



Asia/Pacific Group on Money Laundering

**Annual Report
1 July 2005 – 30 June 2006**

March 2008

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Foreword by the APG Co-Chairs

We have pleasure in presenting the Asia/Pacific Group on Money Laundering's seventh annual report for the 12 months ending 30 June 2006. Because of its importance in the APG's calendar, this report also includes the outcomes of the APG's 2006 Annual Meeting, which was held from 3 – 6 July 2006 in Manila, the Philippines.

The year under review has been another successful period for the APG and its members, which has seen a further increase in the level of implementation of the international AML/CFT standards by APG members.

A major achievement of this year was the APG's admission in June 2006 as an 'Associate Member' of the Financial Action Task Force on Money Laundering (FATF). Despite growing cooperation, and several joint initiatives with the FATF, the status of 'FATF-style regional bodies' (FSRBs), such as the APG, within the FATF had previously been that of an observer. To further its cooperation with FSRBs, the FATF decided to offer a modified form of membership status ("Associate Member") to those FSRBs that meet the stringent conditions. This status gives the APG an enhanced role and influence within the FATF including full access to the FATF's policy-making process. This is a distinct benefit to non-FATF members of the APG.

In achieving Associate Member status, the FATF has independently recognised the substantial progress made by the APG since its formation in 1997.

Other major achievements during the reporting period include:

- expansion of APG membership from 29 to 32;
- completion of six on-site mutual evaluation visits to jurisdictions in the region comprising:
 - joint FATF/APG evaluations of Australia and the United States;
 - joint APG/OGBS evaluations of Samoa and Vanuatu;
 - World Bank assessment of Fiji; and
 - APG evaluation of Sri Lanka;
- successful conduct of the APG's 2006 Annual Meeting in Manila. The meeting was the largest ever held, with agreement reached on a wide range of issues, including:
 - adoption of a new three year Strategic Plan 2006 – 09;
 - consideration and adoption of five comprehensive reports on member jurisdictions which evaluated compliance with international standards;
 - agreement on a program that involves evaluating six more APG member jurisdictions in 2006 – 07;
 - commitment to long term work on the links between corruption and money laundering, a significant issue in the Asia/Pacific region and globally. This issue is being pursued by a joint FATF/APG Project Group; and
 - international organisations and a number of APG members agreeing to provide technical assistance and training to speed up the process of implementing the global standards for combating money laundering and the financing of terrorism;
- successful conduct of the APG Typologies Workshop in Nadi, Fiji in October 2005;
- conduct of a Training Workshop for Mutual Evaluators in Singapore in December 2005;
- the continued deployment of significant APG resources to assessing the needs and coordinating the delivery of technical assistance and training (TA&T) for members and observers, through the APG Annual Forum on TA&T; the APG Donors and Providers (DAP) Group activities; TA&T missions to APG member and observer

jurisdictions; and participation in conferences workshops and training sessions throughout the year; and

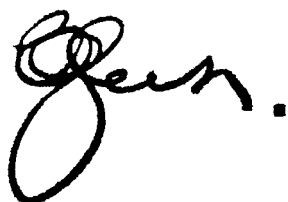
- continuation of the APG Steering Group to provide the APG Co-Chairs and APG members with strategic advice on the structure, functioning and support for the APG.

These achievements are a testimony to the effectiveness of the APG and its expanding work program. The outcomes of the Annual Meeting are described in further detail in chapter 2 of this report.

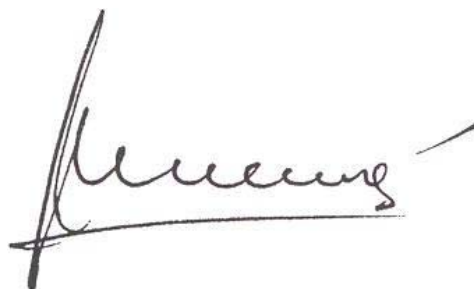
We would like to thank the APG Secretariat team for their continuing hard work and dedication during the year. We also note the fact that the previous Head of the APG Secretariat, Rick McDonnell, departed from the APG Secretariat in March 2006 to become the Chief of the United Nations Office on Drugs and Crime Global Programme against Money Laundering. On behalf of APG members, we acknowledge the work undertaken by Rick over more than 10 years in the establishment of the APG and its development into a strong and cohesive regional body.

We would also like to acknowledge the excellent work done by Mr Naotaka Kawakami and Mr Nobuyoshi Chihara, who held the APG Co-Chair position on behalf of Japan between July 2004 and July 2006.

Finally, we wish to thank all the APG members and observers for their ongoing commitment to the APG and its important work.



Commissioner Mick Keelty
Co-Chair
Australia



Dr. Yunus Husein
Co-Chair
Indonesia



1. Overview of the APG

Background

The APG was officially established in February 1997 at the Fourth (and last) Asia/Pacific Money Laundering Symposium in Bangkok, Thailand. This was the culmination of a process of 'awareness raising' in the Asia/Pacific region initiated by the FATF in 1993 as part of its global strategy.

Nature

The APG is an autonomous, voluntary and co-operative international body established by agreement among its members. It does not derive its status 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 among its members.

Purpose

The primary purpose of the APG is to facilitate the adoption, effective implementation and enforcement of FATF's Forty Recommendations on money laundering and Nine Special Recommendations on terrorist financing.

The role of the APG includes assisting jurisdictions to:

- enact laws criminalising money laundering and terrorist financing, as well as laws dealing with confiscation and forfeiture of the proceeds of crime, mutual legal assistance and extradition;
- effectively implement comprehensive preventative measures for the financial sector as well as certain other businesses and professions;
- establish coordinated systems for reporting and investigating suspicious transaction reports and to develop effective capacities to investigate and prosecute money laundering and the financing of terrorism offences.

The APG also:

- participates in and co-operates with the global anti-money laundering network including the FATF, IMF, World Bank and other regional anti-money laundering groups;
- carries out education, research and analysis to enhance the understanding of money laundering typologies and the financing of terrorism environment and the global efforts against it;
- co-ordinates technical assistance and training to jurisdictions in the Asia/Pacific region; and
- assesses compliance with FATF standards by APG members.

The APG's purpose, mission and goals are further described in the Terms of Reference (a copy of which is at Annex A to this report) and in its three year Strategic Plans.

Membership

Membership of the APG is open to any jurisdiction within the Asia/Pacific region that 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.

Membership of the APG has expanded to a total of 32 members as at 7 July 2006. Three jurisdictions, Afghanistan, Myanmar and Canada, joined the APG during the reporting year. Current members are: Afghanistan, Australia, Bangladesh, Brunei Darussalam, Cambodia, Canada, Chinese Taipei, Cook Islands, Fiji Islands, Hong Kong, China, India, Indonesia, Japan, Korea (Republic of), Macao, China, Malaysia, Marshall Islands, Mongolia, Myanmar, Nepal, New Zealand, Niue, Pakistan, Palau, Philippines, Samoa, Singapore, Sri Lanka, Thailand, Tonga, United States of America and Vanuatu. There are also eight observer jurisdictions¹ and 16 observer international and regional organisations².

The membership requirements are articulated in greater detail in the APG Terms of Reference (attached).

Co-Chairs

The APG has two co-chairs: Australia, as host of the APG Secretariat, holds one co-chair and the other is rotated every two years.

Australian Co-Chair

The Australian Co-Chair position remained unchanged in 2005–06 and continued to be held by Commissioner Mick Keelty (since 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. Commissioner Keelty was appointed Commissioner of the Australian Federal Police in 2001 and Chair of the Board of the Australian Crime Commission in 2003.

During his career Commissioner 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. Commissioner Keelty received the Australian Police Medal for distinguished service in 1996. He holds a Master of Public Policy and Administration and a Graduate Certificate in Criminal Justice Education. He is also 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.

¹ France; Kiribati; Lao PDR; Maldives; Nauru; Papua New Guinea; United Kingdom; Vietnam

² See APG web site for list.

Indonesian Co-Chair

At the APG's ninth Annual Meeting in Manila (July 2006), it was agreed that Indonesia would assume the rotating Co-Chair position for two years when Japan's term expired.

Dr Yunus Husein, as the Co Chair for 2006–08, is Head of the Indonesian Financial Transaction & Analysis Centre (since December 2002) and Secretary of the Indonesian National Coordination Committee on Money Laundering (since January 2004). He holds a Master of Laws (LLM), from the Washington College of Law, The American University, Washington DC, and a Doctor of Law, University of Indonesia (2003).

Mission Statement and Strategic Plan

Following an initial summary of the APG's 2006 Annual Meeting, this annual report is structured around the six roles of the APG which are reflected in the APG Strategic Plan 2003–06 which applied during the period under review. The vision, mission, objectives and roles set out in the 2003–06 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 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.

2. APG Annual Meeting 2006

This chapter reports on the general outcomes of the APG's 2006 Annual Meeting. Further information concerning particular subjects discussed at the annual meeting can be found in other chapters of this report.

The Ninth Annual Meeting in Manila, the Philippines (3 to 6 July 2006) was opened by a keynote address from the President, Republic of the Philippines, Her Excellency Gloria Macapagal-Arroyo. Welcome remarks were also received from the Hon. Amando M. Tetangco, Jr. Bangko Sentral ng Pilipinas Governor and Anti-Money Laundering Council Chairman, and from Mr Frank Swedlove, President of the Financial Action Task Force.

The meeting was co-chaired by Mr Nobuyoshi Chihara (Japan) and Commissioner Mick Keelty (Australia). Over 250 participants representing 32 APG member jurisdictions, eight observer jurisdictions and 13 international and regional organisations 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:

- admission of three new members to the APG, being Afghanistan and Myanmar (having previously been formally admitted out of session) and Canada, which was admitted by acclamation of the APG members during the meeting;
- determination of new priority observers of the APG;
- adoption of a new APG Strategic Plan 2006 – 09;
- adoption of a Steering Group Discussion Paper 2006 covering extension of the APG Mandate, hosting arrangements for Secretariat, secondments to the Secretariat, the relationship with other FATF-style regional bodies and private sector outreach;
- adoption of revised APG Mutual Evaluation Procedures;
- consideration and adoption of reports on the Mutual Evaluations of Australia, the United States, Samoa, Fiji Islands and Sri Lanka. Progress in the preparation of the mutual evaluation report of Vanuatu was also discussed, and it was resolved that the report would be considered at a special plenary of the APG to be held in November 2006 in conjunction with the APG's 2006 Typologies Workshop;
- discussion of progress reports from previously evaluated APG members;
- adoption of a report from the APG Implementation Issues Working Group and discussion of implementation issues arising from written jurisdiction reports;
- adoption of the APG's 2005 Typologies Workshop Report and Yearly Typologies Report for 2005 – 06;
- 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;
- consideration of the work done by the joint FATF/APG Anti-corruption/AML Issues Project Group on the links between anti-corruption and AML/CFT issues, including endorsement of proposed changes to the FATF Assessment Methodology to greater reflect anti-corruption efforts by jurisdictions and adoption of terms of reference for an in-depth research paper studying the links between anti-corruption and AML/CFT efforts;

- discussion of progress being made by members in implementing FATF Special Recommendation VIII concerning non-profit organisations;
- adoption of:
 - Report Against APG Business Plan 2005-06;
 - Business Plan 2006-07; and
 - APG Budget Paper.

The Co-Chairs, on behalf of all APG members, expressed sincere gratitude to the Philippines Government and to Bangko Sentral ng Pilipinas and the Anti-Money Laundering Council for hosting this very successful meeting of the APG.



From left to right: Mr. Chihara, Co-Chair of the APG (Japan), Mr. Amando M. Tetangco, Jr. Governor, Bangko Sentral ng Pilipinas and Chairman, Anti-Money Laundering Council (the Philippines), Her Excellency Gloria Macapagal Arroyo, President, Republic of the Philippines and Commissioner Keelty, Co-Chair of the APG (Australia)

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 perform this role, 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 mutual evaluations of APG members per year (see report chapter 8); an annual APG Typologies Workshop (see report chapter 6); and targeted APG training events;
- 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; and
- 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.

The APG's Business Plan outlines a number of tasks to achieve this strategy. Resource management issues are dealt with in chapter 9 of this annual report.

APG Steering Group

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 a number of functions including reviewing APG governance and providing advice to the APG Co-Chairs and APG members on issues of strategic importance.

APG Steering Group membership includes a representative from each of five APG sub-regions. Steering Group representatives in 2005–06 were: Chinese Taipei (North Asia); Cook Islands (Pacific Islands); India (South Asia); Malaysia (South East Asia) and New Zealand (Other). 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. Japan and Australia, as Co-Chairs, were members of the Steering Group in 2005–06. APG Co-Chairs preside over any face-to-face meetings of the APG Steering Group. The Steering Group held five meetings during 2005–06, including two face-to-face meetings.

Members agreed at the 2006 Annual Meeting that the Steering Group's membership for 2006–07 would be as follows:

- APG Co-Chair: Australia;
- APG Co-Chair: Indonesia;
- Immediate past Co-Chair: Japan;
- North Asia: Macao, China;
- Pacific Islands: Cook Islands;

- South Asia: Nepal;
- South East Asia: Philippines; and
- 'Other': New Zealand.



Rick McDonell, former Head of the APG Secretariat greets Datuk Zamani Abdul Ghani, Deputy Governor of the Bank Negara Malaysia (the Central Bank for Malaysia)

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 – 06 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. During 2005-06, the APG newsletter, *APG iQ*, continued to be published on a regular basis, with issues being published in August 2005, November 2005 and May 2006. Feedback on the content has continued to be positive.

The APG website has been further developed to be 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.

The secure sections of website were further enhanced during the year, allowing members and observers enhanced access to APG documents.

Attendance at meetings, conferences and seminars etc in 2005 – 06

As part of the Communication Strategy and the APG's Business Plan more broadly (especially Role 2 - next chapter), APG Secretariat staff and member representatives have taken part in a number of conferences, seminars and meetings (as participants and presenters) over the period under review, including:

- 8 – 10 August 2005: Vanuatu National Workshop on Anti-Money Laundering and Combating of the Financing of Terrorism;
- 29 – 31 August 2005: Mongolia National Workshop on implementation of international instruments against terrorism and corruption organized by UNODC;

- 10 – 14 October 2005: FATF Plenary and Working Group meetings, Paris;
- 20 – 22 October 2005: Wilton Park Conference on Combating the Financing of International Terrorism, United Kingdom;
- 17 – 18 November 2005: 3rd Annual IMF Round Table for Offshore and Onshore Supervisors and Standard Setters, Sydney;
- 21 – 25 November 2005: IMF Regional Workshop for FIU Establishment, Singapore;
- 21 – 25 November 2005: International Proceeds of Crime Administrators, Trustees & Enforcement Conference, Auckland;
- 23 November 2005: Labuan, Malaysia OFC AML/CFT Workshop;
- 28 – 30 November 2005: FATF/GAFISUD Joint Typologies Meeting, Rio de Janeiro;
- 12 – 14 December 2005: Indonesian UK Charities Commission NPO Seminar, Bali;
- 15 December 2005: ASEAN APG COAG meeting, Jakarta;
- 16 December 2005: Indonesia Donors Coordination Meeting;
- 18 – 19 January 2006: Meeting of the FATF/APG Anti-corruption/AML Issues Project Group, Paris;
- 8 – 10 February 2006: SE Asian Regional NPO Seminar, UK Charities Commission, Philippines;
- 13 – 17 February 2006: FATF Plenary & WG Meetings, Cape Town;
- 21 February 2006: AFMA/KPMG Briefing Series, Sydney Australia;
- 21 – 24 February 2006: Solomon Islands AML/CFT Seminar, Australia AMLAT;
- 15 – 16 March 2006: Terrorist Financing Conference, The Hague, the Netherlands;
- 21 – 24 March 2006: Regional ARS Workshop Australia AUSTRAC, Perth;
- 24 – 26 March 2006: Meeting with UNODC TA&T Coordinator, Central Asia, Almaty;
- 27 – 30 March 2006: ADB/OECD Asia/Pacific Initiative Anti-Corruption Seminar, Kuala Lumpur;
- 4 – 6 April 2006: South Asian Regional CFT Workshop on NPO Regulation, US OPDAT, Sri Lanka;
- 24 – 26 April 2006: Anti-Corruption and Transparency Workshop - Asset Recovery and Extradition, APEC, Shanghai;
- 28 April 2006: Law and Finance AML Seminar, Sydney Australia;
- 17 – 19 May 2006: ADB/OECD Anti-Corruption Initiative: 8th Steering Group meeting, Manila;
- 29 – 30 May 2006: Meeting of the FATF/APG Joint Anti-corruption/AML Issues Project Group, Paris;
- 19 – 23 June 2006: FATF Plenary and Working Group meetings, Paris.

Many of these events were funded from resources outside the APG budget. Each provided an excellent opportunity to generate positive publicity and awareness of the APG and its work.

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 Role 2 of the APG's 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.

Two jurisdictions joined the APG out of session in March 2006: Myanmar (a priority APG observer) and Afghanistan, which became the APG's 30th and 31st members respectively. In early June 2006 Canada (also a priority observer) submitted an application to join the APG, which was accepted during the 2006 Annual Meeting in Manila in July, making Canada the APG's 32nd member.

During the year, the APG Steering Group and Secretariat took a number of steps to encourage Lao PDR and Vietnam (priority observers) to join the APG. Members decided at the 2006 Annual Meeting to extend the period during which Lao PDR and Vietnam could remain priority observers by a further 12 months. Members also identified Nauru, Maldives, Papua New Guinea, Solomon Islands, and Timor Leste as new APG priority observers. An outreach mission to the Solomon Islands was undertaken in February 2006 to promote membership and a commitment to implement the global AML/CFT standards.

During 2005–06, the APG has further developed its mature and cooperative working relationships with relevant multilateral bodies involved in AML/CFT work, including the ASEAN Secretariat, the APEC Business Advisory Council and the European Commission. The APG maintains ongoing relationships with Pacific Islands Forum Secretariat (PIFS), the IMF, World Bank, UNODC, ADB, Commonwealth Secretariat, Egmont Group, the ADB/OECD Anti-corruption Initiative for Asia/Pacific, Interpol, World Customs Organisation (WCO), and the Oceania Customs Organisation (OCO).

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

Representatives of the APG – both from the APG Secretariat and from individual APG member jurisdictions – attended the FATF Plenary meetings held in October 2005 and February and June 2006, as well as the FATF/GAFISUD Joint Typologies Meeting held in Rio de Janeiro in November 2005. The APG has directly contributed information and case studies to a number of FATF typologies projects.

As reported in last year's annual report, following the joint FATF/APG Plenary held in Singapore in June 2005, a joint APG/FATF Anti-corruption/AML Issues Project Group was established to study existing synergies between AML/CFT and anti-corruption efforts and to develop related implementation guidance for APG members. This work has now produced changes to the FATF Assessment Methodology, provided input into the FATF WGEI work on effective implementation, and led to adoption of Terms of Reference for a Research Paper on the links between corruption and money laundering which will be pursued in 2006–07.

The APG (the Secretariat and Malaysia) was invited to present at the Terrorist Financing Conference, held on 15-16 March 2006 at The Hague and hosted by the Netherlands Ministry of Finance. The APG Secretariat also contributed to the preparatory meetings for Workshop 3 'The international CFT structure'.

In April 2006, APG members revised the APG's Mutual Evaluation Procedures in relation to publication of APG evaluations. The policy now provides that publication is strongly encouraged and will take place with the agreement of the member under evaluation. During the 2006 Annual Meeting, APG members adopted further revisions to the APG Mutual Evaluation Procedures including issues of scheduling, conduct of joint assessments, consistency of evaluations and enhanced follow-up processes. These changes reflected, in part, changes made by the FATF as the global standard setter to its own procedures, on which the APG's procedures are based.

The APG and FATF are now involved in joint mutual evaluations of shared member jurisdictions. As noted previously, at the 2006 Annual Meeting, joint FATF/APG mutual

evaluation reports of Australia and the United States were considered and adopted by APG members.

The APG Secretariat continued to provide assistance and advice to the FATF Asia/Pacific NCCT Review Group and to the APG jurisdictions on the FATF 'Non-Cooperative Countries and Territories' (NCCT) list, to facilitate delisting. The APG Secretariat attends FATF 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 observers which are on the NCCT list. As at 30 June 2006, Myanmar remained on NCCT list and continued to receive advice and assistance via various APG Donor and Provider Group members and the annual APG Technical Assistance & Training Forum activities. FATF President, Mr Frank Swedlove, and FATF Executive Secretary, Alain Damais, attended the APG's 2006 Annual Meeting in Manila.

In summary, the APG continues to play an active role in the work of the FATF, and to enjoy close and productive working relations which will only grow stronger with the APG's new status as an Associate Member of the FATF.



Cape Town: Setting for the FATF Plenary in February 2006

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

Since formation, 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.

Building on the APG's earlier typologies work, the APG Typologies Framework was established in 2003 to better integrate typologies collection, analysis and dissemination in the APG. The framework includes 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. The 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.

During the year, the APG has continued to integrate typologies collection, analysis and dissemination of key findings. The APG Typologies Workshop 2005, which is described in more detail below, focused on priority and emerging issues, trade-based money laundering and terrorist financing, wire transfer issues, new payment technologies, corruption related money laundering issues and case studies relevant to Pacific Island jurisdictions. The APG Typologies Working Group, chaired by New Zealand, has continued to oversee the APG's typologies work.

APG members pursued increased global cooperation in the study of AML/CFT typologies during 2005-06. The APG's contributions to FATF typologies projects during the year included over thirteen APG jurisdictions providing questionnaire responses. The APG was represented at the joint FATF/GAFISUD Typologies Meeting in Rio de Janeiro in November 2005 by Korea, Macao, China, the Philippines and the APG Secretariat.

A significant number of studies, reports and reference documents on AML/CFT methods and techniques were uploaded to the APG website during the year.

2005 Typologies Workshop

Building on previous successful APG Typologies Workshops, Fiji hosted the 8th APG Typologies Workshop in Nadi from 25-26 October 2005. The workshop was attended by 155 participants, representing 30 member jurisdictions and nine international and regional organisations.

The 2005 Typologies Workshop was jointly chaired by Mr Sakiusa Rabuka, Chief Executive Officer, Justice, Ministry for Justice, and Mr Rick McDonell, Head of the APG Secretariat. Presentations were given on a range of topics and breakout groups discussed specific issues in greater depth over two and a half days. Major topics included:

- trade-based money laundering;
- wire transfers;
- e-payment systems;
- corruption money laundering issues; and
- Pacific-region case studies.

The 2005 Typologies Workshop was successful and resulted in valuable lessons being shared through exchange of information on real cases conducted in the region by APG jurisdictions.



Traditional Fijian Welcoming Ceremony at the opening of the Typologies Workshop

APG Typologies Working Group

The APG Typologies Working Group met in the margins of the Typologies Workshop in Fiji as well as in the margins of the 2006 Annual Meeting in Manila (July 2006). The Typologies Working Group is chaired by New Zealand. Members include Australia, Canada, Chinese Taipei, Cook Islands, Fiji, Hong Kong, China, India, Indonesia, Japan, Korea, Malaysia, Pakistan, Palau, Philippines, Thailand, United States, the FATF Secretariat, the IMF and the World Bank.

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 2005-06. 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 trade-based money laundering) and money laundering related to corruption.

The APG Annual Typologies Report 2005-06 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 2005-06 can be downloaded from the APG website.

The Typologies Working Group is planning to hold the 2006 Typologies Workshop in Jakarta, Indonesia during November 2006. Key topics for focus during the workshop will include money laundering and terrorist financing vulnerabilities in the casino and gaming sector as well as in the real estate sector. Alternative remittance systems will also be examined.

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:

- in 2005 the APG adopted enhanced Terms of Reference for the APG Implementation Issues Working Group;
- sponsorship funds were provided by Australia, the United States and the Pacific Island Forum Secretariat (PIFS) to support APG member and observer delegations to participate in the 2005 and 2006 APG Annual Meetings and the 2005 Typologies Workshop. Sponsorship funds were provided by the IMF to support APG members' participation in the Mutual Evaluation Training Workshop;
- the 2005 APG Typologies Workshop was supported by experts from Australia, Cook Islands, Hong Kong, China, Fiji, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Palau, the Philippines, Thailand, the United States, IMF, OCO and the World Bank.

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 during 2005–06 was co-chaired by Ms Cath Kara from the Cook Islands and Police Col. Seehanat Prayoonrat, from Thailand. Ms Kara stepped down as IIWG Co-Chair at the end of 2005–06 and Ms Woon Hooi Shyen, Deputy Director, Financial Intelligence Unit, Central Bank of Malaysia agreed to assume the vacant IIWG Co-Chair position.

Under the IIWG Terms of Reference adopted by APG members at the APG Annual Meeting in Cairns 2005, the IIWG has three major roles:

- to assist individual jurisdictions with implementing recommendations made in Mutual Evaluation Reports;
- to provide resources and materials for APG members addressing common implementation issues; and
- to liaise with the FATF Working Group on Evaluations and Implementation.

An initial pilot program was proposed for 2005–06 to assist one jurisdiction that had recently undergone a mutual evaluation under the 2004 Methodology to identify its implementation needs and to provide assistance to address its compliance gaps either by itself or through the assistance of relevant experts. The proposed pilot was unable to proceed due to political instability in the jurisdiction in question.

Enhancements to the APG website were completed in May 2006. These enhancements provide a dedicated open page for implementation issues where the APG Implementation Library is being established as well as a secure site for use by members. IIWG members have been requested to send materials for inclusion in the library, and it is hoped to have this resource established in late 2006.

Technical assistance and training highlights for 2005–06

Significant APG resources were devoted to assessing the needs and coordinating the delivery of technical assistance and training (TA&T) for members and observers in 2005–06, through the APG Annual Forum on TA&T; the APG Donors and Providers (DAP) Group activities; TA&T missions to APG member and observer jurisdictions; and participation in conferences workshops and training sessions throughout the year.

2006 APG Annual Forum on Technical Assistance and Training

The 2006 Annual Forum on Technical Assistance and Training, the sixth such forum held, was convened during the APG's 2006 Annual Meeting in Manila in July 2006. The Forum consisted of three sessions:

- an initial meeting of the APG's DAP Group to discuss TA&T coordination issues, including information sharing and priorities;
- a series of individual meetings between priority jurisdictions, and donors and providers to discuss TA&T priorities. 16 individual meetings were held with APG members and observer jurisdictions. Participating donors and providers included the IMF, World Bank, UNODC, Asian Development Bank, ASEAN, United States, Japan, Australia, New Zealand and Malaysia; and
- a wrap-up meeting of the DAP Group to discuss issues arising during the week's meetings.

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.

As in previous years, 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

AML/CFT needs analyses were conducted, or assisted, in conjunction with members of the APG DAP Group, in relation to Niue, Bangladesh, Lao PDR, Cambodia, Pacific jurisdictions, Mongolia, and Thailand. A sub-regional project to examine the TA&T needs related to AML/CFT and trans-national organised crime, including the refinement of a sub-regional needs matrix for the Pacific Island Countries, was undertaken jointly by the APG, Pacific Islands Forum Secretariat, Commonwealth Secretariat and the UNODC.

The APG's AML/CFT TA&T Needs Matrix was reformatted, 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.

Technical assistance and training sessions were designed and delivered to APG member and observer jurisdictions in cooperation with various APG DAP Group members, including the Commonwealth Secretariat; the World Bank; ADB; UNODC; Australia; United States; Japan; New Zealand; Malaysia; the ASEM Project; UK; the IMF and the Egmont Group.

In conjunction with various members of the APG DAP Group, assistance to develop in-country TA&T coordination mechanisms has been provided to Bangladesh, Cambodia, Mongolia, Nepal, Tonga, and the Solomon Islands; and to Thailand, the Philippines and Indonesia to sustain their existing coordination processes.

Assistance from Commonwealth Secretariat and UK Foreign & Commonwealth Office

From July 2005 to June 2006, both the Commonwealth Secretariat and the United Kingdom Foreign & Commonwealth Office (FCO) continued to support a full-time technical assistance and training consultant, located with the APG Secretariat in Sydney, Australia. The primary role of the consultant, Ms Bronwyn Somerville, is to assist the APG Secretariat in relation to technical assistance and training for APG members and observers.



*Bronwyn Somerville, Executive Consultant,
APG presenting at an awareness raising workshop*

held in the Solomon Islands in February 2006

The support from the Commonwealth Secretariat was worth approximately AU\$200,000 in 2005–06. The APG was required in 2004–05 and 2005–06 to make a contribution to the Commonwealth Secretariat for the costs of the consultancy, payment of which was fully offset by funds generously provided by the FCO. The FCO also provided significant additional funding to support various TA&T missions throughout the year

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 six APG members is assessed each year;
- 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

Mutual evaluations are a core activity of the APG's work program, and a key membership requirement. Each member's AML/CFT system is being evaluated in turn on the basis of an evaluation conducted by a team of selected experts drawn from the legal, financial and law enforcement fields of other APG members and observers, together with a member of the APG Secretariat.

The mutual evaluation process is designed to assess a member's compliance with the FATF standards but give due recognition where the standard benchmarks are met. Reports invariably identify weaknesses and make appropriate recommendations for improvement in a member's legal financial and regulatory system.

The APG began its first round of evaluations in March 2000 and completed it with the adoption of six reports at the APG's 2005 Annual Meeting in Cairns, Australia. At the 2004 Annual Meeting in Seoul, APG members agreed to commence a second round of mutual evaluations. In the second round, members are being evaluated using the FATF's standard 2004 Assessment Methodology and the standard supporting documentation associated with that Methodology, updated from time to time. As part of a coordinated and consistent approach to evaluation, APG members may be evaluated by the APG; the IMF and World Bank; or jointly by the FATF and the APG where APG members are also FATF members. There is also a mechanism for a joint APG/ Offshore Group of Banking Supervisors (OGBS).

Mutual Evaluations conducted in 2005–06

Five mutual evaluation reports of APG members were considered at the APG's 2006 Annual Meeting in Manila: Australia (jointly with FATF); United States (jointly with FATF); Samoa (jointly with OGBS); Fiji Islands (jointly with World Bank) and Sri Lanka (APG solely). Consideration of a sixth evaluation (Vanuatu, which was jointly evaluated with OGBS), was deferred to a special plenary session in November 2006, due to delays in completion of the report.

The six evaluations conducted this year were supported by experts from APG members/observers Australia, Canada, the Cook Islands, Hong Kong, China, India, Japan, Macao, China, Malaysia, Mauritius, New Zealand, Pakistan, Singapore, South Africa United Kingdom and the United States.

During the 2006 Annual Meeting, APG members adopted revised APG Mutual Evaluation Procedures to reflect the APG's experience with the 2004 Assessment Methodology. There were also changes made by the IMF and World Bank regarding their approach to assessments. Each of the mutual evaluation reports can viewed on the APG's website.

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

Under the APG's procedures, all previously 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 2006 APG Annual Meeting, APG members also received oral progress reports from the jurisdictions most recently evaluated in 2004–05 by the APG: Marshall Islands, Pakistan, Niue, Brunei Darussalam, Nepal and India. Members noted the progress made by each jurisdiction in response to the recommendations contained in their mutual evaluation reports and asked questions as appropriate on progress being made.

Schedule of future mutual evaluations

A full program of mutual evaluations is planned for 2006–07, with evaluations planned for Macao,China (jointly with OGBS), Mongolia, Malaysia (including Labuan IOFC), Chinese Taipei, Cambodia (a World Bank assessment) and Thailand (an IMF assessment) .

2005 Mutual Evaluation Training Workshop

The APG conducted an Assessment Training Workshop in Singapore from 5-9 December 2005, in conjunction with the IMF, World Bank and FATF. The workshop was hosted by the IMF's Singapore Training Institute (STI) and supported by the Monetary Authority of Singapore. 35 trainees from half of the APG member jurisdictions attended the Workshop with remaining members to be trained in late 2006/early 2007.



Trainees and trainers at the December 2005 Assessment Methodology Training workshop

Participants benefited from a range of modules covering the essential elements of assessing compliance under the 2004 Methodology coupled with a case study based on an actual mutual evaluation which recently took place. There was a useful mix of theoretical and practical work undertaken during the training workshop which will equip participants with the necessary skills to take part in a mutual evaluation both as an expert evaluator and as a representative from an evaluated jurisdiction.

Attendees of this workshop went on to effectively participate as experts in the mutual evaluations of Samoa, Vanuatu and Sri Lanka.

Officers from Singapore's Monetary Authority of Singapore provided invaluable assistance as mock representatives of an evaluated jurisdiction. The APG wishes to thank the IMF, the World Bank and the FATF for their support for the workshop, with a special note of thanks to the professional and hardworking staff of the STI.

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.

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 meeting and typologies workshop;
- supporting the APG Co-Chairs and Steering Group;
- supporting the 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;
- establishing and maintaining effective working relationships with relevant international and regional organisations in order to advance the APG's work and its regional strategy;
- conducting 'outreach' missions to members and potential APG members;
- 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 2006, the staffing of the Secretariat was as follows:

Eliot Kennedy	Acting Executive Secretary
Arun Kendall	Executive Officer
David Shannon	Executive Officer
Helen Newell	Administrator
Jennifer Ford	Administrator
Marnie Campbell	Administrative Assistant

In addition, a technical assistance Executive Consultant, Ms Bronwyn Somerville was provided, on assignment, with the support of the Commonwealth Secretariat and the UK Government Global Opportunity Fund.

In June 2006 the position of Head of the APG Secretariat was renamed to "Executive Secretary" to match the titles used by the FATF and other FATF-style regional bodies. As noted in the Co-Chairs' Foreword the Head of the APG Secretariat, Rick McDonell, left the Secretariat in March 2006 to become the Chief of the United Nations Office on Drugs and Crime Global Programme against Money Laundering. As at 30 June 2006, the recruitment process to fill the position was well under way.

Contact details for the Secretariat are as follows:



APG Secretariat

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 Locked Bag A3000, Sydney South, NSW, 1232, Australia
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 Facsimile: 61 2 9286 4393
 Email: mail@apgml.org
 Website: www.apgml.org

Budget and Financial Statements

At the APG's 2005 Annual Meeting, a 'core' budget for the financial year 2005–06 of AU\$930,000 was approved and adopted. The contributions required from members to meet that budget were calculated using the APG funding formula adopted at the 2003 Annual Meeting. This formula calculates contributions using an 80/20 combination of GDP and GDP per capita and requires a minimum AU\$4,800 contribution from members. Members noted at the 2005 Annual Meeting that the core budget of AU\$930,000 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, to undertake the large number of mutual evaluations required in 2005–06, or to undertake any additional projects as proposed under the APG Business Plan. However, members agreed that voluntary contributions, accumulated assets and various streams of 'non-core budget' funding be made available in 2005–06 to meet the full costs of the APG work program.

Summary of budget outcomes for 2005–06

The budget outcomes for the period 1 July 2005 to 30 June 2006, based on audited financial reports provided to the APG Secretariat by its Australian 'host' agency (the Australian Federal Police), are as follows:

- the APG commenced the financial 2005–06 year with net assets of AU\$453,252;
- total income for the year was AU\$1,556,617, with approximately AU\$1,193,111 coming from APG members in required contributions, arrears and voluntary contributions, and AU\$252,526 in other revenue;
- total expenditure for the year to 30 June 2006 was AU\$1,728,431, including expenditure against the core APG budget, 'reserved' expenditure, expenditure on enhancement of the Secretariat; and expenditure from other revenue sources (sponsorship and other funding support);
- the APG had net assets of AU\$281,439 as at 30 June 2006.

A copy of the financial statements for the financial year 2005–06 is at Annex B.

External support

The following agencies supported the work of the APG during 2005–06 and their considerable support is acknowledged:

- the Australian Agency for International Development (AusAID): sponsorship of AU\$570,000 over three years, including AU\$51,986 in 2005–06, in sponsorship funding for the 2005 APG Typologies Workshop and the 2006 APG Annual Meeting, the APG's Implementation Issues Working Group and the joint APG/FATF AML-Anti-corruption Project Group;

- Australian Federal Police, Australian Government: provision of accommodation and services to the APG Secretariat (to the value of AU\$110,980 in 2005–06);
- Commonwealth Secretariat: engagement of a full-time technical assistance and training consultant and associated costs (valued at approximately AU\$200,000); and
- the UK Foreign & Commonwealth Office: support to the APG's technical assistance and training program (AU\$134,018 in 2005–06).

10. Future directions and priorities

APG members have adopted a revised APG Strategic Plan July 2006 to June 2009 (noted above) which will provide a firm basis for the APG's work over the next three years. APG members have also agreed to extend the APG's mandate to the end of 2012, which provides greater certainty for planning purposes over the medium term.

The key tasks and priorities for 2006– 07 in accordance with the Business Plan include:

- Annual Meeting/ Annual Forum on Technical Assistance & Training - mid-2007;
- Typologies Workshop - November 2006;
- DAP Group meeting; two COAMLI (Coordinating Office for the Pacific Anti-Money Laundering Initiative); and up to two ASEAN COAG (Coordination Agreement) meetings will be held;
- training 30 to 40 assessors in late 2006 or early 2007;
- conducting six mutual evaluations;
- up to four outreach missions to potential APG members, including priority observers such as Lao PDR, Vietnam, Papua New Guinea and the Maldives, to facilitate full membership including TA&T needs assessments and awareness-raising assistance;
- practical assistance to members by IIWG in implementing FATF standards by assisting evaluated jurisdictions to develop strategies to meet mutual evaluation Report recommendations;
- collection of typologies information and in-depth studies of methods and trends of money laundering and the financing of terrorism by typologies working group;
- continue to study links between AML/CFT and anti-corruption efforts through involvement in the joint FATF/APG Anti-corruption/AML Issues Project Group and other regional initiatives in order to guidance for APG members;
- working closely with the ADB/OECD Anti-corruption Initiative for the Asia/Pacific to identify shared implementation issues and to coordinate future work;
- establishing a TA&T coordination mechanism with the South Asian Association for Regional Cooperation (SAARC) Secretariat and the ADB/OECD Anti-Corruption Initiative for Asia/Pacific and continue to support and enhance existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat;
- providing priority support to develop TA&T coordination mechanisms, and follow-up assistance, to Afghanistan, Bangladesh, Cambodia, India, Sri Lanka, Mongolia, Myanmar, Tonga, Nepal, Niue, Pakistan; and to Thailand, the Philippines and Indonesia to sustain their existing coordination processes;
- collaboration with DAP Group members to develop, coordinate and deliver CFT-specific programs in accordance with regional priorities;
- development and delivery of regionally-specific AML/CFT TA&T projects in collaboration with DAP Group members (computer-based training, manuals & guidelines, training programs for legal/financial and law enforcement sectors); and
- development and implementation of processes and mechanisms for monitoring and evaluating TA&T projects and programs delivered by, or through, the APG and its members.



**Asia/Pacific Group
on Money Laundering**

**Annual Report
1 July 2005 – 30 June 2006**

ANNEXES



ANNEX A: APG Terms of Reference³

As amended by the APG Annual Meeting, July 2006

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

³ 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 subsequent APG annual meetings, as follows: Tokyo, March 1998, Manila, August 1999, Sydney, June 2000, Kuala Lumpur, May 2001, Brisbane, June 2002 and Manila, July 2006.

- The Financial Action Task Force on Money Laundering has adopted Eight Special Recommendations on Terrorist Financing; and

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.

NOTING THAT

- On 22 October 2004, the Financial Action Task Force on Money Laundering adopted a Ninth Special Recommendation in relation to cash couriers;
- APG member jurisdictions have been assessed against this Special Recommendation since early 2005 as part of APG mutual evaluations; and
- APG member jurisdictions are implementing Special Recommendation IX in accordance with their own constitutional arrangements

THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING AGREED IN JULY 2006 TO FORMALLY ENDORSE FATF SPECIAL RECOMMENDATION IX.

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:

- 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
- 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



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INDEPENDENT AUDIT REPORT

To the Members
Asia/Pacific Group on Money Laundering

Scope

The financial report and Secretariat's responsibility

The financial report comprises the balance sheet, income statement, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the statement by executive secretary of the Asia/Pacific Group on Money Laundering Secretariat, for the year ended 30 June 2006.

The Secretariat is responsible for the preparation and true and fair presentation of the financial report required by the Finance Minister's Orders made under the Financial Management and Accountability Act 1997. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Secretariat. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Secretariat's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the secretariat.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

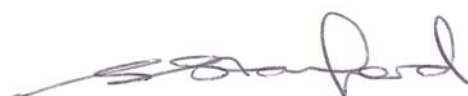


Audit Opinion

In our opinion, the financial report of Asia/Pacific Group on Money Laundering is in accordance with:

- (a) the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, including:
 - (i) giving a true and fair view of the Secretariat's financial position as at 30 June 2006 and of its performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and
- (b) other mandatory financial reporting requirements in Australia.

ASCENT AUDIT PTY LTD
Authorised Audit Company



Selina Stanford
Director

Dated: 11 March 2008

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2006

ASIA/PACIFIC GROUP ON MONEY LAUNDERING

**STATEMENT BY EXECUTIVE SECRETARY OF THE ASIA/PACIFIC GROUP ON MONEY
LAUNDERING SECRETARIAT**

In my opinion, the attached financial statements for the year ended 30 June 2006 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997* as amended.



Signed

Gordon Hook
Executive Secretary, APG Secretariat

11 March 2008

ASIA/PACIFIC GROUP ON MONEY LAUNDERING INCOME STATEMENT

for the year ended 30 June 2006

	Notes	30 June 2006 \$	30 June 2005 \$
INCOME			
<i>Revenue</i>			
Contributions from Members	4A	1,193,111	1,157,262
Other Contributions	4B	186,004	227,061
Other Revenue	4C	66,522	-
Total revenue		1,445,637	1,384,323
<i>Gains</i>			
Other Gains	4D	110,980	5,000
Total gains		110,980	5,000
TOTAL INCOME		1,556,617	1,389,323
EXPENSES			
Employees	5A	932,133	772,733
Suppliers	5B	362,467	64,504
Travel	5C	433,831	565,686
TOTAL EXPENSES		1,728,431	1,402,923
OPERATING RESULT		(171,814)	(13,600)

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
BALANCE SHEET
as at 30 June 2006

	Notes	30 June 2006 \$	30 June 2005 \$
ASSETS			
Financial Assets			
Cash	6A	854,402	812,540
Receivables	6B	134,444	507,855
Total Financial Assets		988,846	1,320,395
Non-Financial Assets			
Other Non-Financial Assets	7A	-	15,817
Total Non-Financial Assets		-	15,817
TOTAL ASSETS		988,846	1,336,212
LIABILITIES			
Payables			
Suppliers	8A	63,439	158,394
Other Payables	8B	485,630	376,178
Total Payables		549,069	534,572
Provisions			
Employee Provisions	9A	158,338	348,388
Total Provisions		158,338	348,388
TOTAL LIABILITIES		707,407	882,960
NET ASSETS		281,439	453,252
EQUITY			
Retained Surpluses / (Accumulated Deficits)		281,439	453,252
TOTAL EQUITY		281,439	453,252
Current Assets		988,846	1,336,212
Current Liabilities		671,471	858,076
Non-current Liabilities		35,936	24,884

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2006

Item	Accumulated Results		TOTAL EQUITY	
	2006 \$	2005 \$	2006 \$	2005 \$
Opening Balance	453,253	466,852	453,253	466,852
Adjusted Opening Balance	453,253	466,852	453,253	466,852
Net Operating Result	(171,814)	(13,600)	(171,814)	(13,600)
Sub-total Income and Expenses	(171,814)	(13,600)	(171,814)	(13,600)
Closing balance as at 30 June	281,439	453,252	281,439	453,252
<i>Total equity attributable to the Commonwealth</i>	281,439	453,252	281,439	453,252

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF CASH FLOWS
for the year ended 30 June 2006

	30 June 2006	30 June 2005
Notes	\$	\$
OPERATING ACTIVITIES		
Cash Received		
Contributions and other receipts	<u>2,325,466</u>	1,374,858
Total Cash Received	<u>2,325,466</u>	1,374,858
Cash Used		
Employees	1,122,163	755,686
Suppliers and other payments	<u>1,161,441</u>	1,085,513
Total Cash Used	<u>2,283,604</u>	1,841,199
Net Cash From / (Used By) Operating Activities	10 <u>41,862</u>	(466,341)
Net Increase or (Decrease) in Cash Held	41,862	(466,341)
Cash at the beginning of the reporting period	<u>812,540</u>	1,278,881
Cash at the End of the Reporting Period	6A <u>854,402</u>	812,540

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2006

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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 Nine 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 and anti-terrorist financing measures and provides for peer review by means of a mutual evaluation process.

1.2 Basis of Preparation of the Financial Statements

The Australian Federal Police hosted the APG for the year ended 30 June 2006 (2005: Australian Crime Commission) and has prepared this special purpose financial report for the members of the APG.

The statements have been prepared in accordance with:

- Finance Minister's Orders (or FMOs, being the *Financial Management and Accountability Orders (Financial Statements for reporting periods ending on or after 01 July 2005)*);
- Australian Accounting Standards issued by the Australian Accounting Standards Board that apply for the reporting period; and
- Interpretations issued by the AASB and UIG that apply for the reporting period.

This is the first financial report to be prepared under Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement and Balance Sheet have been prepared on an accrual basis and are in accordance with historical cost convention, except for 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.

The financial report is presented in Australian dollars.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Balance Sheet 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. However, assets and liabilities arising under agreements equally proportionately unperformed are 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 (other than unquantifiable or remote contingencies, which are reported at Note 11).

Unless alternative treatment is specifically required by an accounting standard, revenues and expenses are recognised in the Income Statement when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Australian Accounting Standards require APG to disclose Australian Accounting Standards that have not been applied, for standards that have been issued but are not yet effective.

Notes to and forming part of the Financial Statements

The AASB has issued amendments to existing standards, these amendments are denoted by year and then number, for example 2005-1 indicates amendment 1 issued in 2005.

The table below illustrates standards and amendments that will become effective for APG in the future. The nature of the impending change within the table, has been out of necessity abbreviated and users should consult the full version available on the AASB's website to identify the full impact of the change. The expected impact on the financial report of adoption of these standards is based on APG's initial assessment at this date, but may change. APG intends to adopt all of standards upon the application date.

Title	Standard affected	Application date*	Nature of impending change	Impact expected on financial report
2005-4	AASB 139, AASB 132, AASB 1, AASB 1023 and AASB 1038	1 Jan 2006	Amends AASB 139, AASB 1023 and AASB 1038 to restrict the option to fair value through profit or loss and makes consequential amendments to AASB 1 and AASB 132	No expected impact
2005-10	AASB 132, AASB101, AASB 114, AASB 117, AASB 133, AASB 139, AASB1, AASB 4, AASB 1023 and AASB 1038	1 Jan 2007	Amendment requirements subsequent to the issuing of AASB 7	No expected impact
	AASB 7 Financial Instruments: Disclosures	1 Jan 2007	Revise the disclosure requirements for financial instruments from AASB 132 requirements.	No expected impact

* Application date is for annual reporting periods beginning on or after the date shown

1.5 Revenue

Revenue

Revenue from the sale of goods is recognised when:

- The risks and rewards of ownership have been transferred to the buyer;
- The seller retains no managerial involvement nor effective control over the goods;
- The revenue and transaction costs incurred can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- The probable economic benefits with the transaction will flow to the entity.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collectability of the debt is no longer probable.

1.6 Gains

Resources Received Free of Charge

Services received free of charge are recognised as gains when and only when a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another government agency as a consequence of a restructuring of administrative arrangements.

Other Gains

Gains from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

1.7 Employee Benefits

As required by the Finance Minister's Orders, APG has early adopted AASB 119 Employee Benefits as issued in December 2004.

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes 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 of the APG is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the APG's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the long service leave liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and redundancy

Provision is made for separation and redundancy benefit payments. APG has developed a detailed formal plan for the separations and has informed those employees affected that it will carry out the separations.

Superannuation

Staff of APG are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

The CSS and PSS are defined benefit schemes for the Commonwealth. The PSSap is a defined contribution scheme.

Notes to and forming part of the Financial Statements

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

APG makes employer contributions to the Australian Government at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the Agency's employees.

From 1 July 2005, new employees are eligible to join the PSSap scheme.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

1.8 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.9 Financial Risk Management

APG activities expose it to normal commercial financial risk. As a result of the nature of APG's business and internal and Australian Government policies, dealing with the management of financial risk, APG's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

1.10 Derecognition of Financial Assets and Liabilities

As prescribed in the Finance Minister's Orders, APG has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged or cancelled or expires.

For the comparative year, financial assets were derecognised when the contractual right to receive cash no longer existed. Financial liabilities were derecognised when the contractual obligation to pay cash no longer existed.

1.11 Impairment of Financial Assets

As prescribed in the Finance Minister's Orders, APG has applied the option available under AASB 1 of adopting AASB 132 and 139 from 1 July 2005 rather than 1 July 2004.

Financial assets are assessed for impairment at each balance date.

Financial Assets held at Amortised Cost

If there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in profit and loss.

Financial Assets held at Cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because it cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

Available for Sale Financial Assets

If there is objective evidence that an impairment loss on an available for sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the profit and loss.

Comparative Year

The above policies were not applied for the comparative year. For receivables, amounts were recognised and carried at original invoice amount less a provision for doubtful debts based on an estimate made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Other financial assets carried at cost which were not held to generate net cash inflows, were assessed for indicators of impairment. Where such indicators were found to exist, the recoverable amount of the assets was estimated and compared to the assets carrying amount and, if less, reduced to the carrying amount. The reduction was shown as an impairment loss.

1.12 Trade Creditors

Trade creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

1.13 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are discussed in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Remote contingencies are part of this disclosure. Where settlement becomes probable, a liability or asset is recognised. A liability or asset is recognised when its existence is confirmed by a future event, settlement becomes probable (virtually certain for assets) or reliable measurement becomes possible.

1.14 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.15 Taxation

The Agency is exempt from all forms of taxation except fringe benefits tax and the goods and services tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.16 Comparative Figures

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

Notes to and forming part of the Financial Statements

• **Note 2: The impact of the transition to AEIFRS from previous AGAAP**

Management of the transition to AEIFRS

	30 June 2005 \$	30 June 2004 \$
Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS		
Total equity under previous AGAAP	453,25	466,85
Adjustments to retained earnings:		
Total Equity translated to AEIFRS	<u>453,25</u>	<u>466,85</u>
Reconciliation of profit or loss as presented under previous AGAAP to AEIFRS		
Prior year profit as previously reported	(13,600)	
Adjustments:		
Prior year profit translated to AEIFRS	<u>(13,600)</u>	

The cash flow statement presented under previous AGAAP is equivalents to that prepared under AEIFRS

APG has not restated comparatives for financial instruments. No adjustments were necessary between AEIFRS and the previous GAAP

Note 3: Events after the Balance Sheet Date

No significant events have occurred since reporting date requiring disclosure in the financial statements.

Note 4: Income**Note 4A: Contributions from Members**

Members' Contributions

Afghanistan	1,108	-
Australia	266,000	264,000
Bangladesh	4,800	14,974
Brunei Darassalum	4,800	4,800
Cambodia	4,800	4,792
Chinese Taipei	53,017	56,462
Cook Islands	4,800	4,800
Fiji Islands	4,800	4,800
Hong Kong, China	45,180	46,236
India	78,787	75,618
Indonesia	26,404	24,787
Japan	186,000	180,000
Korea	82,816	79,310
Macau, China	4,800	4,800
Malaysia	17,459	17,474
Marshall Islands	4,800	4,800
Mongolia	4,800	4,800
Myanmar	1,477	-
Nepal	4,800	4,800
New Zealand	41,524	20,225
Niue	4,800	4,800
Pakistan	10,223	9,638
Palau	4,800	4,800
Phillipines	8,742	16,030
Samoa	4,800	4,800
Singapore	31,297	31,999
Sri Lanka	17,101	4,800
Thailand	25,851	20,696
Tonga	4,800	646
United States	232,925	236,775
Vanuatu	4,800	4,800
Total member contributions	1,193,111	1,157,262

Notes to and forming part of the Financial Statements

30 June 2006	30 June 2005
\$	\$

Note 4B: Other Contributions

AusAID Sponsorship Funding	51,986	150,600
United Kingdom Foreign & Commonwealth Office - travel	134,018	38,787
Reimbursement - Workshop & Seminars	-	37,674
Total other contributions	186,004	227,061

Note 4C: Other Revenues

Cost Recovery	66,522	-
Total other revenue	66,522	-

Note 4D: Other Gains

AFP - Resources Received Free of Charge	110,980	-
ANAO Audit Fee - Resources Received Free of Charge	-	5,000
Total other gains	110,980	5,000

Note 5: Operating Expenses**Note 5A: Employee Expenses**

Wages and salaries	726,811	574,210
Superannuation	100,523	128,291
Leave and other entitlements	93,568	32,235
Other employee expenses	11,231	37,997
Total employee expenses	932,133	772,733

Note 5B: Supplier Expenses

Temporary Employee Services/Consultants & Recruitment	115,900	14,558
Legal and audit fees	6,000	5,000
Advertising	38,615	339
Postage & Freight	781	303
Currency Fluctuations	184	12
Other Expenses	24,278	6,777
Conferences	54,663	5,645
Office Equipment & Data Communications	23,415	27,604
Office Requisites/Printing of APG Documents	3,551	1,061
Workers Compensation Premiums	-	3,205
Property Expenses	95,080	-
Total supplier expenses	362,467	64,504

Note 5C: Travel Expenses

APG Annual Meeting - Staff Travel	7,235	10,274
APG Sponsorship Mutual Evaluation	91,984	134,107
Secretariat Staff APG Typologies	14,052	20,670
Secretariat Staff APG Mutual Evaluations	66,967	74,146
TA Consultant and Secretariat Staff Missions	73,873	104,010
Secretariat Staff FATF Meetings	94,034	80,259
Secretariat Staff Domestic and Regional Meetings	5,797	10,475
Overseas APG Sponsored Attendees	67,367	131,745
Other	12,522	-
Total travel expenses	433,831	565,686

Notes to and forming part of the Financial Statements

30 June 2006 \$	30 June 2005 \$
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Note 6: Financial Assets

Note 6A: Cash

Special Account	854,402	812,540
Total cash	854,402	812,540

All cash recognised is a current asset.

Note 6B: Receivables

Goods and services	54,212	507,855
GST receivable from the Australian Taxation Office	8,953	-
Other receivables	71,279	-
Total Receivables (net)	134,444	507,855

All receivables are current assets.

Receivables (gross) are aged as follows:

Current	33,737	-
Overdue by:		
Less than 30 days	-	456,837
30 to 60 days	-	-
60 to 90 days	-	-
More than 90 days	100,707	51,018
	100,707	507,855
Total receivables (gross)	134,444	507,855

Note 7: Non-Financial Assets

Note 7A: Other Non-Financial Assets

Prepayments	-	15,817
Total Prepayments	-	15,817

All other non-financial assets are current assets.

Note 8: Payables**Note 8A: Suppliers**

Trade creditors	31,693	30,789
Accrued Expenses	31,746	127,605
Total suppliers payable	63,439	158,394

All supplier payables are current liabilities.

Settlement is usually made net 30 days.

Note 8B: Other Payables

Unearned revenue	485,630	-
Payable to Australian Crime Commission	-	376,178
Total other payables	485,630	376,178

All other payables are current liabilities.

Note 9: Provisions**Note 9A: Employee Provisions**

Salaries and wages	4,752	-
Leave	143,920	348,388
Superannuation	9,666	-
	158,338	348,388

Employee provisions are represented by:

Current	122,402	323,504
Non-current	35,936	24,884
Total employee provisions	158,338	348,388

30 June 2006 \$	30 June 2005 \$
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Note 10: Cash Flow Reconciliation

Reconciliation of cash per Balance Sheet to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	854,402	812,540
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Statement of Financial Position items comprising above cash:

'Financial Asset - Cash'	854,402	812,540
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Reconciliation of operating result to net cash from / Used by) operating activities:

Operating Result	(171,814)	(13,600)
(Increase) / decrease in receivables	373,411	(133,271)
(Increase) / decrease in prepayments	15,817	(15,817)
Increase / (decrease) in employee provisions	(190,050)	40,610
Increase / (decrease) in payables	(471,132)	(344,263)
Increase / (decrease) in unearned revenue	485,630	-

Net cash from / (used by) operating activities	<u>41,862</u>	<u>(466,341)</u>
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Note 11: Contingent Liabilities and Assets

The APG has no known contingencies

Note 12: Executive Remuneration

	<u>2006</u>	<u>2005</u>
The number of executives who received or were due to receive total remuneration of \$130,000 or more:		
\$205,000 to \$219,999	1	-
\$280,000 to \$289,999	<u>-</u>	<u>1</u>
Total	<u><u>1</u></u>	<u><u>1</u></u>
The aggregate amount of total remuneration of executives shown above.	\$212,661	\$280,120
The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above.	\$	Nil

Note 13: Remuneration of Auditors

	<u>2006</u>	<u>2005</u>
	<u>\$</u>	<u>\$</u>
The cost of financial statement audit services provided to the Asia/Pacific Group on Money Laundering were	<u><u>6,000</u></u>	<u><u>5,000</u></u>
	<u><u>6,000</u></u>	<u><u>5,000</u></u>

Note 14: Average Staffing Levels

	<u>2006</u>	<u>2005</u>
The average staffing levels during the year were:	<u><u>6</u></u>	<u><u>7</u></u>

Notes to and forming part of the Financial Statements

Note 15: Financial Instruments

Note 15A: Interest Rate Risk

Financial Instrument	Notes	Non-Interest Bearing		Total		Weighted Average Effective Interest Rate	
		2006	2005	2006	2005	2006	2005
		\$	\$	\$	\$	%	%
Financial Assets							
Cash at bank	6A	854,402	812,540	854,402	812,540	0	0
Receivables for goods and services (gross)	6B	134,444	507,855	134,444	507,855	n/a	n/a
Total		988,846	1,320,395	988,846	1,320,395	n/a	n/a
Financial Liabilities							
Trade creditors	8AB	63,439	534,572	63,439	534,572	n/a	n/a
Total		63,439	534,572	63,439	534,572		

Note 15B: Credit Risk Exposures

The 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 Balance Sheet.

The 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

Financial Action Task Force - Asia Pacific Group Secretariat Account	2006	2005
<i>Legal Authority:</i> Section 20 of the Financial Management and Accountability Act 1997		
<i>Purpose:</i> For expenditure relating to the operations of the Secretariat to the Financial Action Task Force - Asia Pacific Group		
Balance carried forward from previous year	812,540	1,278,881
Costs recovered	-	-
Receipts during the year	2,325,466	1,374,858
Available for payments	3,138,006	2,653,739
Payments made during the year	(2,283,604)	(1,841,199)
Balance carried to next year	854,402	812,540
<i>Represented by:</i>		
Cash at Bank	854,402	812,540
<i>Add:</i> GST receivable from the ATO	-	-
Total balance carried to the next period	854,402	812,540

Note 17: Abbreviations

AASB	Australian Accounting Standards Board
AEIFRS	Australian Equivalents to International Financial Reporting Standards
AFP	Australian Federal Police
AGAAP	Australian Generally Accepted Accounting Principles
ANAO	Australian National Audit Office
APG	Asia/Pacific Group on Money Laundering
AusAID	Australian Agency for International Development
GST	Goods and Services Tax
FATF	Financial Action Task Force on Money Laundering
UIG	Urgent Issues Group

ANNEX C: APG schedule of mutual evaluations

First round of evaluations: 2000 – 2005

APG member	Date of on-site evaluation visit	Adoption of final report
1999 – 2000		
Vanuatu <i>[Jointly with OGBS]</i>	21 – 24 March 2000	2000 Annual Meeting
2000 – 01		
Samoa <i>[Jointly with OGBS]</i>	19 – 22 February 2001	2001 Annual Meeting
Chinese Taipei	26 – 29 March 2001	2001 Annual Meeting
Labuan Offshore Financial Centre (Malaysia) <i>[Jointly with OGBS]</i>	2 – 4 April 2001	2001 Annual Meeting
Macau, China <i>[Jointly with OGBS]</i>	9 – 12 April 2001	2001 Annual Meeting
2001 – 02		
Malaysia	9 – 12 July 2001	2002 Annual Meeting
Cook Islands <i>[Jointly with OGBS]</i>	29 October – 1 November 2001	2002 Annual Meeting
Indonesia	4 – 8 February 2002	2002 Annual Meeting
Fiji Islands	11 – 14 February 2002	2002 Annual Meeting
Thailand	4 – 7 March 2002	2002 Annual Meeting
2002 – 03		
Korea, Republic of	5 – 9 August 2002	2003 Annual Meeting
Bangladesh <i>(as part of Fund/Bank-led assessment)</i>	12 – 25 October 2002	2003 Annual Meeting
Palau	10 – 13 March 2003	2003 Annual Meeting
2003 – 04		
New Zealand <i>(jointly with FATF for Fund/Bank FSAP)</i>	20 – 24 October 2003	2005 Annual Meeting
Philippines	10 – 14 November 2003	2004 Annual Meeting
Cook Islands <i>(as part of Fund/Bank-led assessment)</i>	February 2004	2004 Annual Meeting
2004 – 05		
Marshall Islands	1 – 5 November 2004	2005 Annual Meeting
Pakistan	25 November – 3 December 2004	2005 Annual Meeting
Niue	29 November – 3 December 2004	2005 Annual Meeting

APG member	Date of on-site evaluation visit	Adoption of final report
Brunei Darussalam	27 January – 4 February 2005	2005 Annual Meeting
Nepal	3 – 11 February 2005	2005 Annual Meeting
India	14 – 25 March 2005	2005 Annual Meeting

Second round of evaluations: 2005 – 2010

APG Member	Date of on-site evaluation visit	Adoption of final report
2005 – 06		
Australia (<i>jointly with FATF</i>)	10 – 23 March 2005	2006 Annual Meeting
United States (<i>jointly with FATF</i>)	7 – 18 Nov 2005 & 9 – 20 January 2006	2006 Annual Meeting
Samoa (<i>jointly with OGBS</i>)	6 – 17 February 2006	2006 Annual Meeting
Fiji Islands (<i>World Bank</i>)	20 February to 3 March 2006	2006 Annual Meeting
Vanuatu (<i>jointly with OGBS</i>)	27 February to 10 March 2006	2006 Special Plenary
Sri Lanka	27 February to 10 March 2006	2006 Annual Meeting
2006 – 07		
Macau, China (<i>jointly with OGBS</i>)	4 – 15 December 2006	2007 Annual Meeting
Mongolia	4 – 15 December 2006	2007 Annual Meeting
Malaysia (including Labuan IOFC)	29 January – 9 February 2007	2007 Annual Meeting
Chinese Taipei	29 January – 9 February 2007	2007 Annual Meeting
Cambodia (<i>World Bank</i>)	26 February – 9 March 2007	2007 Annual Meeting
Thailand (<i>IMF</i>)	26 February – 9 March 2007	2007 Annual Meeting
2007 – 08		
Canada (<i>jointly with FATF</i>)	19 – 30 March 2007	2008 Annual Meeting ¹
Singapore (<i>jointly with FATF</i>)	3 – 14 September 2007	2008 Annual Meeting ²
Indonesia	29 October – 12 November 2007	2008 Annual Meeting
Myanmar	4 – 19 November 2007	2008 Annual Meeting

¹ Report scheduled to be considered by the FATF at its February 2008 Plenary

² Tentatively scheduled to be considered by the FATF at its February 2008 Plenary

APG Member	Date of on-site evaluation visit	Adoption of final report
Hong Kong, China (<i>jointly with FATF</i>)	12 – 23 November 2007	2008 Annual Meeting
Pakistan (<i>World Bank or APG</i>) - TBC	First quarter of 2008 (TBC)	2008 Annual Meeting
Palau (<i>IMF</i>)	First quarter of 2008	2008 Annual Meeting
2008 – 09		
Japan (<i>jointly with FATF</i>)	March 2008	2009 Annual Meeting
Afghanistan	Third quarter of 2008	2009 Annual Meeting
Bangladesh	Third quarter of 2008	2009 Annual Meeting
Cook Islands (<i>IMF- TBC</i>)	Third quarter of 2008	2009 Annual Meeting
Philippines	Third quarter of 2008	2009 Annual Meeting
Vietnam	Fourth quarter of 2008	2009 Annual Meeting
Solomon Islands	Fourth quarter of 2008	2009 Annual Meeting
Korea, Republic of (<i>jointly with FATF</i>)	Fourth quarter of 2008	2009 Annual Meeting
Brunei Darussalam (<i>IMF</i>) - TBC	First quarter of 2009	2009 Annual Meeting
2009 – 10		
New Zealand (<i>jointly with FATF</i>)	Second quarter of 2009	2010 Annual Meeting
Tonga	Third quarter of 2009	2010 Annual Meeting
Nauru	Third quarter of 2009	2010 Annual Meeting
Marshall Islands	Third quarter of 2009	2010 Annual Meeting
India (<i>jointly with FATF</i>)	Fourth quarter of 2009	2010 Annual Meeting
Niue	Fourth quarter of 2009	2010 Annual Meeting
Nepal	Fourth quarter of 2009	2010 Annual Meeting
Lao PDR	Fourth quarter of 2009	2010 Annual Meeting