, currency transactions so as to avoid legal reporting requirements and detection.
- Purchasing of bank drafts and bank cheques, as a substitute for currency, and transporting the drafts and cheques via couriers or through the postal service.
- Physical removal of currency from jurisdictions by the making of false declarations or by the smuggling of large amounts through cargo containers or international courier services.
- Traditional electronic movement of funds by means of bank transfers or transfers through financial advisors and insurance or securities brokers.
- Changes and innovations in technology that allow for undetected electronic movement of funds, such as transfers of funds over the internet, the purchase of goods and services over the internet with illegally derived funds and the use of emerging technologies such as stored-value cards.
- Movement of currency and other forms of funds by means of non-traditional banking services, such as underground or alternative banks, currency exchange houses and remittance facilities.
- The use of company formation agencies to form “shell” companies and the use of “shell” companies to disguise the true ownership and source of illicit funds and to facilitate transfers of those funds.
- Transfers of proceeds of crime outside the jurisdiction for the purpose of investment, including the purchase of real estate.
- The use of the gambling industry, including casinos, to transfer and disguise the proceeds of crime.
- The use of negotiable instruments and credit and debit cards to transfer and disguise the proceeds of crime.

## Conclusions

As a result of the discussions and presentations during the course of the Workshop, the Workshop participants concluded that:

- A continuing focus should be placed on the significant issues highlighted in the above points.
- Regional factors must be recognised and addressed, especially the widespread use of cash in daily commerce in the region;
- Close co-operation with the banking and financial sectors in each jurisdiction is essential to successful regional law enforcement efforts against money laundering;
- Sharing of information between jurisdictions is essential to successful regional law enforcement efforts against money laundering; and

- Targeted and continuing training and technical assistance are necessary, especially in light of the ever-changing innovations in technology that allow for the rapid movement of funds.

### **Recommendations**

The Workshop participants determined and consented to the following:

1. To conduct annual typologies workshops for the Asia/Pacific region.
2. To consider the problems raised by alternative remittance services and, in conjunction with Interpol, prepare a paper on this subject. In this regard, the Workshop noted and commended the intention of the APG to conduct a workshop dedicated to this subject matter in Tokyo, Japan, in March 1999.
3. To support the technical assistance and training needs assessment being conducted by the APG and have it applied to the region as a whole.

# ANNEX C: APG FINANCIAL STATEMENTS

## STATEMENT OF REVENUES AND EXPENSES

for the period ending 30 June 2000

	Notes	1999-2000 \$	1998-99 \$
<b>Operating revenues</b>			
Contributions from Australian Government	3A	270,000	250,000
Sales of goods and services		1,061	-
Contributions from other member jurisdictions/organisations	3B	357,302	102,069
<b>Total operating revenues</b>		<b>628,363</b>	<b>352,069</b>
<b>Operating expenses</b>			
Employees		374,358	228,561
Suppliers	4	217,853	124,656
<b>Total operating expenses</b>		<b>592,211</b>	<b>353,217</b>
<b>Operating surplus (deficit) before extraordinary items</b>		<b>36,152</b>	<b>(1,148)</b>
<b>Net surplus or deficit after extraordinary items</b>		<b>36,152</b>	<b>(1,148)</b>
Accumulated surpluses or deficits at beginning of reporting period		6,396	7,544
<b>Accumulated surpluses of deficit at end of reporting period</b>		<b>42,548</b>	<b>6,396</b>

The above statement should be read in conjunction with the accompanying notes.

## BALANCE SHEET

as at 30 June 2000

	1999-2000 \$	1998-99 \$
<b>ASSETS</b>		
<b>Financial assets</b>		
Cash	143,066	10,710
<b>Total financial assets</b>	<b>143,066</b>	<b>10,710</b>
<b>Total assets</b>	<b>143,066</b>	<b>10,710</b>
<b>LIABILITIES</b>		
<b>Provisions and payables</b>		
Employees	100,518	4,314
<b>Total provisions and payables</b>	<b>100,518</b>	<b>4,314</b>
<b>Total liabilities</b>	<b>100,518</b>	<b>4,314</b>
<b>EQUITY</b>		
Accumulated surpluses or deficits	42,548	6,396
<b>Total Equity</b>	<b>42,548</b>	<b>6,396</b>
<b>Total Liabilities and Equity</b>	<b>143,066</b>	<b>10,710</b>

The above statement should be read in conjunction with the accompanying notes.

The above statements were audited and approved by the Australian National Audit Office (ANAO)

## STATEMENT OF CASH FLOWS

for the period ending 30 June 2000

	Notes	1999-2000 \$	1998-99 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Contributions from Australian Government		270,000	250,000
Sales of goods and services		1,061	-
Contributions from other member jurisdictions/organisations		357,302	102,069
<b>Total cash received</b>		<b>628,363</b>	<b>352,069</b>
<b>Cash used</b>			
Employees		278,154	224,247
Suppliers		217,853	124,656
<b>Total cash used</b>		<b>496,007</b>	<b>348,903</b>
<b>Net cash from operating activities</b>	5	<b>132,356</b>	<b>3,166</b>
<b>Net increase in cash held</b>			
Cash at beginning of the reporting period		10,710	7,544
<b>Cash at end of the reporting period</b>		<b>143,066</b>	<b>10,710</b>

The above statement should be read in conjunction with the accompanying notes.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2000

### Note 1 Asia Pacific Group on Money Laundering Objectives

The Asia Pacific Group on Money Laundering (APG) provides a focus for co-operative anti-money laundering efforts in the region by encouraging the adoption of accepted international standards and by providing mechanisms to assist jurisdictions in the implementation of practical anti-money laundering measures.

### Note 2 Summary of Significant Accounting Policies

#### 2.1 Basis of Accounting

The financial statements are a special purpose financial report and have been prepared solely for use by members of the Asia Pacific Group on Money Laundering.

The statements have been prepared, were relevant, in accordance with

- Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Boards; and
- the Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to Statements of Accounting Concepts.

The financial statements have been prepared on an accrual basis and are in accordance with historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

These financial statements are presented in Australian dollars unless otherwise stated.

#### 2.2 Changes in Accounting Policy

Changes in accounting policy have been identified in this note under their appropriate headings.

#### 2.3 Cash

Cash includes notes and coins held and any deposits held at call with a bank or financial institution.



## 2.4 Taxation

The APG is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax. For the 1999-2000 year FBT costs were paid by the NCA.

## 2.5 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

## 2.6 Comparative Figures

Comparative figures have been adjusted to conform with changes in presentation in these financial statements where required.

## 2.7 Rounding

Amounts shown in these financial statements have been rounded to the nearest dollar.

	1999-2000 \$	1998-99 \$	1999-2000 USD	1998-99 USD
<b>Note 3A Contributions from Australian Government</b>				
Appropriation from Australian Government	250,000	250,000	162,500	162,500
Contribution from National Crime Authority (APG Annual Meeting)	20,000	-	13,000	-
	<u>270,000</u>	<u>250,000</u>	<u>175,500</u>	<u>162,500</u>

<b>Note 3B Contributions from other member jurisdictions/organisations</b>				
Australian Federal Police (APG Annual Meeting)	25,565	-	16,617	-
Australian Prudential Regulation Authority (APG Annual Meeting)	5,000	-	3,250	-
Austrac (APG Annual Meeting)	20,000	-	13,000	-
AusAid (Sponsorship to attend meetings)	50,000	48,699	32,500	31,654
Customs (APG Annual Meeting)	20,000	-	13,000	-
Reserve Bank of Australia (APG Annual Meeting)	5,000	-	3,250	-
Hong Kong, China	-	13,400	-	8,040
Japan	106,908	39,970	65,000	24,000
New Zealand	10,000	-	6,500	-
United States	114,825	-	75,000	-
Other Revenue	4	-	3	-
	<u>357,302</u>	<u>102,069</u>	<u>228,120</u>	<u>63,694</u>

## Note 4

### Suppliers

Travel	92,127	119,579		
Conferences	81,648	2,188		
Office Requisites	24,245	2,604		
Other Expenses	19,833	285		
			<u>217,853</u>	<u>124,656</u>

## Note 5 Cash Flow Reconciliation

Reconciliation of operating surplus (deficit) to net cash provided by operating activities:

Operating Result	36,152	(1,148)
Increase (decrease) in provisions	96,204	4,314
<b>Net cash provided by operating activities</b>	<u>132,356</u>	<u>3,166</u>

# **ANNEX D: THE FORTY RECOMMENDATIONS OF THE FATF**

## **A. GENERAL FRAMEWORK OF THE RECOMMENDATIONS**

1. Each country should take immediate steps to ratify and to implement fully, the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention).
2. Financial institution secrecy laws should be conceived so as not to inhibit implementation of these recommendations.
3. An effective money laundering enforcement program should include increased multilateral co-operation and mutual legal assistance in money laundering investigations and prosecutions and extradition in money laundering cases, where possible.

## **B. ROLE OF NATIONAL LEGAL SYSTEMS IN COMBATING MONEY LAUNDERING**

### ***Scope of the Criminal Offence of Money Laundering***

4. Each country should take such measures as may be necessary, including legislative ones, to enable it to criminalise money laundering as set forth in the Vienna Convention. Each country should extend the offence of drug money laundering to one based on serious offences. Each country would determine which serious crimes would be designated as money laundering predicate offences.
5. As provided in the Vienna Convention, the offence of money laundering should apply at least to knowing money laundering activity, including the concept that knowledge may be inferred from objective factual circumstances.
6. Where possible, corporations themselves - not only their employees - should be subject to criminal liability.

### ***Provisional Measures and Confiscation***

7. Countries should adopt measures similar to those set forth in the Vienna Convention, as may be necessary, including legislative ones, to enable their competent authorities to confiscate property laundered, proceeds from, instrumentalities used in or intended for use in the commission of any money laundering offence, or property of corresponding value, without prejudicing the rights of bona fide third parties.

Such measures should include the authority to: (1) identify, trace and evaluate property which is subject to confiscation; (2) carry out provisional measures, such as freezing and seizing, to prevent any dealing, transfer or disposal of such property; and (3) take any appropriate investigative measures.

In addition to confiscation and criminal sanctions, countries also should consider monetary and civil penalties, and/or proceedings including civil proceedings, to void contracts entered into by parties, where parties knew or should have known that as a result of the contract, the State would be prejudiced in its ability to recover financial claims, e.g. through confiscation or collection of fines and penalties.

## C. ROLE OF THE FINANCIAL SYSTEM IN COMBATING MONEY LAUNDERING

8. Recommendations 10 to 29 should apply not only to banks, but also to non-bank financial institutions. Even for those non-bank financial institutions which are not subject to a formal prudential supervisory regime in all countries, for example bureaux de change, governments should ensure that these institutions are subject to the same anti-money laundering laws or regulations as all other financial institutions and that these laws or regulations are implemented effectively.

9. The appropriate national authorities should consider applying Recommendations 10 to 21 and 23 to the conduct of financial activities as a commercial undertaking by businesses or professions which are not financial institutions, where such conduct is allowed or not prohibited. Financial activities include, but are not limited to, those listed in the attached annex. It is left to each country to decide whether special situations should be defined where the application of anti-money laundering measures is not necessary, for example, when a financial activity is carried out on an occasional or limited basis.

### ***Customer Identification and Record-keeping Rules***

10. Financial institutions should not keep anonymous accounts or accounts in obviously fictitious names: they should be required (by law, by regulations, by agreements between supervisory authorities and financial institutions or by self-regulatory agreements among financial institutions) to identify, on the basis of an official or other reliable identifying document, and record the identity of their clients, either occasional or usual, when establishing business relations or conducting transactions (in particular opening of accounts or passbooks, entering into fiduciary transactions, renting of safe deposit boxes, performing large cash transactions).

In order to fulfil identification requirements concerning legal entities, financial institutions should, when necessary, take measures:

- (i) to verify the legal existence and structure of the customer by obtaining either from a public register or from the customer or both, proof of incorporation, including information concerning the customer's name, legal form, address, directors and provisions regulating the power to bind the entity.
- (ii) to verify that any person purporting to act on behalf of the customer is so authorised and identify that person.

11. Financial institutions should take reasonable measures to obtain information about the true identity of the persons on whose behalf an account is opened or a transaction conducted if there are any doubts as to whether these clients or customers are acting on their own behalf, for example, in the case of domiciliary companies (i.e. institutions, corporations, foundations, trusts, etc. that do not conduct any commercial or manufacturing business or any other form of commercial operation in the country where their registered office is located).

12. Financial institutions should maintain, for at least five years, all necessary records on transactions, both domestic or international, to enable them to comply swiftly with information requests from the competent authorities. Such records must be sufficient to permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of criminal behaviour.

Financial institutions should keep records on customer identification (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the account is closed.

These documents should be available to domestic competent authorities in the context of relevant criminal prosecutions and investigations.

**13.** Countries should pay special attention to money laundering threats inherent in new or developing technologies that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

#### ***Increased Diligence of Financial Institutions***

**14.** Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

**15.** If financial institutions suspect that funds stem from a criminal activity, they should be required to report promptly their suspicions to the competent authorities.

**16.** Financial institutions, their directors, officers and employees should be protected by legal provisions from criminal or civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the competent authorities, even if they did not know precisely what the underlying criminal activity was, and regardless of whether illegal activity actually occurred.

**17.** Financial institutions, their directors, officers and employees, should not, or, where appropriate, should not be allowed to, warn their customers when information relating to them is being reported to the competent authorities.

**18.** Financial institutions reporting their suspicions should comply with instructions from the competent authorities.

**19.** Financial institutions should develop programs against money laundering. These programs should include, as a minimum:

- (i) the development of internal policies, procedures and controls, including the designation of compliance officers at management level, and adequate screening procedures to ensure high standards when hiring employees;
- (ii) an ongoing employee training programme;
- (iii) an audit function to test the system.

#### ***Measures to Cope with the Problem of Countries with No or Insufficient Anti-Money Laundering Measures***

**20.** Financial institutions should ensure that the principles mentioned above are also applied to branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply these Recommendations, to the extent that local applicable laws and regulations permit. When local applicable laws and regulations prohibit this implementation, competent authorities in the country of the mother institution should be informed by the financial institutions that they cannot apply these Recommendations.

**21.** Financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply these Recommendations. Whenever these transactions have no apparent

economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

### ***Other Measures to Avoid Money Laundering***

**22.** Countries should consider implementing feasible measures to detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure proper use of information and without impeding in any way the freedom of capital movements.

**23.** Countries should consider the feasibility and utility of a system where banks and other financial institutions and intermediaries would report all domestic and international currency transactions above a fixed amount, to a national central agency with a computerised data base, available to competent authorities for use in money laundering cases, subject to strict safeguards to ensure proper use of the information.

**24.** Countries should further encourage in general the development of modern and secure techniques of money management, including increased use of checks, payment cards, direct deposit of salary checks, and book entry recording of securities, as a means to encourage the replacement of cash transfers.

**25.** Countries should take notice of the potential for abuse of shell corporations by money launderers and should consider whether additional measures are required to prevent unlawful use of such entities.

### ***Implementation, and Role of Regulatory and other Administrative Authorities***

**26.** The competent authorities supervising banks or other financial institutions or intermediaries, or other competent authorities, should ensure that the supervised institutions have adequate programs to guard against money laundering. These authorities should co-operate and lend expertise spontaneously or on request with other domestic judicial or law enforcement authorities in money laundering investigations and prosecutions.

**27.** Competent authorities should be designated to ensure an effective implementation of all these Recommendations, through administrative supervision and regulation, in other professions dealing with cash as defined by each country.

**28.** The competent authorities should establish guidelines which will assist financial institutions in detecting suspicious patterns of behaviour by their customers. It is understood that such guidelines must develop over time, and will never be exhaustive. It is further understood that such guidelines will primarily serve as an educational tool for financial institutions' personnel.

**29.** The competent authorities regulating or supervising financial institutions should take the necessary legal or regulatory measures to guard against control or acquisition of a significant participation in financial institutions by criminals or their confederates.

## **D. STRENGTHENING OF INTERNATIONAL CO-OPERATION**

### ***Administrative Co-operation***

#### *Exchange of general information*

**30.** National administrations should consider recording, at least in the aggregate, international flows of cash in whatever currency, so that estimates can be made of cash flows and reflows from various sources abroad, when this is combined with central bank information. Such information should be made available to the International Monetary Fund and the Bank for International Settlements to facilitate international studies.

**31.** International competent authorities, perhaps Interpol and the World Customs Organisation, should be given responsibility for gathering and disseminating information to competent authorities about the latest developments in money laundering and money laundering techniques. Central banks and bank regulators could do the same on their network. National authorities in various spheres, in consultation with trade associations, could then disseminate this to financial institutions in individual countries.

#### *Exchange of information relating to suspicious transactions*

**32.** Each country should make efforts to improve a spontaneous or "upon request" international information exchange relating to suspicious transactions, persons and corporations involved in those transactions between competent authorities. Strict safeguards should be established to ensure that this exchange of information is consistent with national and international provisions on privacy and data protection.

### ***Other forms of Co-operation***

#### *Basis and means for co-operation in confiscation, mutual assistance and extradition*

**33.** Countries should try to ensure, on a bilateral or multilateral basis, that different knowledge standards in national definitions - i.e. different standards concerning the intentional element of the infraction - do not affect the ability or willingness of countries to provide each other with mutual legal assistance.

**34.** International co-operation should be supported by a network of bilateral and multilateral agreements and arrangements based on generally shared legal concepts with the aim of providing practical measures to affect the widest possible range of mutual assistance.

**35.** Countries should be encouraged to ratify and implement relevant international conventions on money laundering such as the 1990 Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

#### *Focus of improved mutual assistance on money laundering issues*

**36.** Co-operative investigations among countries' appropriate competent authorities should be encouraged. One valid and effective investigative technique in this respect is controlled delivery related to assets known or suspected to be the proceeds of crime. Countries are encouraged to support this technique, where possible.

**37.** There should be procedures for mutual assistance in criminal matters regarding the use of compulsory measures including the production of records by financial institutions and other

persons, the search of persons and premises, seizure and obtaining of evidence for use in money laundering investigations and prosecutions and in related actions in foreign jurisdictions.

**38.** There should be authority to take expeditious action in response to requests by foreign countries to identify, freeze, seize and confiscate proceeds or other property of corresponding value to such proceeds, based on money laundering or the crimes underlying the laundering activity. There should also be arrangements for co-ordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

**39.** To avoid conflicts of jurisdiction, consideration should be given to devising and applying mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country. Similarly, there should be arrangements for co-ordinating seizure and confiscation proceedings which may include the sharing of confiscated assets.

**40.** Countries should have procedures in place to extradite, where possible, individuals charged with a money laundering offence or related offences. With respect to its national legal system, each country should recognise money laundering as an extraditable offence. Subject to their legal frameworks, countries may consider simplifying extradition by allowing direct transmission of extradition requests between appropriate ministries, extraditing persons based only on warrants of arrests or judgements, extraditing their nationals, and/or introducing a simplified extradition of consenting persons who waive formal extradition proceedings.

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## ANNEX E: WEBSITES AND GLOSSARY

Not all the agencies listed below are mentioned in this Annual Report. They are however included in order to make this Annex a more useful resources.

ADB – Asian Development Bank	<a href="http://www.adb.org">www.adb.org</a>
APEC – Asia Pacific Economic Co-operation	<a href="http://www.apecsec.org.sg">www.apecsec.org.sg</a>
ASEAN – Association of South East Asian Nations	<a href="http://www.asean.or.id">www.asean.or.id</a>
AusAID – Australian Agency for International Development	<a href="http://www.ausaid.gov.au">www.ausaid.gov.au</a>
FATF – Financial Action Task Force on Money Laundering	<a href="http://www.oecd.org/fatf">www.oecd.org/fatf</a>
IMF – International Monetary fund	<a href="http://www.imf.org">www.imf.org</a>
IMoLIN – International Money Laundering Network	<a href="http://www.imolin.org">www.imolin.org</a>
IDLI – International Development Law Institute	<a href="http://www.idli.org">www.idli.org</a>
ODCCP – United Nations Office for Drug Control & Crime Prevention	
UNDCP – United Nations Drug Control Programme	
UNTOC – United Nations Draft Convention of Transnational Crime	
UNICRI – United Nations Inter-regional Crime & Justice Research Institute	
United Nations home page:	<a href="http://www.un.org">www.un.org</a>
OECD – Organisation for Economic Co-operation & Development	<a href="http://www.oecd.org">www.oecd.org</a>
Pacific Islands Forum Secretariat	<a href="http://www.forumsec.org.fj">www.forumsec.org.fj</a>
SAARC – South Asian Association for Regional Co-operation	<a href="http://www.saarc.org">www.saarc.org</a>
World Bank – The World Bank Group	<a href="http://www.worldbank.org">www.worldbank.org</a>
WCO – World Customs Organisation	<a href="http://www.wcoomd.org">www.wcoomd.org</a>

<b>APEC</b>	Asia Pacific Economic Co-operation
<b>ASEAN</b>	Association of South East Asian Nations
<b>ADB</b>	Asian Development Bank
<b>AMLID</b>	Anti Money Laundering International Database
<b>AusAID</b>	Australian Agency for International Development
<b>AUSTRAC</b>	Australian Transaction Reports & Analysis Centre
<b>ASEM</b>	Asia Europe Meeting
<b>ATO</b>	Australian Taxation Office
<b>CFATF</b>	Caribbean Financial Action Task Force
<b>CSCAP</b>	Council for Security Co-operation in the Asia Pacific
<b>COE</b>	Council of Europe
<b>ESCAP</b>	Economic & Social Commission for Asia and the Pacific
<b>EEC</b>	European Economic Community
<b>Egmont Group</b>	Egmont Group of the Financial Intelligence Units of the world
<b>FSF</b>	Financial Stability Forum
<b>FIU</b>	Financial Intelligence Unit

<b>FSA</b>	Financial Services Authority
<b>FINCEN</b>	Financial Crimes Enforcement Network
<b>FATF</b>	Financial Action Task Force on Money Laundering
<b>FCO</b>	Foreign & Commonwealth Office
<b>FEMM</b>	Finance and Economic Ministers Meeting (a South Pacific body)
<b>IMF</b>	International Monetary Fund
<b>IDLI</b>	International Development Law Institute
<b>IOSCO</b>	International Organisation of Security Commissions
<b>ME</b>	Mutual Evaluations
<b>NCCT</b>	Non Co-operative Countries & Territories
<b>ODCCP</b>	United Nations Office for Drug Control & Crime Prevention
<b>OECD</b>	Organisation for Economic Co-operation & Development
<b>OGBS</b>	Offshore Group of Banking Supervisors
<b>PFTAC</b>	Pacific Financial Technical Assistance Centre
<b>RETA</b>	Regional and Technical Assistance
<b>SAARC</b>	South Asian Association for Regional Co-operation
<b>SEACEN</b>	South East Asian Central Banks
<b>UNDCP</b>	United Nations Drug Control Programme
<b>UNTOC</b>	United Nations Convention on Transnational Organized Crime
<b>USDEA</b>	US Drug Enforcement Agency (aka DEA)
<b>WCO</b>	World Customs Organisation
<b>WTO</b>	World Trade Organisation

## **CONTACT DETAILS FOR THE APG SECRETARIAT**

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