



Asia/Pacific Group on Money Laundering

**Annual Report
1 October 2003 – 30 June 2004**

November 2004

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Foreword by the Co-Chairs of the APG

We have pleasure in presenting the Asia/Pacific Group on Money Laundering's annual report for the nine months ending 30 June 2004. This is the fifth annual report published by the APG.

The APG's Annual Report for 2002-03 covered a 15 month period from 1 July 2002 to 30 September 2003 in order to encompass the outcomes of the APG's 2003 Annual Meeting, which was not held until September 2003. This report therefore covers a nine month period, from 1 October 2003 to 30 June 2004 and includes the outcomes of the APG's 2004 Annual Meeting, which was held from 15 – 18 June 2004 in Seoul, Korea. The annexed financial reports, however, cover the full financial year from 1 July 2003 to 30 June 2004.

The primary purpose of the APG is to provide a regional focus for co-operation against money laundering and terrorist financing, including the implementation of internationally accepted anti-money laundering and combating the financing of terrorism (AML/CFT) standards in the legal, financial and law enforcement sectors.

This has been another successful period for the APG and its members, which has seen an overall increase in the level of implementation of the international AML/CFT standards by APG members. Major achievements during the reporting period include:

- a further expansion of APG membership, to 28, with the admission of Mongolia and Cambodia at the 2004 Annual Meeting;
- the completion of three on-site mutual evaluation visits to jurisdictions in the region - New Zealand, the Philippines and the Cook Islands;
- adoption by the APG of the recently revised standard AML/CFT assessment methodology developed by the FATF, the International Monetary Fund, the World Bank and regional anti-money laundering bodies, including the APG;
- successful conduct of the APG's 2004 Annual Meeting in Seoul, Korea. The meeting was the largest ever held, with agreement reached on a wide range of issues, including:
 - commitments by international organizations and a number of APG members to provide technical assistance and training resources to speed up the process of implementing the global standards for combating money laundering and the financing of terrorism.
 - the production of a report on methods and trends of money laundering and terrorist financing in the Asia/Pacific region, which has been made available via the APG website www.apgml.org
 - an agreement to use the recently revised standard AML/CFT assessment methodology developed by the FATF (in conjunction with the IMF and World Bank) for APG evaluations from January 2005 and to complete the APG's first round of mutual evaluations by June 2005;
 - an agreement to begin a new round of APG mutual evaluations in July 2005.
- further expansion of the APG's work in the area of technical assistance and training and successful conduct of the 2004 Annual Forum on Technical Assistance and Training in June 2004 in conjunction with the APG Annual Meeting;
- successful conduct of the APG Typologies Workshop in Kuala Lumpur, Malaysia in December 2003;

- successful conduct of a Training Workshop for Mutual Evaluators in Kuala Lumpur immediately following the APG Typologies Workshop; and
- establishment of the APG Steering Group to provide the APG Co-Chairs and APG members with strategic advice on the structure, functioning and support for the APG.

These developments and outcomes demonstrate the increasing cohesiveness of the APG and the increasingly active involvement of its members in the APG's core work. The outcomes of the Annual Meeting are described in further detail in chapter 2 of this report.

We would like to thank all the APG members and observers for their increasing commitment to the APG and its goals.

We would also like to acknowledge the excellent work done by our Co-Chair predecessors, who have held the Korean Co-Chair position at various times since July 2002.

Finally, we would like to thank Rick McDonell and the APG Secretariat team for their continuing hard work and dedication on behalf of the APG and its members. Their contribution to the work of the APG continues to be crucial to its success.

Mick Keelty
Co-Chair
Australia



Yangho Byeon
Co-Chair
Republic of Korea



1. Overview of the APG

Background

The APG was officially established as an autonomous regional anti-money laundering body in February 1997 at the Fourth (and last) Asia/Pacific Money Laundering Symposium in Bangkok, Thailand¹. This was the culmination of a process of 'awareness raising' in the Asia/Pacific region initiated by Financial Action Task Force on Money Laundering (FATF) in 1993 as part of its global strategy.

Purpose

The purpose of the APG is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money laundering and anti-terrorist financing standards². The anti-money laundering standards are set out in the FATF's revised Forty Recommendations and the anti-terrorist financing standards are set out in the FATF's eight Special Recommendations on Terrorist Financing and in relevant United Nations Resolutions.

The APG's role includes assisting jurisdictions in the region to enact laws dealing with the proceeds of crime, mutual legal assistance, confiscation, forfeiture and extradition. It also includes the provision of guidance in setting up systems for reporting and investigating suspicious transactions and helping in the establishment of financial intelligence units. The APG undertakes studies of methods and trends of money laundering and the financing of terrorism in the Asia/Pacific region. The APG allows for regional factors to be taken into account in the implementation of anti-money laundering and anti-terrorist financing measures and provides for peer review by means of a mutual evaluation process.

Nature

The APG is a voluntary and co-operative international body established by agreement among its members and is autonomous. It does not derive from an international treaty nor is it part of any international organisation. However, it keeps 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 and terrorist financing.

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

Membership

Membership of the APG has expanded to a total of 28 members as at 30 June 2004. Two jurisdictions joined the APG during the reporting year: Mongolia and Cambodia.

Membership currently comprises Australia; Bangladesh; Brunei Darussalam; Cambodia; Chinese Taipei; Cook Islands; Fiji Islands; Hong Kong, China; India; Indonesia; Japan; Korea (Republic of); Macau, China; Malaysia; Marshall Islands; Mongolia; Nepal; New Zealand; Niue; Pakistan; Palau; Philippines; Samoa; Singapore; Sri Lanka; Thailand; United States of America and Vanuatu. There are also 12 observer jurisdictions³ and 16 observer international and regional organisations⁴.

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

¹ This symposium was organised by the FATF Asia Secretariat, the precursor of the APG Secretariat, in co-operation with the Commonwealth Secretariat and other international bodies, with the aim of getting regional commitment and establishing a regional group with practical objectives.

² A copy of the APG Terms of Reference is at Annex A.

³ Canada; France; Germany; Kiribati; Lao PDR; Maldives; Myanmar; Nauru; Papua New Guinea; Tonga; United Kingdom; Vietnam.

⁴ APEC Secretariat; ASEAN Secretariat; Asian Development Bank; Caribbean Financial Action Task Force; Commonwealth Secretariat; Egmont Group of Financial Intelligence Units of the World; Financial Action Task Force on Money Laundering Secretariat; International Monetary Fund; Interpol; Oceania Customs Organisation; Offshore Group of Banking Supervisors; Pacific Financial Technical Assistance Centre; Pacific Islands Forum Secretariat; United Nations Office on Drugs and Crime; The World Bank; World Customs Organisation.

- recognises the need for action to combat money laundering and terrorist financing;
- recognises the benefits obtained through sharing knowledge and experience; and
- has taken or is actively taking steps to develop, pass and implement anti-money laundering and anti-terrorist financing legislation and other measures based on accepted international standards.

The membership requirements are spelt out in the APG Terms of Reference (a copy of which is at Annex A).

Co-Chairs

There were a number of changes to the APG Co-Chairs during the period under review, which are briefly outlined below.

Australian Co-Chair

The Australian Co-Chair position remained unchanged in 2003 – 04 and continued to be held by Commissioner Mick Keelty, who became Co-Chair in January 2003.

Commissioner Keelty is the Chair of the Board of the Australian Crime Commission (a specialist law enforcement agency established to combat organised crime on a national basis) and the Commissioner of the Australian Federal Police. Mr Keelty was appointed Commissioner of Police of the Australian Federal Police in 2001 and Chair of the Board of the Australian Crime Commission in 2003.

During his career Mr Keelty has worked in a variety of fields, including community policing, national drug operations and intelligence. He has also undertaken a lengthy secondment to the National Crime Authority to work on investigations into organised crime and corruption.

Mr Keelty received the Australian Police Medal for distinguished service in 1996. He holds a Master of Public Policy and Administration, a Graduate Certificate in Criminal Justice Education, is a graduate of the FBI National Academy and is a Fellow of the Australian Institute of Management.

Commissioner Keelty is also the Deputy Chair of the Australian National Council on Drugs and Co-Chair of the Board of Control of the Australian Institute of Police Management

Korean Co-Chair

At the APG's Fifth Annual Meeting in June 2002, it was agreed that the Republic of Korea would assume the rotating Co-Chair position for two years when Malaysia's term expired.

As at 1 October 2003, the Korean Co-Chair position was held by Mr Byung-Ki Kim the new Commissioner of the Korean Financial Intelligence Unit (KoFIU). Byung-Ki Kim served as APG Co-Chair until March 2004 when he was appointed to the role of Deputy Minister for Finance. Mr Kim was replaced as Co-Chair by the new Commissioner of KoFIU, Mr Young-Min Baang, who held the Co-Chair position until May 2004, when he was appointed to a senior position in the private sector. Mr Yangho Byeon, the new Commissioner of KoFIU then took over as Co-Chair until the expiration of Korea's period as Co-Chair on 30 June 2004.

Mr Yangho Byeon has considerable experience in the financial industry having held positions such as the Director of the International Finance Bureau and the Director-General of Financial Policy Bureau in the Ministry of Finance and Economy. He was also selected as one of the fifteen economists to lead the world economy by the Wall Street Journal in 2001.

Mission Statement and Strategic Plan

Following an initial summary of the APG's 2004 Annual Meeting, this annual report is structured around the six roles of the APG which are reflected in the new APG Strategic Plan 2003 – 06 which was adopted at the APG's sixth Annual Meeting in September 2003. The vision, mission, objectives and roles set out in the new Plan are as follows:

Strategic Plan 2003 – 06

The APG's vision is an ***active and cooperative APG contributing to a reduction in the economic and social impacts of serious crime in the Asia/Pacific region.***

The APG's mission is ***to combat money laundering and the financing of terrorism in the Asia/Pacific region.***

The objectives of the APG are:

- i) To contribute to the development of global standards against money laundering and the financing of terrorism, which take due account of difference between legal, financial and law enforcement systems of APG member jurisdictions; and
- ii) To achieve full and effective implementation of the global standards against money laundering and the financing of terrorism throughout the Asia/Pacific region; and
- iii) To integrate implementation of the standards with the existing legal, financial and law enforcement systems of each jurisdiction.

The roles of the APG are:

- 1. Provide an autonomous regional body for APG members and observers to work together against money laundering and the financing of terrorism.
- 2. Conduct outreach activities to promote membership of the APG and encourage non-members to cooperate in the global fight against money laundering and the financing of terrorism.
- 3. Participate in and co-operate with the global anti-money laundering network primarily the Financial Action Task Force (FATF) and other regional anti-money laundering groups.
- 4. Carry out education, research and analysis activities to enhance the understanding of the money laundering and the financing of terrorism environment and the global efforts against it.
- 5. Assist APG members to implement the global standards against money laundering and the financing of terrorism.
- 6. Assess APG members' compliance with the global standards against money laundering and the financing of terrorism.

In essence, the APG Strategic Plan 2003 – 06 is not a significant departure from the APG Strategic Plan 2001 – 04, which it replaced. However, the new Plan more clearly and succinctly articulates the APG's vision, mission, objectives and roles and better reflects the changes that have occurred in recent years, in particular the APG's inclusion of a focus on combating the financing of terrorism, the revision by the FATF of the Forty Recommendations, and the APG's expanded role as the coordinating body for the delivery of AML/CFT technical assistance and training in the region

2. APG Annual Meeting 2004

This chapter reports on the general outcomes of the APG's 2004 Annual Meeting in some detail due to its significance to the APG's work program each year⁵. Further information concerning particular subjects discussed at the annual meeting can be found in other chapters of this report.

The seventh Annual General Meeting of the Asia/Pacific Group on Money Laundering, held in Seoul, Korea from 15 to 18 June 2004 continued the successes of past annual meetings. The meeting was opened by Mr Hun-Jai Lee, Deputy Prime Minister and Minister of Finance and Economy, and co-chaired by Commissioner Yangho Byeon (Korea) and Commissioner Mick Keelty (Australia). Deputy Prime Minister Lee welcomed all participants to Seoul, noting that the meeting provided an important platform for Asia/Pacific countries to strengthen their efforts in anti-money laundering and combating the financing of terrorism (AML/CFT)

Over 210 participants representing 28 APG member jurisdictions⁶, nine observer jurisdictions⁷ and 13 international and regional organisations⁸ were in attendance. This forum brought together senior delegates from legal, financial and law enforcement sectors from across the Asia/Pacific region providing opportunities to discuss the continued development and implementation of AML/CFT initiatives to combat the threat of money laundering and terrorist financing in the region.

The meeting was broadly structured around the goals of the APG Strategic Plan. The major highlights and outcomes were:

- remarks by FATF Secretariat outlining major priorities, revision of assessment methodologies, new initiatives to combat terrorist financing and the strengthening of cooperation with FATF-style regional bodies such as the APG;
- admission of new members, Mongolia and Cambodia;
- report from the APG Implementation Issues Working Group and presentation of a draft implementation issues matrix;
- discussion of implementation issues arising from written jurisdiction reports;
- a report from a UN representative on the implementation of UN Security Council Resolution 1526 concerning the establishment of a consolidated list of terrorist persons;
- adoption of the report on the APG's 2003 Typologies Workshop;
- the production of a report on methods and trends of money laundering and terrorist financing in the Asia/Pacific region, which is available via the APG website www.apgml.org;
- a report on the outcomes of the 2004 APG Forum on Technical Assistance and Training, which was held on 14 June 2004, immediately prior to the Annual Meeting;
- commitments by international organisations and a number of APG members to provide technical assistance and training to speed up the process of implementing the global AML/CFT standards;
- updates on technical assistance relating to the Eight Special Recommendations conducted by the FATF Working Group on Terrorist Financing;

⁵ Please note that the outcomes of the APG's 2003 Annual Meeting, which was held in September 2003, can be found in the APG's Annual Report for 2002 – 03.

⁶ Australia; Bangladesh; Brunei Darussalam; Cambodia; Chinese Taipei; Cook Islands; Fiji Islands; Hong Kong, China; India; Indonesia; Japan; Korea, Republic of; Macau, China; Malaysia; Marshall Islands; Mongolia; Nepal; New Zealand; Niue; Pakistan; Palau; Philippines; Samoa; Singapore; Sri Lanka; Thailand; United States of America; Vanuatu.

⁷ Canada; France; Germany; Kiribati; Lao PDR; Maldives; Myanmar; United Kingdom; Vietnam.

⁸ ASEAN Secretariat; Asian Development Bank (ADB); Commonwealth Secretariat; Egmont Group of Financial Intelligence Units of the World; Financial Action Task Force (FATF); International Monetary Fund (IMF); Interpol; Offshore Group of Banking Supervisors (OGBS); Pacific Financial Technical Assistance Centre (PFTAC); Pacific Islands Forum Secretariat; United Nations Global Program Against Money Laundering (UNGPM); United Nations Office on Drugs and Crime (UNODC); The World Bank.

- report on APG AML/CFT Assessment Training Workshop 2003;
- discussion of assessment of compliance with the AML/CFT standards and the use of the new (2004) standard AML/CFT Assessment Methodology;
- adoption of the 2004 AML/CFT Assessment Methodology and agreement to use the 2004 Methodology for APG mutual evaluations from January 2005;
- agreement to complete the APG's first round of mutual evaluations in 2004 – 05 through the conduct of up to seven mutual evaluations and to begin a new round of mutual evaluations in the APG after the 2005 Annual Meeting;
- progress reports from APG members Bangladesh, Republic of Korea and Palau who were evaluated in 2002 – 03;
- consideration and adoption of reports on the APG Mutual Evaluation of the Philippines and IMF assessment of the Cook Islands;
- discussion of APG structures, operations and priorities, including agreement to seek continuation of the APG mandate until 2012, reflecting the FATF's recently extended mandate to 2012;
- adoption of:
 - Report Against APG Business Plan 2003-04;
 - Business Plan 2004-05;
 - Communications Strategy and Plan for 2004-05
- APG Budget Outcomes for 2003-04 were noted and the proposed budget for 2004-05 was approved;
- discussion of the hosting arrangements for the APG Secretariat and the status of the APG and APG Secretariat.

The Australian Co-chair, on behalf of all APG members, expressed sincere gratitude to the Korean Government and to the Korea Financial Intelligence Unit for hosting this very successful meeting of the APG.

3. Develop and sustain an effective regional body

This chapter outlines progress made in achieving Role 1 of the APG's Strategic Plan 2003 –06, which is to *provide an autonomous regional body for APG members and observers to work together against money laundering and the financing of terrorism*.

There are a number of ways in which the APG seeks to achieve this goal, including through:

- conducting, supporting and participating in: an APG Annual Meeting (see report in chapter 2); an annual APG Forum on Technical Assistance and Training (see report in Chapter 7); a minimum of five APG Mutual Evaluations and/or IMF/World Bank-led assessments of APG members per year (see report Chapter 8); an annual APG Typologies Workshop (see report Chapter 6); and targeted APG training events.
- supporting and resourcing the APG Secretariat in order to provide an effective focal point for regional AML/CFT activities and for liaison between APG members and observers and the FATF and other regional and international organisations.
- establishing and supporting an APG Steering Group, including representatives from sub-regional areas of the APG, to broaden members' involvement in the APG's decision making processes and the range of advice available to the Co-Chairs and the members.

The APG's Business Plan outlines a number of tasks to achieve this strategy, including development of APG Annual Business Plans and annual budgets, timely provision of membership contributions and other resources to the APG Secretariat by members, and effective management of the staff, budget, operation and work of the Secretariat. Resource management issues are dealt with in Chapter 9 of this annual report.

Another important task designed to provide an effective focal point for regional AML/CFT activities and liaison is through the development and implementation of the APG Communications Strategy and Action Plan. The following section outlines progress in this area in 2003 – 04.

Communications strategy and action plan

The APG Communications Strategy outlines the objectives, stakeholders and primary tools and key activities for all the APG's communications. The APG Communications Strategy reflects the principles and objectives of the APG Strategic Plan 2003-2006 and the Annual Business Plans. A key component of the APG Communications Strategy is the need to tailor the APG's communication tasks to reflect the changing communication challenges and needs of the APG's stakeholders.

Highlights of progress in 2003 – 04

During 2003 – 04 a pro-forma APG feedback form was used to gain audiences' feedback when giving APG presentations and this was also included with key APG documents. The feedback gained was used to improve APG presentations and documents and to provide follow up information sought.

Significant steps have been taken to introduce more timely and regular exchanges of information with other anti-money laundering regional bodies through the promotion of the APG's work. This has occurred in particular through the continuation of a regular meeting between the Secretariat Heads of the FATF-style regional bodies and the Executive Secretary of the FATF Secretariat in the margins of the FATF Plenary meeting, as well as through increased cooperation with the Pacific Islands Forum Secretariat, the Egmont Group, the Asian Development Bank (ADB), the International Monetary Fund (IMF), the World Bank and APEC Business Advisory Council.

The APG website has been continuously developed as a useful and comprehensive tool for members, observers and the public. The number of links to the APG's website has increased and the numbers of 'hits' on the website and downloads have increased over the year. The volume of

contact between stakeholders and the APG initiated by information obtained from the APG website has increased.

Notwithstanding the steady development of the website over the past two years, the APG Secretariat believes that it needs refinement and there is scope to further increase the usefulness of the APG website. The APG Secretariat has developed initial plans and secured funding from the ADB to undertake a significant enhancement of the APG website during 2004 – 05. These enhancements will deliver:

- improved structure and navigation (content management issues);
- increased and diversified content (content management/content production);
- more frequent updating of content (content production/management issues);
- improved communication tools (communications and content management).

Positive and diverse media coverage of the APG has been maintained during the year. This has expanded beyond the primary media coverage of the Annual Meeting to include media coverage of various APG activities throughout the year.

The APG Business Plan 2003 – 04 had a stated goal to produce four newsletters, but due to competing resource priorities, no newsletters were produced. Enhanced staffing capacities in the APG Secretariat, which will be in place by October 2004, will enable the resumption of newsletter production in late 2004.

The Business Plan 2003 – 04 also called for the publication of the APG's Annual Report for 2002 – 03 by 31 October 2003. Unfortunately, due to the fact that the 2003 Annual Meeting was not held until September 2003 and subsequent competing priorities, completion of the Annual Report was substantially delayed. A draft report was sent to members in June 2004 for comment⁹. Again, enhanced staffing capacities in the Secretariat, coupled with the 2004 Annual Meeting being held at the usual time, will enable the Annual Report for 2003 – 04 to be produced in a more timely manner.

The intention to launch a communications survey to all APG members and observers to determine future communication needs regionally and assess understanding and awareness levels of APG goals and work has been carried over into the Communications Action Plan for 2004 – 05

APG Communications Action Plan 2004 – 05

APG members adopted a Communications Action Plan for 2004 – 05 at the 2004 Annual Meeting.

The APG calendar for 2004 – 05 has a number of significant APG projects and new business to undertake which rely on effective communication. As outlined in the APG Annual Business Plan 2003-04, a systematic approach will be taken to develop project plans to support key APG events and projects. These project plans will include planning for effective communications to support each project. Key APG tasks for 2004 – 05 requiring systematic and effective communication support include:

- supporting the APG Steering Group;
- supporting the two APG Working Groups;
- undertaking an APG Typologies Workshop (2004);
- undertaking up to seven mutual evaluations or other AML/CFT assessments;
- supporting the conduct of outreach projects to up to five jurisdictions;
- supporting the development of a coordinated awareness raising 'missions' involving up to seven jurisdictions;
- developing and delivering a number of regionally specific technical assistance and training projects and 'products';
- undertaking an APG Mutual Evaluations Training Workshop (2005);

⁹ The APG Annual Report for 2002 – 03 was published in October 2004.

- undertaking an APG Annual Meeting (2005);

Attendance at conferences and seminars etc in 2003 – 04

APG Secretariat staff and APG member representatives have made numerous presentations at or taken part in conferences, seminars and meetings over the period under review, including:

- Egmont Group Plenary, Sydney (21 – 25 July 2003);
- meeting with Indonesian Parliamentary delegation, Sydney; 23 July 2003;
- ASEAN Anti-Money Laundering Workshop, Kuala Lumpur, 30 July 2003;
- Malaysian Banking Institute Workshop, Kuala Lumpur, 29 – 30 July 2003;
- PricewaterhouseCoopers Anti-money laundering Asia conference 2003, Singapore, 31 July – 1 August 2003;
- FATF Plenary Meeting, Working Group on Terrorist Financing, Working Group International Financial Institutions, Stockholm, 28 September – 3 October 2003;
- Working meeting at UN Institute for the Prevention of Crime (UNAFEI), Japan, 13 – 14 October 2003;
- FATF Typologies Meeting, Oaxaca, 17 – 18 November 2003;
- Regional World Bank/IMF Global Dialogues, video conference, 19 November 2003;
- Regional Ministerial Meeting on Counter-Terrorism, Bali, 4 – 5 February 2004;
- FATF Plenary Meeting, Working Group on Terrorist Financing, Working Group International Financial Institutions, Paris, 22 – 27 February 2004;
- International Working Group on Terrorist Financing, Canberra, 29 March 2004;
- Australian Federal Court Security Conference, Sydney, 19 March 2004;
- Pacific Roundtable on Counter-Terrorism, Wellington, 10 – 12 May 2004;
- AML/CFT Mission to Mongolia (led by the IMF), Ulaan Bataar; 3 – 7 May 2004;
- AML/CFT Awareness Raising Workshop and AML/CFT TA Donors Coordination Meeting for Thailand, Bangkok, 11 – 12 May 2004;
- Commonwealth Workshop on Capacity Building in Combating Terrorism, Singapore, 10 – 14 May 2004
- Commonwealth Business Council Banking and Financial Services Conference, London, 22 – 23 June 2004;
- Egmont Plenary, Guernsey, 24 – 25 June 2004;
- FATF Plenary Meeting, Working Group on Terrorist Financing, Working Group International Financial Institutions, Paris, 28 June – 2 July 2004.

Each of these events provided an excellent opportunity to promote the work of the APG to a wider audience, to encourage jurisdictions to consider becoming APG members, to improve working relationships, to provide technical assistance and to generally support the APG's mission.

APG Steering Committee

At the APG Annual Meeting in September 2003, APG members:

- agreed to establish an advisory APG Steering Group; and
- endorsed Terms of Reference (TORs) for the Steering Group; and
- called on the Steering Group to prepare a Discussion Paper on certain governance issues for the consideration of the Co-chairs and the members at the 2004 Annual Meeting.

The purpose of the APG Steering Group is to provide the APG Co-chairs and APG members with strategic advice on the structure, functioning and support for the APG. To achieve this purpose the Steering Group performs the following functions:

- consider governance and other issues of strategic importance referred to it;
- engage and consult with APG members to obtain their input on key issues;
- provide advice to the APG Co-chairs and APG members through the APG Secretariat on issues of strategic importance;
- advise on potential future Co-chairs of the APG;
- assist with engaging and influencing all APG members to effectively participate in APG activities, including leading or sponsoring specific APG projects; and
- encourage non-members in their geographic area to join the APG.

The membership of the APG Steering Group includes a representative from each of five broad geographical areas within the APG, namely North Asia, Pacific Islands, South Asia, South East Asia, and 'Other'. The current geographical representatives are Hong Kong, China; Fiji Islands; Bangladesh; Thailand and the United States. In addition, Steering Group membership includes the current APG Co-Chairs, and the immediate past and nominated future Co-Chair, or alternate nominations from their jurisdictions, for one year respectively. Thus Korea, Japan and Australia are members of the Steering Group. The APG Co-Chairs preside over any meetings of the APG Steering Group.

In March 2004, the Co-Chairs proposed that the Steering Group prepare a Preliminary Discussion Paper to canvass a number of priority governance issues for discussion at the 2004 Annual Meeting; and subsequently to prepare a full Discussion Paper to canvass the full range of governance issues. The Preliminary Discussion Paper was subsequently considered by members at the 2004 Annual Meeting. Key issues considered and agreed by members were:

The duration and mandate of the APG

Members endorsed the recommendation that the APG Co-Chairs write a letter to the relevant Minister/Central Bank Governor (as nominated by the APG Primary Contact point) seeking their agreement that the APG continue in existence until December 2012, in order to:

- allow greater certainty and stability;
- allow for the reality that the work of the APG is likely to last for that period; and
- mirror the FATF, whose mandate was recently extended until December 2012

Identifying and supporting new members

APG members endorsed a process for assisting APG observer jurisdictions identified as priorities for potential membership to become full and active APG members. This will involve:

- engaging identified jurisdictions to build commitment to AML/CFT implementation:
 - pre membership awareness raising, including exposure to APG activities and guidance and support from members and supporting observers;
 - pre-membership AML/CFT needs assessments (identified by the APG Donors and Providers Group as a significant gap and essential for technical assistance and training coordination);
 - implementation planning in response to the needs assessment (up to and after joining); and
 - coordination of assistance to begin to implement sequenced delivery.
- Placing a time limit of two years for priority jurisdictions to join or show sufficient other commitment in order to remain observers.

It was agreed that the APG Secretariat will ensure that the obligations on observer jurisdictions identified for potential membership are made clear (including preparedness to undergo an AML/CFT needs assessment, to work with the APG Donors and Providers Group, the placing of a time limit on being an observer and the APG's formal membership requirements).

Breaches of the APG rules of membership

It was agreed that APG Secretariat should make formal contact at a high level with any members who have failed to pay their contributions or who have been late with payments to ascertain the problem with contributing, encourage their future payment and explain the possible consequences of non-payment.

Possible contributions by APG Observers

It was agreed that the APG not pursue the creation of a separate Cooperating and Supporting Nations Group within the APG.

The role, responsibility and tenure of the APG Co-chairs

While the “formative stage” of the APG referred to in the APG Terms of Reference should be considered completed, it was agreed that the status quo be maintained and that no change to the APG’s co-chairing arrangements whereby Australia holds one Co-Chair position and a second Co-Chair position is rotated every two years should be made at this time.

Other Issues

Members also endorsed the recommendation that Bangladesh; Fiji; Hong Kong, China; Thailand; and the United States should serve on the APG Steering Group as the representatives of their geographical region for a further 12 months, and noted that under the TORs for the Steering Group, Japan, Australia and Korea will serve on the Steering Group in 2004 – 05 as the current and immediate past APG Co-Chairs.

Future Work

It is now necessary to progress the work of the Steering Group. Apart from ‘ad hoc’ advice to the Co-Chairs and Secretariat on issues arising, this will involve two broad strands of work:

- implementing and/or further developing the outcomes from members’ consideration of the Preliminary Discussion Paper at the 2004 Annual Meeting; and
- preparation of a further Discussion Paper on the remaining governance issues originally referred to the Steering Group by members at the 2003 Annual Meeting.

4. Build membership of the APG to include all strategically important jurisdictions as members; and key AML/CFT organisations as observers

This chapter reports on progress made to achieve Goal 2 of the roles of the APG in the Strategic Plan, which is to *conduct outreach activities to promote membership of the APG and encourage non-members to cooperate in the global fight against money laundering and the financing of terrorism*.

Strategies to achieve this goal include:

- conduct outreach missions to targeted jurisdictions to encourage full membership of, and participation in, the APG, and
- establish effective relationships with strategically important regional and international organisations and jurisdictions to encourage their participation as observers in the APG.

Outreach missions

A number of outreach missions were undertaken during the period under review, including

- IMF, APG Secretariat, US, Korea outreach missions to Mongolia in May 2004;
- IMF and ADB outreach missions to Cambodia, Vietnam and Lao PDR; and
- an outreach mission to Myanmar in May 2004 by APG members which are also members of the FATF;

The APG Secretariat has taken a number of steps to encourage Lao PDR, Cambodia, Vietnam and Mongolia to join the APG as full members. Following consultation with the APG Secretariat, the ADB has also encouraged full APG membership for Lao PDR, Vietnam and Cambodia. Similarly, the IMF has encouraged full APG membership of Cambodia, Lao PDR, Vietnam and Mongolia. Cambodia and Mongolia were admitted as APG members at the 2004 Annual Meeting.

Establishing effective relations with other regions, jurisdictions and bodies

Effective working relationships have been developed with Germany which now participates as an official APG 'supporting' observer (similar to existing observers France and the United Kingdom).

Effective contacts have been established with APEC, including the APEC Secretariat, the APEC Business Advisory Council and APG members' representatives to APEC, to expand contact with APEC.

Valuable contacts and ongoing communication have been developed with East Timor.

During the period under review, the APG has further developed its cooperative relationships with relevant multilateral bodies involved in AML/CFT work, including the ASEAN Secretariat, the OECD Anti-Corruption Division and the United Nations Asia and Far East Institute for the Prevention of Crime (UNAFEI).

The APG has also continued to cooperate and develop its relationships with a wide range of international organisations such as the UN, IMF, World Bank, European Commission, Interpol, Pacific Islands Forum Secretariat and the Asian Development Bank.

5. Ensure effective APG participation in the activities of the global anti-money laundering network.

This chapter briefly reports on progress made to achieve Role 3 of the Strategic Plan, which is to *participate in and cooperate with the global anti-money laundering network primarily the Financial Action Task Force (FATF) and other regional anti-money laundering groups*.

There are a number of ways in which the APG seeks to achieve this goal, including through:

- participating in global standard setting activities, including ensuring APG representation at all FATF Plenary, Typologies and Working Group meetings,
- providing AML/CFT policy, implementation and assessment advice to APG member and observer jurisdictions and, based on the Asia/Pacific experience, provide feedback to the FATF and other international organisations, and
- developing APG mechanisms for working with strategically important regional and international organisations and jurisdictions.

Participating in global standard setting activities

The APG has actively participated in all activities undertaken by the FATF, including attendance at Plenary Meetings, participation in reviews of AML/CFT standards and representation of APG and Typologies interests at FATF Working Groups such as the Working Group on Terrorist Financing (WGTF) which is reviewing the FATF 8 Special Recommendations. This latter work has included attendance at meetings of the WGTF and analysis of issues being raised in the light of their impact on APG members.

Adoption of the revised Forty Recommendations

The APG has taken numerous steps to ensure effective participation in the global AML/CFT network including:

- the APG contributed to the AML/CFT standards setting work of the FATF through the participation and input of the APG Secretariat, Co-chairs and members. The APG variously attended a range of FATF Plenary meetings, Working Group meetings, Typologies meetings, outreach seminars and a Special Seminar on terrorism financing;
- APG members adopted the FATF's revised Forty Recommendations in September 2003 as the AML standard for the APG;
- the APG provided specific assistance to those APG members listed in the FATF Non-Cooperative Countries and Territories (NCCT) process; and
- the FATF Secretariat gave a number of presentations at the 2004 Annual Meeting and the 2003 Typologies Workshop.

A copy of the revised (June 2003) Forty Recommendations can be found on the APG's website at www.apgml.org.

Implementation of the updated and expanded Forty Recommendations will represent a significant challenge to APG members over the next few years.

Provision of policy, implementation and assessment advice

One of the primary aims of the APG's website is to provide APG members and others with ready access to resource material which will assist them to implement comprehensive AML/CFT measures in accordance with the international standards. Various sections of the website are designed to achieve this aim, including the sections on:

- model and comparative legislation (eg UN model legislation, Commonwealth model money laundering law, comparative legislation from six APG member jurisdictions);

- prevention guidelines and practices (eg Wolfsberg Principles, guidelines of the Monetary Authority of Singapore and Hong Kong Monetary Authority);
- relevant AML/CFT conventions and standards (eg UN, FATF, Council of Europe) and FATF best practice documents; and
- numerous links to other relevant websites.

In addition, the ADB's Anti-Money Laundering Manual has been added to the APG website and promoted through the APG Secretariat, and a number of guidance and best practice documents were added to the website during the year.

As well as placing useful information on the APG website, the APG Secretariat tries to act as a 'clearing house' or contact point for information of this sort, either disseminating information that comes into its possession or putting members in touch with other members who might be able to assist in a particular area. In addition, there is considerable bilateral exchange of information that takes place between jurisdictions. In the year under review, some prominent examples of information dissemination include:

- the dissemination to all APG members of material concerning the revised FATF 40 Recommendations and guidance on implementation of the 8 Special Recommendations;
- provision of information and advice to APG members on various implementation issues;
- in the course of conducting mutual evaluations, APG experts have in addition provided expert advice regarding practical implementation issues to member jurisdictions under evaluation.

The APG Secretariat also attends FATF 'Non-Cooperative Countries and Territories' (NCCT) Review Group meetings for the Asia/Pacific as an observer and, where appropriate, seeks to provide a bridge for communication and information to APG members and observers which are on the NCCT list.

6. Identify and address the key issues affecting the nature, extent and impact of money laundering and the financing of terrorism in the Asia/Pacific region

This chapter reports on progress made to achieve Role 4 the Strategic Plan, which is to *carry out education, research and analysis activities to enhance the understanding of the money laundering and the financing of terrorism environment and the global efforts against it.*

Strategies to achieve this goal include:

- develop and maintain an APG program of collection, analysis and dissemination of typologies information to identify and analyse priority AML/CFT typologies issues and case studies;
- conduct an annual APG Typologies Workshop to identify and explore key AML/CFT typologies issues in the Asia/Pacific region;
- support and promote the work of APG Working Groups to explore and address specific AML/CFT typologies issues in depth; and
- support and provide education and information exchange programs to share the findings on identified key typologies issues.

Collection, analysis and dissemination of typologies information

Typologies are the study of methods and trends of money laundering and terrorist financing. Since its commencement, the APG has undertaken typologies work in order to better understand the nature, extent and impact of money laundering and terrorist financing as well as the practical effect of AML/CFT measures.

The APG Typologies Framework was established in 2003 to integrate typologies collection, analysis and dissemination in the APG. The Framework includes more systematic regular collection of reports of trends and methods, ongoing collection of AML/CFT case studies from members, the increased production of typologies reports and other products and increased global cooperation in the study of AML/CFT typologies.

APG Typologies Working Group was established in late 2003 as part of the Typologies Framework to oversee the APG's typologies work and undertake in-depth studies of money laundering and terrorism financing methods and trends. The APG Typologies Working Group agreed on an action plan to produce the APG's 2004 Annual Typologies Report, an in-depth project relating to wire transfers (over 12 months) and an in-depth project on non-profit organisations over a longer period.

A preliminary scoping paper on corruption-related money laundering issues was considered by APG members during the 2004 Annual Meeting

2003 Typologies Workshop

The Sixth Typologies Workshop of the Asia/Pacific Group on Money Laundering (APG) was held on 8 – 9 December 2003 in Kuala Lumpur, Malaysia hosted by Bank Negara Malaysia.

The Workshop was attended by 140 participants representing 25 member jurisdictions, 8 observer jurisdictions and 6 international and regional organizations. The Workshop was chaired by Datuk Zamani Abdul Ghani, Assistant Governor Bank Negara Malaysia and Mr Rick McDonnell, Head of the APG Secretariat.

Opening address

Dato' Mohd Salleh Harun, Deputy Governor Bank Negara Malaysia provided the opening address and welcomed all Workshop participants to Malaysia. He noted that the APG's Typologies Workshops have been increasingly well supported by experts from across the region and that the information, case studies and methods emerging from the Workshops have been useful and well

received. All member and observer jurisdictions were urged to move forward with the new APG Typologies Framework which was endorsed at the APG Annual Meeting in 2003.

Dato' Salleh Harun stated that the APG Typologies Workshop plays an important role in bringing together experts to examine practical issues associated with the implementation and enforcement of anti money laundering and counter terrorist financing measures. Case studies as well as trends information developed at these workshops support law enforcement efforts to determine how criminals launder their ill-gotten gains. This enables appropriate steps to be taken to shut off the opportunities for money laundering and terrorist financing and to seize the laundered funds.

Dato' Salleh Harun stressed that the fight against money laundering and terrorist financing needs to be undertaken as part of a harmonised global response. This was recognised in the recently revised and significantly enhanced FATF 40 Recommendations. The expanded coverage of the newly revised 40 Recommendations further emphasised the need for all countries to conduct in depth studies to understand the nature of money laundering and terrorist financing in order to ensure the effective implementation of the revised 40 Recommendations and the 8 Special Recommendations.

Dato' Salleh Harun expressed a hope that all the participants in Workshop would take the opportunity provided by the Typologies Workshop to update their knowledge of AML/CFT typologies and share that expanded knowledge once they return to their own jurisdiction

Workshop highlights

Highlights of the Workshop included:

- special presentations on corruption and money laundering by representatives of the OECD, the World Bank and Hong Kong Independent Commission Against Corruption;
- special presentations on financing of terrorism with case studies by representatives from Malaysia, Thailand and the Philippines;
- a special presentation on cash couriering issues from a representative of the US Department of Homeland Security;
- a special presentation on terrorists financing methods – abuse of charities and misuse of wire transfers from a representative of the FATF Secretariat and INTERPOL;
- intensive breakout sessions to discuss issues relating to the work of the Typologies Working Group, cash couriers and corruption-related money laundering issues; and
- discussion on the usefulness of APG's collection of pro-formas to collect typologies information from jurisdictions and the possibility of sharing this information with other bodies;

The participants in the Workshop extended their gratitude to the Malaysian authorities for hosting the APG Typologies Workshop and particularly thanked the Datuk Zamani Abdul Ghani, Madam Koid Swee Lian and the organising team from Bank Negara Malaysia for their organisation and contributions.

APG Typologies Working Group

The inaugural meeting of the APG Typologies Working Group took place in Kuala Lumpur in December 2003, with a further meeting occurring in the margins of the 2004 Annual Meeting in Seoul, Korea in June 2004. The Typologies Working Group is chaired by Indonesia and New Zealand. Members include Australia; Chinese Taipei; Fiji; Germany; Hong Kong, China; India; Indonesia; Japan; Korea; New Zealand; Pakistan; Palau; Philippines; United States; Egmont Group and FATF Secretariat.

The APG Typologies Working Group took a number of steps to identify and address key issues in the money laundering and terrorism financing environment in the Asia/Pacific region including production of the APG Annual Typologies Report 2003-04, which provides an overview of methods and trends of money laundering and terrorist financing in the region. The report includes case studies of a broad range of methods and trends as well as detailed information on specific terrorist

financing methods (wire transfers and use of non profit organisations), the use of cash couriers in money laundering and money laundering related to corruption. The APG Annual Typologies Report 2003-04 has been distributed widely to APG stakeholders, in particular in law enforcement and the financial sector. A copy of the publicly available APG Annual Typologies Report 2003-04 can be downloaded from the APG website at:

http://www.apgml.org/Index_files/APG_Typologies_Report200304.doc

In response to the growing global recognition of relationships between corruption and money laundering and the importance of AML/CFT measures in combating corruption and seizing the proceeds of corruption, the Typologies Working Group commenced a project on corruption issues. Work is continuing to produce a scoping paper of corruption-related money laundering issues in the Asia/Pacific region. Some initial findings from the work were included in the above mentioned APG Annual Typologies Report 2003 – 04. A detailed report on corruption related money laundering issues is expected to be available during 2004 – 05.

The Typologies Working Group is planning the 2004 Typologies Workshop which will be held in Brunei Darussalam in October 2004. Key topics for focus during the workshop include: illegal logging money laundering issues, terrorist financing methods and trends, cash courier issues, corruption-related money laundering issues and typologies of alternative remittance systems.

7. Achieve full implementation of the global AML/CFT standards in APG member jurisdictions

This chapter reports on progress made in achieving Role 5 of the Strategic Plan, which is to *assist APG members to implement the global standards against money laundering and the financing of terrorism*.

Strategies to achieve this goal include:

- encourage member jurisdictions to share their expertise and information on implementation strategies;
- support and promote the work of APG Working Groups to explore and address specific AML/CFT implementation issues in depth;
- Support the development of an AML/CFT coordination mechanism in each APG member jurisdiction;
- provide in-country, and regional, advice to assist APG members to develop AML/CFT implementation plans that reflect the priorities of individual member jurisdictions and the Asia/Pacific region;
- conduct and support technical assistance and training needs analyses in targeted APG member and observer jurisdictions;
- develop and sustain APG regional and in-country mechanisms to support the identification of APG member and observer AML/CFT technical assistance and training needs and the coordinated delivery of assistance;
- provide best practice guidance and technical assistance to assist implementation and promote integration of the AML/CFT global standards with the existing legal, financial and law enforcement systems of each jurisdiction; and
- ensure that there is effective awareness of and participation by the community in the implementation of AML/CFT policies and systems in APG member jurisdictions.

A range of steps were taken to facilitate and support the full implementation of the global AML/CFT standards in all APG member jurisdictions, including:

- an APG Working Group on Implementation Issues was established and has worked to provide broad support to APG members on implementation issues, including considering the implications of implementing the FATF revised 40 Recommendations;
- sponsorship funds were provided by Australia, United States, the FIRST Initiative, the Pacific Island Forum Secretariat (PIFS), and the UN Office on Drugs and Crime (UNODC) to support APG member and observer delegations to participate in the 2003 and 2004 APG Annual Meetings and the 2003 Typologies and Assessment Training Workshops; and
- the 2003 APG Typologies and Assessment Training Workshops were supported by experts from Malaysia, Hong Kong, China, Indonesia, New Zealand, Pakistan, Philippines, Thailand, United States, Canada, East Timor, IMF, World Bank, FATF Secretariat, ASEAN Secretariat, Interpol, and the OECD.

APG Implementation Issues Working Group

The APG Strategic Plan 2003 – 2006 provides a mandate for establishing an integrated approach to addressing implementation issues, including the establishment of an APG Working Group on Implementation Issues.

The APG Implementation Issues Working Group was established at the 2003 Annual Meeting and is co-chaired by Ms Cath Kara from the Cook Islands and Police Col. Seehanat Prayoonrat, from Thailand.

The purpose of the APG Implementation Issues Working Group is to:

- undertake a series of coordinated and intensive examinations of particular AML/CFT implementation issues;

- support and develop a network of APG experts on key implementation issues (for example, experts on proceeds of crime legislation);
- act as an informal consultation group to provide practical advice to APG members on AML/CFT implementation issues;
- report to APG members the findings of the Working Group on priority implementation issues;
- develop guidance materials to assist jurisdictions to effectively implement the global AML/CFT standards; and
- support a network of APG experts to develop and maintain expertise on key implementation topics.

The Implementation Issues Working Group has developed an 'Implementation Issues Matrix' which serves to clarify jurisdictions' obligations for each of the FATF 40 Recommendation and Eight Special Recommendations and collects and classifies implementation guidance and related explanatory material. While a preliminary version of the Implementation Issues Matrix has been developed for use by APG members, APG jurisdictions are continuing to update the matrix with further information as a greater number of countries implement cohesive policy responses to implement the revised global AML/CFT standards.

The Implementation Issues Working Group met on 13 June 2004 in Seoul, in the margins of the APG's Annual Meeting 2004. The meeting was attended by representatives from the Cook Islands, Thailand, Australia, Chinese Taipei, India, Indonesia, Japan, Korea, the Philippines, the United States, the ADB as well as the APG Secretariat. The Implementation Issues Working Group meeting highlighted the need in many jurisdictions to gain whole-of-government commitment to implementing the AML/CFT standards to ensure that a cohesive policy response can be developed and supported.

During 2004 – 05 the Implementation Issues Working Group will work to support implementation planning processes in APG jurisdictions. This will include providing expert implementation advice and assistance, including supporting stakeholder engagement/consultation to further whole-of-government commitment to implementation. The Working Group will seek to develop opportunities to work with technical assistance donors and providers to work with jurisdictions to raise awareness of AML/CFT implementation issues and gain support from policy makers in implementing the global AML/CFT standards.

Technical assistance and training highlights for 2003 – 04

2004 APG Annual Forum on Technical Assistance and Training

The 2004 Annual Meeting was preceded on 14 June by the Annual Forum on Technical Assistance and Training, the third such Forum held. The Forum consisted of three sessions:

- a morning session involving all jurisdictions and the APG's TA&T Donors and Providers (DAP) Group in which jurisdictions outlined their priority AML/CFT TA&T needs and donors and providers outlined the assistance currently being provided;
- an afternoon session which was a meeting of the APG's TA&T Donors and Providers Group to discuss TA&T coordination issues, including information sharing and priorities; and
- throughout the week of the Annual Meeting, a series of individual meetings between priority jurisdictions and interested donors and providers were held to discuss TA&T priorities and to assist the coordinated request and delivery of assistance. Fourteen individual meetings were held with APG member jurisdictions and three individual meetings were held with APG observer jurisdictions, including a combined meeting involving Myanmar, Lao PDR and Vietnam (and recently admitted APG member Cambodia). Participating donors and providers in the individual meetings included the IMF, World Bank, UNODC, ADB, ASEAN, US, Japan, Australia and Malaysia.

In order to support the coordinated request and delivery of assistance, an updated version of the Asia/Pacific Jurisdictions AML/CFT TA&T Needs matrix was distributed to all participants during the Forum. All participating jurisdictions and DAP Group members undertook to provide further updates to identify both outstanding TA&T needs and those areas where needs are being, or have been met. An updated matrix will be distributed to participating members and observers in 2004 – 05.

Very positive feedback was received on the value of the Forum and particularly the needs matrix and the individual meetings where donors were able to make significant progress toward identifying needs and coordinating the delivery of assistance to a number of priority jurisdictions.

Other highlights

- Substantial APG resources were devoted to assessing the needs and coordinating the delivery of technical assistance and training (TA&T) for members and observers in 2003 – 04, both during the Annual APG TA Forums and throughout the year.
- AML/CFT needs analyses were conducted, or assisted, in relation to Fiji, Mongolia and Thailand.
- A sub-regional project to examine AML/CFT and trans-national organised crime needs including the development of a sub-regional needs matrix for the Pacific Island Countries was undertaken jointly by the APG, PIFS, Commonwealth Secretariat and the UNODC.
- The APG's AML/CFT TA&T Needs Matrix was updated and distributed to all APG members and observers and used extensively in TA&T coordination by a range of donor and provider jurisdictions and organisations.
- Assistance was provided to Thailand and Mongolia to support the development of domestic TA&T coordination mechanisms and to Indonesia to continue their coordination committee.
- Some limited assistance was provided to the Cook Islands, Indonesia and the Philippines to develop AML/CFT implementation plans.

Assistance from Commonwealth Secretariat

A technical assistance Consultant, Ms Bronwyn Somerville has been provided, on assignment, by the Commonwealth Secretariat for two years from July 2002. This position has been funded from the Commonwealth Fund for Technical Co-operation and has been of considerable benefit to APG members and the APG Secretariat. From 1 July 2004, the APG will receive generous support over two years from the UK Government Global Opportunity Fund to support the continuation of the APG AML/CFT Technical Assistance Advisory Project, to be delivered as a second phase of the Commonwealth Secretariat-funded project. The second phase of the project will be jointly funded by the Commonwealth Secretariat and the UK Government Global Opportunity Fund.

8. Assess the effectiveness of the implementation of the global AML/CFT standards

This chapter reports on progress made against Role 6 of the Strategic Plan, which is to assess *APG members' compliance with the global standards against money laundering and the financing of terrorism*.

Strategies to achieve this Goal include:

- ensure that a minimum of five APG members is assessed each year, either through an APG Mutual Evaluation or an IMF/World Bank-led assessment;
- conduct APG, and participate in, FATF self-assessment exercises;
- provide training for AML/CFT evaluators; and
- contribute to the development and review of the standard AML/CFT Assessment Methodology and update the APG Mutual Evaluation Procedures as required.

Mutual Evaluations

Introduction

Mutual evaluations remain a core activity of the APG's work program, and a primary membership requirement. Each member's AML/CFT system is being evaluated in turn on the basis of an evaluation conducted by a team of three or four selected experts, drawn from the legal, financial and law enforcement fields of other APG members, together with a member of the APG Secretariat. 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 and improvement where they are not.

The APG began its first round of evaluations in 2000 and as at 30 June 2004 had completed 16 mutual evaluations. The APG's six FATF members have also undergone an FATF evaluation, and the APG shares reports with the FATF on a reciprocal basis. The APG also shares reports with the IMF and the World Bank. So far 21 of the APG's 28 members have undergone some form of evaluation by the APG, the FATF or the Fund/Bank, with some members having been evaluated more than once.

Mutual Evaluations conducted in 2003 – 04

Three assessments have been undertaken during the period under review, including an APG Mutual Evaluation (Philippines – November 2003), a joint APG/FATF Mutual Evaluation (New Zealand – October 2003) and APG participation in an IMF/World Bank assessment (Cook Islands – February 2004). These assessments were supported by experts from APG members/observers Australia, Canada, France, Hong Kong, China, Malaysia, and Thailand.

APG mutual evaluations of Pakistan and Niue planned for 2003 – 04 were postponed to late 2004 at the jurisdictions' request.

The reports on the Philippines and the Cook Islands were considered and adopted at the APG's 2004 Annual Meeting. The New Zealand report was still under preparation as at 30 June 2004 and will be considered at the 2005 Annual Meeting.

The conclusions and recommendations contained in the reports for the Philippines and the Cook Islands are reproduced at Annex C.

Previous mutual evaluations – update on response to reports adopted at previous Annual Meetings

Under the APG's procedures, all evaluated members are required to provide a written report at APG annual meetings on the progress they have made in implementing the recommendations in

the evaluation report. At the 2004 APG Annual Meeting, APG members also received oral progress reports from the jurisdictions evaluated in 2002 – 03 by the APG: Bangladesh, Korea and Palau.

Members noted the progress made by each jurisdiction in response to the recommendations contained in their mutual evaluation reports, asked questions as appropriate on progress being made, and commended the jurisdictions for their commitment.

Schedule of future mutual evaluations

A full program of mutual evaluations is planned for 2004 – 05, with the seven remaining APG members yet to be evaluated – Brunei Darussalam; India, Marshall Islands; Nepal; Niue; Pakistan; and Sri Lanka – due to be evaluated by mid 2005. This will complete the APG's first round of mutual evaluations.

The APG's second round of evaluations will commence following the APG's 2005 Annual Meeting.

Self-assessment exercise

At the 2003 Annual Meeting, members postponed a decision on whether and when to conduct another self-assessment exercise until the APG's 2004 Annual Meeting, pending revision of the self-assessment methodology by the FATF to reflect the revised Forty Recommendations. At the 2004 Annual Meeting, it was again agreed to postpone any self assessment exercise for the year until the release of a revised self-assessment methodology by the FATF.

2003 Mutual Evaluation Training Workshop

An APG Training Workshop for Evaluators for AML/CFT Assessments was held from 10 – 12 December 2003 in Kuala Lumpur, Malaysia immediately following the APG's 2003 Typologies Workshop. The Workshop was arranged in cooperation with the International Monetary Fund and the World Bank, and with the assistance of Bank Negara Malaysia.

Forty-five participants from 24 APG member jurisdictions took part in the Workshop, which was generously funded by FIRST and the US State Department.

Legal, financial and law enforcement expert trainers were drawn from the Fund, the Bank, the APG Secretariat and from relevant agencies in Australia, Canada, New Zealand, and the United States. The Workshop was also supported by a group of Malaysian AML/CFT experts.

The goal of the Workshop was to contribute to the strengthening of the AML/CFT regimes of APG member jurisdictions, by increasing participants' knowledge of the international AML/ CFT standards and how to assess progress against them. The Workshop's specific purpose was to train the APG evaluators in conducting mutual evaluations using the AML/CFT Methodology (October 2002 version).

Key activities for the very intensive three day workshop included:

- an overview of the background to and importance of APG mutual evaluations and the use of the October 2002 AML/CFT Methodology in mutual evaluations;
- presentation and discussion of the AML/CFT Methodology, as well as the principal assessment documents used with the Methodology to conduct assessments;
- discussion of mission preparation, including mission scheduling, request and review of documentation, scheduling of on-site meetings and pre-mission report writing;
- case studies and materials for use in the case study were provided to evaluators to allow them to complete a 'mock' evaluation. The APG Secretariat acknowledged the enormous amount of work put into the creation of the high quality case study documents by Fund and Bank staff;
- break out working groups discussed in more detail the key criteria in the Methodology and the Worksheet and common issues arising in assessments;
- six multi-disciplinary teams were formed from course participants to complete the tasks assigned in the case study, including role play interviews with authorities and drafting of a

detailed assessment report including ratings and a recommended plan of action and a short presentation of the main findings and recommendations.

Feedback was sought from all Workshop participants via a formal survey on the organisation, content and presentation of the Workshop. Generally, participants rated each of these areas very highly and provided very positive feedback overall on the Workshop.

The APG now considers that it has a good pool of trained evaluators who would be able, with little or no further training required, to participate in APG mutual evaluations and whose skills would be further enhanced through actual participation in such evaluations. Many of the experts trained during this Workshop will be participating in the APG mutual evaluations being conducted in 2004 – 05, and beyond. This wider pool improves the mutuality of the evaluations, is more equitable for all members, and supports a higher level of transparency in the mutual evaluation process.

Review of the Assessment Methodology

The APG's Mutual Evaluation procedures were significantly updated and approved by members at the 2003 Annual Meeting to reflect the adoption of the October 2002 version of the standard AML/CFT Assessment Methodology which had been developed by the FATF, the IMF, the World Bank and the FATF-style regional bodies, including the APG.

However, the 2002 Assessment Methodology was updated during 2003 – 04 by the FATF to reflect the revision of the FATF Forty Recommendations in June 2003. Following the adoption of the revised Forty Recommendations, the FATF's Working Group on International Financial Institution issues (WGIFI), of which the APG is part, started to develop a revised assessment methodology to reflect the revised Forty Recommendations. The revision of the October 2002 version of the Assessment Methodology also took into account the lessons learnt during its use in the previous 12 month pilot period.

The revised Assessment Methodology 2004 was finalised by the WGIFI and adopted by the FATF in February 2004. The 2004 Methodology differs considerably from the 2002 Methodology, both in structure and content. It reflects the principles set out in the FATF Forty Recommendations 2003 and the FATF Eight Special Recommendations on Terrorist Financing 2001, providing a detailed description of what is necessary for an AML/CFT system.

At the APG's 2004 Annual Meeting, APG members agreed to adopt the new 2004 Assessment Methodology as the standard assessment methodology for APG mutual evaluations and to use it for evaluations conducted from January 2005, including for the APG's second round of mutual evaluations commencing in July 2005. This implementation date was selected to allow time for the development and finalisation of revised APG mutual evaluation procedures and for the training of both the APG Secretariat and APG legal, financial and law enforcement experts in the use of the 2004 Methodology.

9. Support services and financial statements

APG Secretariat

The work of the APG is supported by a Secretariat based in Sydney, Australia. The work of APG Secretariat has expanded considerably since it was established in February 1997. During the year under review, and in accordance with decisions taken by members at the 2003 Annual Meeting, steps were taken to expand the APG Secretariat to meet the increased workload.

Role of the Secretariat

The role of the Secretariat is to assist jurisdictions in the Asia/Pacific region to introduce internationally accepted AML/CFT measures. Responsibilities of the Secretariat include:

- providing expertise and material concerning money laundering and terrorist financing to member jurisdictions and other interested parties;
- organising/conducting the APG's annual and other meetings;
- preparing, conducting and chairing specialist typologies workshops (on methods, trends and case studies on money laundering and terrorist financing);
- supporting the APG Co-Chairs and the APG Steering Group;
- supporting the work of APG Working Groups (currently, the APG Typologies Working Group and the APG Implementation Issues Working Group); ;
- reporting to and advising the FATF on the work of the APG, and participating in FATF Working Groups;
- providing advice and information to and linkages between agencies (especially financial, legal and law enforcement agencies) on AML/CFT 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;
- arranging and conducting 'outreach' missions to members and potential members of the APG;
- implementing the APG's technical assistance and training strategy including coordination of technical assistance and training delivery;
- preparing assessment mechanisms and conducting evaluations of the AML/CFT systems in jurisdictions in the Asia/Pacific region.

Staff

As at 30 June 2004¹⁰, the staffing of the Secretariat was as follows:

Mr Rick McDonell	Head of APG Secretariat
Mr Eliot Kennedy	Executive Officer
Mr David Shannon	Policy Officer
Ms Helen Newell	Administrator
Ms Jennifer Ford	Administrator
Ms Marnie Campbell	Assistant Administrator

In addition, as noted previously, a technical assistance Executive Consultant, Ms Bronwyn Somerville was provided, on assignment, by the Commonwealth Secretariat for a two year period from July 2002. With the additional assistance of the UK Government Global Opportunity Fund, this period has been extended for a further two years from July 2004.

Rick McDonell has been Head of the APG Secretariat since its inception. Eliot Kennedy joined the Secretariat in March 2001. Helen Newell joined the Secretariat in March 2002. David Shannon

¹⁰ Mr Arun Kendall joined the APG Secretariat in October 2004 as a second Executive Officer, initially for a two year period.

joined the Secretariat in January 2003. Marnie Campbell joined the Secretariat in April 2004, and Jennifer Ford joined in May 2004 on a temporary basis.

Contact details for the Secretariat are as follows:

APG Secretariat

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GPO Box 5260, Sydney 2001, Australia

Telephone: 61 2 9373 2438

Facsimile: 61 2 9373 2499

Email: mail@apgml.org

Website: www.apgml.org

Review of APG Secretariat hosting arrangements

The APG was historically housed in the National Crime Authority of Australia, which was superseded by the Australian Crime Commission (ACC) on 1 January 2003. APG Co-Chair, Commissioner Mick Keelty, chairs the Board of the ACC but his primary role is Commissioner of the Australian Federal Police (AFP). A review of the hosting arrangements was therefore undertaken during late 2003 and early 2004.

The review considered it more appropriate to move the Secretariat to the Sydney office of the AFP, and for the AFP to take over from the ACC the accountability for custody of APG funds and to assume legal responsibility for employment of the APG Secretariat staff. The transfer in hosting arrangements to the AFP was expected to be completed by the last quarter of 2004.

Budget and Financial Statements

At the APG's 2003 Annual Meeting, a 'core' budget for the financial year 2003–04 of AU\$858,000 (the then equivalent of US\$540,540) was approved and adopted.

The contributions required from members to meet that budget were calculated using the revised APG funding formula adopted at that meeting. This formula calculates contributions using an 80/20 combination of GDP and GDP per capita and requires a minimum contribution of AU\$4,800.

Summary of budget outcomes for 2003 – 04

The budget outcomes for the period 1 July 2003 to 30 June 2004, based on the audited financial statement reports provided to the APG Secretariat by its Australian 'host' agency (the Australian Crime Commission), are as follows:

- i) the APG commenced the financial 2003–04 year with net assets of **AU\$305,245**;
- ii) total revenue for the year to 30 June 2004 was **AU\$1,330,238**, with AU\$1,138,624 coming from APG members in required contributions, arrears and voluntary contributions, and AU\$191,644 in other revenue;
- iii) total expenditure for the year to 30 June 2004 was **AU\$1,168,661**. This included expenditure against the 'core' budget of AU\$858,000, spending of 'reserved' funds set aside for expenditure in 2003 – 04, and other expenditure from funds kindly provided by various donors to sponsor the participation of APG members and observers in APG events;
- iv) the APG had an operating surplus for the year 2003–04 of **AU\$161,607**. This surplus is due primarily to larger than expected revenues (including an unbudgeted donation from the United States) and lower than expected expenditure;
- v) the APG had net assets of **AU\$466,852** as at 30 June 2004.

A copy of the financial statements for the financial year 2003 – 04 is at Annex B.

The following agencies supported the work of the APG during 2003 – 04 and their considerable support is acknowledged:

- The Australian Agency for International Development (AusAID): sponsorship for the 2003 APG Annual Meeting, the 2003 APG Typologies Workshop and the 2004 APG Annual Meeting;
- Australian Crime Commission: provision of accommodation and services to the APG Secretariat;
- Commonwealth Secretariat: engagement of a full-time technical assistance and training consultant for the 2002–03 and 2003–04 financial years;
- the FIRST Initiative and the US State Department: sponsorship for the 2003 Training Workshop for Evaluators for AML/CFT Assessments;
- Australian Federal Police Law Enforcement Cooperation Program: sponsorship for the 2003 APG Annual Meeting; and
- Asian Development Bank: provision of funding to enhance the APG's website.

APG Budget for 2004 – 05

At the 2004 Annual Meeting, APG members approved a 'core' APG budget of AU\$900,000 for 2004 – 05. This budget will be sufficient to maintain the current 'permanent' APG Secretariat staffing levels¹¹, with maintenance of the current level of service and range of activities undertaken, consistent with the draft APG Strategic Plan 2003–06 and draft APG Business Plan 2004–05.

The proposed 'core' budget of AU\$900,000 would not of itself enable the APG Secretariat to fully meet the growing demands for technical assistance and training coordination and delivery and other 'outreach' and in-country work currently being received from APG members and observers, or to undertake the large number of mutual evaluations required in 2004–05. However, consistent with members' decisions in 2003 in relation to the Secretariat Enhancement proposal, additional expenditure of approximately AU\$246,000 will take place in 2004–05 to enhance the level of service to members and range of activities undertaken. This will be done using accumulated and anticipated voluntary contributions from members (primarily Australia) and will not require further contributions from members in 2004–05.

In addition, at the 2004 Annual Meeting members approved the expenditure of AU\$60,000 in funds specifically carried over from 2003–04 and 'reserved' for spending in 2004–05, as well as further additional expenditure using some of the accumulated assets of AU\$466, 852 with which the APG commenced the 2004–05 financial year. In total, this additional expenditure from reserves will amount to approximately AU\$132,000 in 2004 – 05. In this way, the APG will in 2004 – 05 significantly increase its total expenditure and, therefore, its services to members without significantly increasing required contributions from members.

¹¹ Four full-time staff (Head of Secretariat, one Executive Officer, Senior Project Officer, Administrator) and some provision for the hire of temporary administrative staff during peak periods and for overtime. This excludes both the two new staff provided for under the Secretariat Enhancement proposal approved by APG members in 2003, who are being separately funded using voluntary rather than required contributions, and the Executive Consultant.

10. Future directions and priorities

The APG and its members continued to achieve great progress during the period under review, but there is still much to be done in order to ensure the effective implementation of the AML/CFT standards are achieved in the region. The next few years will present further opportunities to ensure that the APG fulfils its potential by consolidating its achievements and maintaining a strong focus as a strategic body.

The technical assistance and training demands from APG members and observers and the regional co-ordination responsibilities continue to increase significantly as international pressure mounts for APG member and observer jurisdictions to fully implement and comply with the revised FATF 40 Recommendations and the Special Recommendations on Terrorist Financing.

As noted above, APG members have adopted a revised APG Strategic Plan July 2003 – June 2006 which will provide a firm and clear basis for the APG's work over the next few years.

The APG Annual Business Plan 2004–05 outlines the APG's work program. The key tasks for the 2004 – 05 year will include:

- The APG Annual Meeting and Annual Forum on Technical Assistance & Training will be held in Cairns, Australia in July 2005.
- The APG Typologies Workshop will be held in Brunei Darussalam in October 2004.
- An APG Donor and Provider (DAP) Group meeting and up to two COAMLI (Coordinating Office for the Participating Countries Anti-Money Laundering Initiative) meetings will be held.
- Between 50 and 60 APG assessors will be trained at the APG Mutual Evaluation Training Workshop in 2005 (dependent on external funding).
- Seven APG Mutual Evaluations (and/or IMF/World Bank-led assessments) will be conducted of APG members. APG Mutual Evaluations will use the 2004 AML/CFT Assessment Methodology from January 2005.
- The APG Steering Group will perform an advisory role for members and the Co-Chairs and will encourage participation and involvement of neighbouring member jurisdictions in their geographic area and in the APG's work generally, supported by the APG Secretariat.
- Up to five specific outreach missions are to be undertaken to potential members, including Lao PDR and Vietnam, to encourage full membership and promote commitment to implement the global AML/CFT standards. These missions may include TA&T needs assessments.
- The APG Secretariat will continue to provide assistance and advice to APG jurisdictions which are on the FATF's NCCT list to facilitate delisting.
- The APG Working Group on Implementation Issues will be supported in its work, including considering policy and practical implications for implementing the FATF 40 Recommendations.
- The APG will continue to support the Typologies Framework for collection, analysis and dissemination of typologies information.
- The APG Typologies Working Group will undertake collection of typologies information and in-depth studies of methods and trends of money laundering and the financing of terrorism, supported by the APG Secretariat.
- The APG Secretariat will work to establish TA&T coordination mechanisms with the ASEAN and APEC Secretariats and further develop existing mechanisms with the Pacific Island Forum Secretariat and other donors to the Pacific Islands Countries.

- Priority assistance to develop in-country TA&T coordination mechanisms will be provided to the Philippines, Cambodia and Mongolia; and to Thailand and Indonesia to sustain their existing coordination process.
- Planning and preparations will be undertaken in support of a coordinated 'mission' to South Asia jurisdictions to assist with the development and implementation of their AML/CFT systems.
- A number of regionally-specific AML/CFT TA&T projects and 'products' will be developed and delivered in collaboration with various DAP Group members (computer-based training, manuals and guidelines, training programs for legal/financial and law enforcement sectors).



Asia / Pacific Group on Money Laundering

**Annual Report
1 October 2003 – 30 June 2004**

ANNEXES

ANNEX A: APG Terms of Reference¹²

As amended by the APG Annual Meeting, June 2002

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'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.

RECOGNISING THAT

- The United Nations Security Council has adopted a number of Resolutions dealing with terrorist financing; and
- The Financial Action Task Force on Money Laundering has adopted Eight Special Recommendations on Terrorist Financing; and

¹² 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, Sydney, June 2000, Kuala Lumpur, May 2001 and Brisbane, June 2002.

NOTING THAT

- APG member jurisdictions adopted a new APG Strategic Plan 2001 – 2004 which included a commitment to combat terrorist financing

THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING AGREED IN JUNE 2002 THAT

- All member jurisdictions will implement in accordance with their own constitutional arrangements the United Nations Security Council Resolutions dealing with terrorist financing; and
- All member jurisdictions will implement in accordance with their own constitutional arrangements the Eight FATF Special Recommendations on Terrorist Financing.

Purpose

The APG:

1. Provides a focus for co-operative anti-money laundering and anti-terrorist financing 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 accepted anti-money laundering and anti-terrorist financing measures;
4. Enables regional and jurisdictional factors to be taken into account in the implementation of international anti-money laundering and anti-terrorist financing measures;
5. Encourages jurisdictions to implement anti-money laundering and anti-terrorist financing initiatives including more effective mutual legal assistance; and
6. Co-ordinates and provides practical support, where possible, to member and observer 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 and terrorist financing.

The work to be done by the APG and its procedures will be decided by consensus 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 and terrorist financing;
2. Recognises the benefits to be obtained by sharing knowledge and experience;
3. Has taken or is actively taking steps to develop, pass and implement anti-money laundering and anti-terrorist financing 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 or anti-terrorist financing laws be already enacted.

Each jurisdiction will decide on the particular steps it will take to combat money laundering and terrorist financing. 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 all 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 member jurisdictions 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 also recognises that many international organisations have a strong interest in anti-money laundering and anti-terrorist financing initiatives. 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.

Observers are:

- (i) jurisdictions which are considering membership of the APG and which are prepared to meet the first three requirements for membership of the APG;
- (ii) organisations which actively support or otherwise are interested in the objectives of the APG;
- (iii) any other jurisdiction or organisation invited by the Co-Chairs and to which no APG member objects.

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 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. At APG meetings decisions will be made. All APG member jurisdictions should ensure that their delegations to APG meetings have full instructions to participate in the meetings. All decisions at APG meetings shall be by consensus.

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 member jurisdictions 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 member jurisdictions 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 and anti-terrorist financing, member jurisdictions of the APG will work closely with the Financial Action Task Force (FATF) and other FATF-style regional bodies. The FATF President and FATF Secretariat will attend APG meetings on the same basis that the APG Co-Chairs and Secretariat attend FATF meetings.

Meetings should be held at the same time each year.

Strategic Plan and Business Plan

Consistent with these Terms of Reference, the APG will:

- (i) develop a Strategic Plan every three years, to be endorsed by all members, which will set out the APG's mission and goals for each three year period; and
- (ii) develop an annual Business Plan, to be endorsed by all members, which will set out in greater detail the work program of the APG.

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. Member jurisdictions 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 which will host the annual meeting in alternate years. The other co-chair position will be rotated every two years amongst member jurisdictions. The rotating co-chair position will be decided every second year at an 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. APG member jurisdictions will determine the budget required for the APG to carry out its work program on an annual basis according to a fair and equitable budget formula which will be revised and agreed from time to time.

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 and organisations will be requested to nominate a person or persons who will be the central point of contact in relation to money laundering matters and the work of the APG.

ANNEX B: APG Financial statements

ASIA/PACIFIC GROUP ON MONEY LAUNDERING STATEMENT OF FINANCIAL PERFORMANCE *for the year ended 30 June 2004*

		2004	2003
		\$	\$
	Notes		
Revenues from ordinary activities			
Contributions from members	4A	1,138,624	1,009,094
Other Contributions	4B	191,644	82,618
Revenues from ordinary activities		<u>1,330,268</u>	<u>1,091,712</u>
 <i>Expenses from ordinary activities</i>			
Employees	5A	535,932	553,826
Suppliers	5B	632,729	325,421
Expenses from ordinary activities		<u>1,168,661</u>	<u>879,247</u>
 <i>Net surplus/(deficit) from ordinary activities</i>		<u>161,607</u>	<u>212,465</u>

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF FINANCIAL POSITION
as at 30 June 2004

		2004	2003
	Notes	\$	\$
ASSETS			
Financial Assets			
Cash	6A	1,278,881	389,225
Receivables	6B	374,584	321,487
Total financial assets		1,653,465	710,712
Total Assets		1,653,465	710,712
LIABILITIES			
Provisions			
Employees	7	307,778	295,018
Total provisions		307,778	295,018
Payables			
Suppliers	8A	65,423	16,277
Other Payables	8B	813,412	94,172
Total payables		878,835	110,449
Total Liabilities		1,186,613	405,467
NET ASSETS		466,852	305,245
EQUITY			
Contributed Equity		-	-
Reserves		-	-
Accumulated surpluses (deficits)		466,852	305,245
TOTAL EQUITY	9	466,852	305,245
Current assets		1,653,465	710,712
Current liabilities		1,164,862	384,989

Non Current liabilities	21,751	20,478
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The above statement should be read in conjunction with the accompanying notes.

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF CASH FLOW
for the year ended 30 June 2004

	Notes	2004 \$	2003 \$
OPERATING ACTIVITIES			
Cash received			
Contributions		1,310,184	1,091,712
Total cash received		1,310,184	1,091,712
Cash used			
Employees		338,697	553,826
Suppliers		81,831	212,498
Total cash used		420,528	766,324
Net cash from/(used by) operating activities	10	889,656	325,388
Net increase/(decrease) in cash held		889,656	325,388
Cash at the beginning of the reporting period		389,225	63,837
Cash at the end of the reporting period		1,278,881	389,225

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
SCHEDULE OF COMMITMENTS
as at 30 June 2004

The APG has no known commitments.

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
SCHEDULE OF CONTINGENCIES
as at 30 June 2004

The APG has no known contingencies.

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2004

Note	Description
1.	Summary of Significant Accounting Policies
2.	Adoption of ASB Equivalents to International Financial Reporting Standards from 2005-2006.
3.	Events Occurring after Reporting Date
4.	Operating Revenues
5.	Operating Expenses
6.	Financial Assets
7.	Provisions
8.	Payables
9.	Equity
10.	Cash Flow Reconciliation
11.	Contingent Assets and Liabilities
12.	Executive Remuneration
13.	Remuneration of Auditors
14.	Average Staffing Levels
15.	Financial Instruments
16.	Special Accounts
17.	Specific Payment Disclosures
18.	Abbreviations

Note 1: Summary of Significant Accounting Policies

1.1 Objectives of Asia/Pacific Group on Money Laundering

The purpose of the Asia/Pacific Group on Money Laundering (APG) is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money laundering and anti-terrorist financing standards in particular the Forty Recommendations and Eight Special Recommendations of the Financial Action Task Force on Money Laundering (FATF). This includes assisting jurisdictions in the region to enact laws dealing with the proceeds of crime, mutual legal assistance, confiscation, forfeiture and extradition. It also includes the provision of guidance in setting up systems for reporting and investigating suspicious transactions and helping in the establishment of financial intelligence units. The APG allows for regional factors to be taken into account in the implementation of anti-money laundering measures and provides for peer review by means of a mutual evaluation process.

1.2 Basis of Accounting

The Australian Crime Commission is hosting the Asia/Pacific Group and have prepared the special purpose financial report for the members of the Asia/Pacific Group on Money Laundering.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Statements of Accounting Concepts; and

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for the certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies

Revenues and expenses are recognised in the Statement of Financial Performance and when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Changes in Accounting Policy

The accounting policies used in the preparation of these financial statements are consistent with those used in 2003.

1.4 Revenue

The revenues described in this Note are revenues to the core operating activities of the APG.

(a) *Contributions from member countries*

Membership contributions to APG, received from other members, are recognised during the financial year.

(b) *Other Contributions*

Other contributions, from reimbursements and other contribution amounts, are recognised upon the delivery of goods or service to members.

For the year ended 30 June 2004, the member jurisdictions had the option of contributing either a \$US or AUD amount. The revenue information shown in the Statement of Financial Performance is reported in AUD, as required by the Australian accounting standards and Finance Ministers Orders. All foreign currency gain or losses are recognised in the Statement of Financial Performance. The APG recognised a \$30,634 foreign currency loss in the period ended 30 June 2004.

Accounting for revenue in the 2002-2003 financial year was on a cash basis, whereby revenue was accounted for at the time it was received. For the 2004 financial year, the financial statements have been prepared on an accruals basis. Member contributions that remain outstanding as at 30 June 2004 have been treated as receivables in the Statement of Financial Position (refer note 6B).

1.5 Employee Entitlements

(a) *Leave*

The liability for employee entitlements includes the provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at

30 June 2004 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2004. In determining the present value of the liability, the Group has taken into account attrition rates and pay increases through promotion and inflation.

(b) *Superannuation*

Staff contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme of Australia. Employer contributions amounting to \$93,609 (2003: \$65,792) in relation to these schemes have been expended in these financial statements.

No liability for superannuation is recognised as at 30 June as the employer contributions fully extinguish the accruing liability which is assumed by the Commonwealth of Australia.

Employer superannuation Productivity Benefit contributions totalled \$8,785 (2003: \$8,839).

1.6 Cash

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

1.7 Financial Instruments

Accounting policies for financial instruments are stated at Note 15.

1.8 Taxation

The Group is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

1.9 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.

1.10 Insurance

The Australian Crime Commission has insured on behalf of the Group's employees for risks through the Australian Government's workers' compensation agency, Comcare Australia.

1.11 Comparative Figures

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

1.12 Rounding

Amounts have been rounded to the nearest dollar.

Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006

The Australian Accounting Standards Board has issued replacement Accounting Standards to apply from 2005-06. The new standards are the AASB Equivalents to International Financial Reporting Standards (IFRS's) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

Accounting Standards AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to IFRS's* requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the AASB Equivalents is being managed; and
- A narrative explanation of the key differences in accounting policies arising from the transition

Management of the transition to AASB Equivalents to IFRS's

The ACC has taken the following steps for the preparation towards the implementation of AASB Equivalents:

Planning has incorporated the following:

- Attendance at formal training sessions regarding IFRS's.
- Discussed Agency business operations with ANAO.
- Identification of all major accounting policy differences between current AASB standards and the AASB Equivalents to IFRS's progressively to 30 June 2004.

The changes to major accounting policies have been reviewed and it is expected that there will be no significant impact on the financial reports of the APG. In addition the APG is being transferred to the Australian Federal Police for management from the 11th October. As such while the ACC has begun work toward implementing the IFRS's this work will not impact on the reports of the APG.

Note 3: Events Occurring after Reporting Date

The host secretariat responsibility for the Asia Pacific Group is being transferred to the Australian Federal Police, effective 11 October 2004.

The movement of the secretariat responsibility will not significantly affect the ongoing workings of the APG. The transfer of the function is occurring after the reporting date, there is no account of this in the 2004 financial statements, and it is unlikely to significantly affect the financial statements for the 2005 financial year.

2004	2003
\$	\$
<hr/>	<hr/>

Note 4: Operating Revenues

Note 4A: Contributions from members

Members' Contribution

Australia	264,447	257,244
Bangladesh	4,800	-
Brunei Darussalam	4,800	4,386
Chinese Taipei	56,394	47,936
Cook Islands	4,800	4,439
Fiji Islands	4,800	4,193
Hong Kong, China	45,505	38,607
India	71,806	123,205
Indonesia	38,796	-
Japan	171,600	125,915
Korea	74,372	53,820
Macau, China	4,800	4,487
Malaysia	16,377	13,652
Marshall Islands	7,134	-
Nepal	4,800	4,431
New Zealand	19,485	17,015
Niue	4,800	4,071
Pakistan	9,576	8,429
Palau	4,800	4,367
Philippines	12,315	10,504
Samoa	4,800	4,456
Singapore	27,948	27,150
Sri Lanka	4,800	-
Thailand	52,569	4,518
United States	217,500	239,625
Vanuatu	4,800	6,644
Total member contributions	1,138,624	1,009,094

Note 4B: Other Contributions

Other Contributions

Asian Development Bank – 2003 APG Typologies Workshop	-	18,200
Asian Development Bank – APG Website Enhancement	12,812	
Australian Agency for International Development – sponsor 2003 annual meeting	35,351	-
Australian Federal Police – 2003 APG Typologies Workshop	9,800	50,000
Australian Federal Police - other	-	2,962
Commonwealth Secretariat – Equipment & Travel Grant	39,013	-
FIRST Initiative – Sponsor AML/CFT Training	88,202	-
United Nations – Sponsorship for 2003 Annual Meeting	1,466	-

World Bank	-	11,456
ANAO Audit Fee – Resources Received Free of Charge	5,000	-
	191,644	82,618
Total other contributions		
	1,330,268	1,091,712
Total contributions		

Note: The above revenue amounts are shown in Australian Dollars.

	2004	2003
	\$	\$

Note 5: Operating Expenses

Note 5A: Employee Expenses

Wages and Salary	382,231	396,285
Superannuation	102,394	74,631
Separation and redundancy	-	-
Leave and Other Entitlements	29,823	61,129
Other employee expenses	18,738	18,189
Total employee benefit expenses	533,186	550,234
Workers compensation premiums	2,746	3,592
Total employee expenses	535,932	553,826

Note 5B: Suppliers Expenses

Temporary Employee Services and Recruitment	28,544	7,415
APG Annual Meeting –Staff Travel	85,120	-
APG Sponsored Mutual Evaluation	21,223	35,683
Travel – Secretariat Staff APG Typologies	28,207	29,321
Travel – Secretariat Staff APG Mutual Evaluations	11,311	15,162
Travel – Secretariat Staff Asia/Pacific Missions	37,107	62,103
Travel – Secretariat Staff FATF Meetings	46,049	70,067
Travel – Secretariat Staff Domestic and Regional Meetings	10,777	8,797
Travel – Overseas APG Sponsored Attendees	126,774	54,305
Travel – Mutual Evaluation Training Fund	119,231	-
Legal and Audit Fees	16,911	-
Advertising	5,296	-
Motor Vehicle Costs	10,942	14,425
Office Equipment & Data Communications	9,249	9,157
Office Requisites/Printing of APG Documents	10,607	10,723

Other Expenses	1,061	3,904
Postage and Freight	4,115	1,171
Currency Fluctuations	30,634	-
Conferences	29,571	3,188
Total supplier expenses	632,729	325,421

Note 6: Financial Assets

Note 6A: Cash

Cash on Hand:		
Special Account	1,278,881	389,225
Departmental (other than special accounts)	-	-
Total cash	1,278,881	389,225

Note 6B: Receivables

Goods and Services	374,584	321,487
Total receivables (net)	374,584	321,487

Receivables is represented by:

Current	374,584	321,487
Non-Current	-	-
Total receivables (net)	374,584	321,487

2004	2003
\$	\$

Note 6B: Receivables (continued)

Receivables (gross) are aged as follows:

Not Overdue

Overdue by:

Less than 30 days	307,778	321,487
30 to 60 days	-	-
60 to 90 days	20,252	-
More than 90 days	46,554	-
Total receivables (gross)	374,584	321,487

Note 7: ProvisionsNote 7: Employee Provisions

Leave	307,778	295,018
Current	286,027	274,540
Non-current	21,751	20,478
Total employee provisions	307,778	295,018

Note 8: PayablesNote 8A: Suppliers Payable

Trade Creditors	3,659	3,144
Accrued Expenses	61,764	13,133
Total suppliers payable	65,423	16,277

Suppliers Payable are represented by:

Current	65,423	16,277
Non Current	-	-
Total supplier payables	65,423	16,277

Settlement is usually made net 30 days.

Note 8B: Other Payables

Payable to Australian Crime Commission	813,412	94,172
Total other payables	813,412	94,172

All other payables are current liabilities.

Note 9: EquityNote 9A: Analysis of Equity

Item	Total Equity	
	2004	2003 \$
Opening Balance as at 1 July	305,245	92,780
Net surplus/ deficit	161,607	212,465

Closing balance as at 30 June	466,852	305,245
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	2004 \$	2003 \$
Note 10: Cash Flow Reconciliation		
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows		
Cash at year end per Statement of Cash Flows	1,278,881	389,225
Statement of Financial Position items comprising above cash: "Financial Asset – Cash"	1,278,881	389,225
Reconciliation of net surplus to net cash from / (used by) operating activities:		
Net surplus (deficit)	161,607	212,465
Increase in receivables	(53,097)	(90,234)
Increase in employee liabilities	12,760	92,708
Increase in supplier payables	768,386	110,449
Net cash from / (used by) operating activities	889,656	325,388

Note 11: Contingent Liabilities and Assets

The APG has no known contingencies.

Note 12: Executive Remuneration

The number of Executive who received or were due to receive total remuneration of \$100,000 or more:

	Number	Number
\$230,000 to \$239,999	-	1
\$260,000 to \$269,999	1	-

The aggregate amount of total remuneration of executives shown above.

\$260,046	\$234,792
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The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above

NIL	NIL
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Note 13: Remuneration of Auditors

Financial statement audit services are provided free of charge

to the commission.

The fair value of the services provided was:

Asia Pacific Group

5,000	-
5,000	-

No other services were provided by the Auditor-General.

Note 14: Actual Staffing Levels

The actual staffing levels for the agency as at 30 June 2004 were:

5	5
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Note 15: Financial Instruments**Note 15A: Interest Rate Risk**

It is considered that there is no interest rate risk.

Note 15B: Net Fair Values of Financial Assets and Liabilities

		2004		2003	
	Notes	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
		\$'000	\$'000	\$'000	\$'000
Departmental Financial Assets					
Cash	6A	1,278,881	1,278,881	389,225	389,225
Receivables for goods and services (net)	6B	374,584	374,584	321,487	321,487
Total Financial Assets		1,653,465	1,653,465	710,712	710,712
Financial Liabilities (Recognised)					
Trade Creditors	8	878,835	878,835	110,449	110,449
Total Financial Liabilities (Recognised)		878,835	878,835	110,449	110,449

The net fair values of cash and non interest-bearing monetary financial assets approximate their carrying amounts.

The net fair values for trade creditors are approximated by their carrying amounts.

The net fair values of indemnities are regarded as the maximum possible loss which the APG members face while the indemnity remains current.

Note 15C: Credit Risk Exposures

APG's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

APG has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

Note 16: Special Accounts

Account Name	2004 \$	2003 \$
Financial Action Task Force - Asia Pacific Group on Money Laundering		
<i>Legal Authority: Financial Management and Accountability Act 1997; s20</i>		
<i>Appropriation: Financial Management and Accountability Act 1997;</i>		
<i>Purpose: for revenue and expenditure relating to the operations of the Secretariat to the Financial Action Task Force – Asia/Pacific Group.</i>		
Balance carried forward from previous year	389,225	63,837
Appropriations for reporting period	-	-
Members' contributions	1,310,184	1,091,712
GST credits (FMA s30A)	-	-
Available for payments	1,699,409	1,155,549
Payments made to suppliers	420,528	766,324
Balance carried to next year	1,278,881	389,225
<i>Represented by:</i>		
Cash held in APG Bank Account	1,278,881	389,225
Total	1,278,881	389,225

Note 17: Specific Payment Disclosures

No payments were made under the 'Defective Administration Scheme' during the reporting period. (2003: No payments made)

Nil

Nil

No payments were made under s73 of the *Public Service Act 1999* during the reporting period. (2003: No payments made)

Nil

Nil

Note 18: Abbreviations

ACC	Australian Crime Commission
ADB	Asian Development Bank
APG	Asia/Pacific Group on Money Laundering
APRA	Australian Prudential Regulation Authority
AusAID	Australian Agency for International Development



AUSTRAC	Australian Transactions Reports and Analysis Centre
FATF	Financial Action Task Force on Money Laundering
FIU	Financial Intelligence Unit
ISGR	Institutional Support for Governance Reform
QLD	Queensland
RETA	Regional Technical Assistance Programme

ANNEX C: Summaries of mutual evaluation reports adopted in 2003 – 2004

Mutual Evaluation of the Philippines

The Evaluation Team visited Manila, Philippines in November 2003.

Conclusions

The Evaluation Team found that in a relatively short time, the Philippines has made substantial progress in devising and legislating a comprehensive anti-money laundering regime. The Anti-Money Laundering Council (AMLC) has made significant initial progress towards fulfilling its role as an effective FIU. The basic structures to receive and process STRs are in place, and a good degree of co-ordination with other law enforcement agencies has already been achieved.

In addition, the Evaluation Team found that the Philippines has made significant progress towards investigating and prosecuting money laundering with the establishment of the AMLC and the enactment of relevant laws. However, additional support and resources need to be given to law enforcement agencies tasked with investigating predicate offences and associated money laundering activities. This is particularly so in the case of the Ombudsman's Office, which has been given the legal means but not the capabilities to effectively investigate and prosecute corruption related offences.

Recommendations

In order to address the issues identified during the mutual evaluation, the Evaluation Team recommends that the Philippines take steps to implement the following recommendations. Some of these matters were already in train at the time of the Evaluation Team's on-site visit and further progress has been made since that time. Where work is underway or a recommendation has already been addressed, this is noted.

Legal

The offence provisions of the Anti-Money Laundering Act (AMLA) are generally adequate but proof of their worth will be in the implementation and the results (particularly convictions) achieved. Whilst the money laundering offence has coverage of predicate offences that the Philippines regards as income generating offences, the overall effectiveness of the system would be enhanced by a broadening of the offences to include, for example, other serious offences such as tax evasion. The Evaluation Team notes the Philippines authorities' advice that tax fraud may be deemed covered by the general fraud provisions (Swindling or Estafa) of the Revised Penal Code of the Philippines, which is one of the predicate crimes in the AMLA, but specific coverage of tax evasion as a predicate offence would be helpful. In time, the range of unlawful activities will need to be broadened to meet the requirements of the 2003 FATF Forty Recommendations.

It is understandable that it may take some time for the system to start producing results, but the absence of any convictions for the money laundering offence to date is not encouraging. All agencies involved in the investigation and prosecution, as well as the judiciary, must be alert to the need for timely processing of complaints, inquiries and trials. It is recommended that training in all sectors continue apace, and that from an operational perspective priority be given to obtaining initial convictions. This will have an immediate and positive effect in terms of spreading the message, increasing

public awareness and support for the measures contained in the AMLA, and enhancing the effectiveness of the law.

It is recommended that the legislature give priority to finalising and enacting the Anti-Terrorism Bill. Presently, there appear to be some difficult issues (including local issues) involved in defining terrorism, given the varying degrees of active and militant dissent in different regions of the country. It is recommended that the Bill be amended prior to passage to fully reflect aspects of the Convention for the Suppression of Financing of Terrorism and to make it an offence to finance terrorist organizations or entities as well as terrorist acts. In addition, the financing of terrorism should be designated an unlawful activity under the AMLA.

The Philippines should also fully implement the Convention on Transnational Organised Crime by criminalizing participation in an organised criminal group, and making it a predicate offence for the purpose of money laundering.

The AMLA contains provisions on freezing and civil forfeiture but serious implementation issues arise. It seems clear that, following amendment earlier this year, the section 10 freezing procedure is not working as intended. Serious consideration ought to be given by the legislature to re-amending the provision and returning power to the AMLC to order initial freezing, subject to rights of further extension by the courts. This will be necessary to ensure effective implementation of the forfeiture of the proceeds of crime, and also for the requirements to freeze without delay terrorist funds or property (if, as presently intended, the freezing mechanism for terrorist funds will also rely on the section 10 procedure in the AMLA).

Revised Rules of Court on civil forfeiture ought to be prepared to underpin the section 12 procedure and to give clear guidance to prosecutors and the court. No final forfeiture orders have yet been made by the courts and it is recommended that efforts be made to obtain orders as quickly as possible to evidence effective implementation. Overall, the Philippine authorities should consider specific and comprehensive legislation to allow for the identification, tracing, freezing and confiscation of assets (ie proceeds of crime legislation) rather than continuing to rely on the piecemeal approach taken under certain provisions of AMLA, the 1997 Revised Rules of Civil Procedure, and other Rules (including Rules yet to be promulgated).

The AMLC has power to examine bank deposits under an exemption to the bank secrecy laws in the Philippines. Whilst acknowledging efforts to date, it is recommended that the authorities take a more proactive role in the examination of accounts. It is also recommended that further changes be considered to the bank secrecy laws to enable other law enforcement agencies to make direct inquiry and examination of bank accounts by court order in relation to all serious criminal offences under investigation. There remains a strong culture of bank secrecy in the Philippines and until law enforcement authorities are given adequate tools to follow funding trails and to identify property and other proceeds of crime money laundering will continue to pose a serious threat. This is particularly so in the case of the Ombudsman's Office, which has a pressing need for such measures to effectively investigate offences by public officers. It is recommended that serious consideration be given to removal of the requirement to establish probable cause of a predicate or money laundering offence before banks accounts can be examined under section 11 of AMLA in view of the low number of inquiries and examinations carried out following enactment of the law.

Training for the judiciary is recommended. Whilst it may be difficult for the AMLC or local law enforcement agencies to undertake this training themselves, it may be possible to obtain outside expert assistance for some training programmes.

The Anti-Terrorism Bill under consideration relies upon the provisions of the AMLA for freezing and forfeiture of monetary instruments and property used or intended to used

in terrorist activities. It is recommended that an executive authority (rather than a court) be given the power to freeze funds in order to meet effective implementation compliance with Special Recommendation III. This could be achieved by returning the power to freeze under section 10 of the AMLA to AMLC.

It is also recommended that provisions be included in the Bill for the designation of terrorist organizations and entities, and for the freezing and forfeiture of their assets, to enable effective implementation of relevant UN Security Council Resolutions, in particular UNSCR 1267 and its successors.

Financial

The AMLC should move forward as quickly as possible to effective implementation of all its procedures and systems, particularly for receiving and analysing CTRs as well as STRs. This to a large part depends upon progress with the computerisation project, and will necessitate additional staffing inputs. As at October 2003, only 34 of the existing 64 positions have been filled, although an additional 7 staff were expected to be hired by end 2003, principally in relation to the computerisation project. The stated target is to reach approved staff levels by mid 2004, and the AMLC is strongly encouraged to adhere to and meet this target of a full staffing complement. The AMLC should also consider ways of reducing the burden for CTR reporting, given the unnecessarily high number of transactions caught.

The computerisation project is costly and will require five years to implement fully. Current funding has been put in place for the first two years to initially get the system up and running, but an estimated additional US\$4 million will be required over the remaining three year period. It is hoped that this funding will be made available by the Philippine Government (and possibly through other available sources) as and when required. Funding notwithstanding, the Evaluation Team recommends that an appropriate computer system be put in place as soon as possible. Without an efficient computer system, the effectiveness of the reporting regime will be jeopardized.

The AMLC should work with the supervisors and regulators of covered institutions to prepare and circularise detailed and cross sector consistent guidelines to assist in the identification of suspicious or unusual transactions, so as to supplement the limited guidance given in the definition of suspicious transaction in the AMLA. These guidelines will need to reflect both domestic and international trends and typologies, and should be periodically updated. Since the CTR data base is not yet established and operative, it may prove difficult to carry out comprehensive domestic trend research in the short to middle term.

The AMLC is also encouraged to work towards establishing MOUs with foreign counterparts to facilitate information exchange. The agreements ought to include specific safeguards on privacy and data protection, consistent with local and international standards.

The AMLC should be given a clear legislative mandate to receive and disseminate STRs relating to the financing of terrorism both domestically and internationally. This could be achieved by inserting an STR provision in the Anti-Terrorism Bill currently under consideration. The AMLA could also be amended to include the financing of terrorism as an unlawful activity.

Law Enforcement

It is recommended that consideration be given to extending direct powers of investigation into bank accounts to other law enforcement agencies, such as the NBI, and/or to broadening the list of predicate offences to enable the agencies to gain greater access to bank accounts through the AMLC.

The AMLC should consider designing and coordinating financial investigator programmes for domestic law enforcement agencies to be run on a regular basis over a period of at least one week. Such courses are necessary to train law enforcement agency investigators in the rudiments of money laundering investigative techniques.

Corruption in the public sector remains a significant problem in the Philippines. Until it is successfully tackled at all levels, the current efforts to effectively implement the investigation and prosecution of money laundering activities will be significantly compromised.

The relevant agencies should be given the legal mandate and necessary resources to investigate financing of terrorism, once it is criminalized under the Anti-Terrorism Bill.

IMF Assessment of Cook Islands

In February 2004, a detailed assessment of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of the Cook Islands was prepared by a team composed of staff of the International Monetary Fund, an expert under the supervision of Fund staff, and another expert not under the supervision of Fund staff who was selected from a roster of experts in the assessment of criminal law enforcement and non-prudentially regulated financial activities,¹ provided by the APG.

Conclusions

Overall, the Evaluation Team found that the Cook Islands has achieved substantial progress in bringing its AML/CFT legislative and regulatory framework in line with the relevant international standards in a relatively short period of time. That said, significant challenges remain as far as overall implementation is concerned, which impacts on the Cook Islands' compliance with the FATF 40+8 Recommendations. In summary, the Cook Islands complies fully only with those FATF Recommendations which focus primarily on legislative action apart from CFT, but does not comply with effective implementation on those matters.

Recommendations

Reference FATF Recommendation	Recommended Action
40 Recommendations for AML	
General framework of the Recommendations (FATF 1–3)	Ratify the Vienna Convention and ensure that domestic legislation is in place for its implementation.
Scope of the criminal offense of money laundering (FATF 4–6)	
Provisional measures and confiscation (FATF 7)	Make criminal forfeiture mandatory for any serious offense where proceeds are detected.
General role of financial system in combating ML (FATF 8–9)	
Customer identification and record-keeping rules (FATF 10–13)	The conflict between the FTRR and the FTRA should be resolved as a matter of priority by eliminating any provision in the Regulations that diminishes the scope of the identification requirements set forth by the FTRA.
Increased diligence of financial institutions (FATF 14–19)	<p>The FSC should undertake an initial process to determine whether banks have adequate record-keeping systems and procedures to provide assurance that compliance will be maintained.</p> <p>The FIU and FSC should open up further dialog with financial institutions to determine the level of understanding of suspicious activity concepts to identify potential gaps or bottlenecks in the process. Initiatives toward this end should also focus on clarifying what constitutes the tipping off of a customer.</p>

¹ The AML/CFT team included Mr. Peter Csonka (Senior Counsel, LEG) and Mr. Steven Gilbert (Consultant, MFD) as well as Mr. Simon Leung (Senior Inspector of Police, Hong Kong SAR) who was the Independent AML/CFT Expert (IAE).

Reference FATF Recommendation	Recommended Action
Measures to cope with countries with insufficient AML measures (FATF 20–21)	The FIU and/or the FSC should issue the draft guidance notes that address enhanced scrutiny for countries that do not have adequate AML/CFT regimes.
Other measures (FATF 22–25)	
Implementation & role of regulatory and other administrative authorities (FATF 26–29)	<p>The government should introduce statutory fit-and-proper tests for directors, managers, and significant shareholders at the time of licensing/change in ownership of all regulated financial institutions similar to those contained in the banking law. In addition, the fit-and-proper test should be made an ongoing requirement.</p> <p>As part of the FSC's overall development, it would be helpful to set forth a strategic plan specifically addressing AML/CFT issues to be included among the other supervisory initiatives it must undertake. This would include performing a risk assessment of regulated institutions to aid in the allocation/prioritization of examination resources, as well as key steps needed to develop appropriate supervisory guidance and procedures. This exercise could be conducted in cooperation with the FIU to enable the sharing of information, techniques, and resources.</p> <p>The level of resources in the FSC's Supervisory Division should be assessed once the rationalization of licensing has been completed to ensure it has adequate human and other resources to carry out its supervisory and compliance role.</p> <p>The FIU's Compliance Officer Position should be filled to ensure that all areas of risk related to the operation of licensed institutions are adequately covered.</p>
Administrative Cooperation—Exchange of general information (FATF 30–31)	The basis and extent of cooperation of the FSC with other domestic authorities should be expanded in the FSC Act.
Administrative Cooperation—Exchange of information relating to suspicious transactions (FATF 32)	
Other forms of cooperation—Basis and means of cooperation in confiscation, mutual assistance, and extradition (FATF 33–35)	Ratify the Vienna Convention and ensure that domestic legislation is in place for its implementation.
Other forms of cooperation—Focus of improved mutual assistance on money laundering issues (FATF 36–40)	

Reference FATF Recommendation	Recommended Action
8 Special recommendations on terrorist financing	
I. Ratification and implementation of UN Instruments	Ratify the ICSFT and ensure that domestic legislation is in place for its implementation Implement the UN SCRs on FT.
II. Criminalizing the financing of terrorism and associated money laundering	Criminalize FT as a matter of priority and include it among “serious offenses” so that it is a predicate offense for ML.
III. Freezing and confiscating terrorist assets	Adopt as matter of priority legislation that provides for the freezing of terrorist funds and enables the effective implementation of UN SCRs on FT.
IV. Reporting suspicious transactions related to terrorism	Ensure, if necessary by issuing regulation, that the CIG regularly circulate UN and other terrorist watch-lists to financial institutions and keeps them abreast of new developments.
V. International Cooperation	Ratify the ICSFT and ensure that domestic legislation is in place for its implementation. Implement the UN SCRs on FT.
VI. Alternative remittance	N/A
VII. Wire transfers	N/A
VIII. Nonprofit organizations	N/A

Joint FAFT/APG Evaluation of New Zealand

An joint FAFT/APG Evaluation Team visited New Zealand from 20 – 24 October 2003.

Conclusions

Recommendations

Co-ordination, overall resourcing

Legal

Financial/regulatory

Law Enforcement/FIU

Training/assistance

ANNEX D: Websites and list of acronyms

WEBSITES

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

ADB	Asian Development Bank	www.adb.org
APEC	Asia Pacific Economic Co-operation	www.apecsec.org.sg
APG	Asia/Pacific Group on Money Laundering	www.apgml.org
ASEAN	Association of South East Asian Nations	www.aseansec.org
CFATF	Caribbean Financial Action Task Force	www.cfatf.org
ComSec	Commonwealth Secretariat	www.thecommonwealth.org
FATF	Financial Action Task Force on Money Laundering	www.fatf-gafi.org
GAFISUD	South American Financial Action Task Force (Grupo de Acción Financiera de Sudamérica)	www.minjusticia.gov.co/gafisud
IMF	International Monetary fund	www.imf.org
IMoLIN	International Money Laundering Network	www.imolin.org
ODCCP	United Nations Office for Drug Control & Crime Prevention	
UNDCP	United Nations Drug Control Programme	
UNTOC	United Nations Convention Against Transnational Organized Crime	
UNICRI	United Nations Inter-regional Crime & Justice Research Institute	
	United Nations home page:	www.un.org
OECD	Organisation for Economic Co-operation & Development	www.oecd.org
PIFS	Pacific Islands Forum Secretariat	www.forumsec.org.fj
SAARC	South Asian Association for Regional Co-operation	www.saarc.org
World Bank	The World Bank Group	www.worldbank.org
WCO	World Customs Organisation	www.wcoomd.org

ACRONYMS

AML	Anti-money laundering
APEC	Asia Pacific Economic Co-operation
ASEAN	Association of South East Asian Nations
ADB	Asian Development Bank
AMLID	Anti Money Laundering International Database (UNDCP)
AusAID	Australian Agency for International Development
AUSTRAC	Australian Transaction Reports & Analysis Centre
ASEM	Asia Europe Meeting
CFT	Combating the financing of terrorism
CFATF	Caribbean Financial Action Task Force
CSCAP	Council for Security Co-operation in the Asia Pacific
COE	Council of Europe
ESCAP	Economic & Social Commission for Asia and the Pacific (UN)
EEC	European Economic Community
Egmont Group	Egmont Group of the Financial Intelligence Units of the world
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FIU	Financial Intelligence Unit
FSA	Financial Services Authority (UK)
FINCEN	Financial Crimes Enforcement Network (USA)
FATF	Financial Action Task Force on Money Laundering
FCO	Foreign & Commonwealth Office (UK)
FEMM	Finance and Economic Ministers Meeting (a South Pacific body)
GAFISUD	South American Financial Action Task Force on Money Laundering (Grupo de Acción Financiera de Sudamérica)
IMF	International Monetary Fund
IDLI	International Development Law Institute
IOSCO	International Organisation of Securities Commissions
ME	Mutual Evaluations
ML	Money laundering
MONEYVAL	Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures
NCCT	Non Co-operative Countries & Territories (FATF initiative)
OECD	Organisation for Economic Co-operation & Development
OGBS	Offshore Group of Banking Supervisors
RETA	Regional Technical Assistance (ADB)
SAARC	South Asian Association for Regional Co-operation
SEACEN	South East Asian Central Banks Training Institute
UNODC	United Nations Office of Drug Control
UNTOC	United Nations Convention Against Transnational Organized Crime
WCO	World Customs Organisation