



Asia/Pacific Group
on Money Laundering

ASIA/PACIFIC GROUP ON MONEY LAUNDERING



ANNUAL REPORT 1 JULY 2011 – 30 JUNE 2012

(Incorporating outcomes from 15th Annual Meeting in July 2012)

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APG ORGANISATIONAL STATEMENTS (2009-2012)

VISION	A pro-active APG contributing to a reduction in the economic and social impacts of serious crime in the Asia/Pacific region.
MISSION	To combat money laundering and terrorist financing in the Asia/Pacific region through effective participation in the FATF's standard-setting process, and full and effective implementation of those standards in APG member jurisdictions.
GOALS	<p>To achieve the APG's Mission, the APG will:</p> <ol style="list-style-type: none"> 1. Provide a strong, cohesive and autonomous regional body for APG members and observers. 2. Actively participate in, and co-operate with, the global AML/CFT network. 3. Assess APG members' compliance with the global AML/CFT standards. 4. Carry out education, research and analysis activities to enhance understanding of the money laundering and terrorist financing environments and the effectiveness of AML/CFT efforts. 5. Provide assistance to APG members to implement the global AML/CFT standards through implementation planning and the provision of guidance. 6. Provide coordination, advisory services and information-sharing for technical assistance and training.

CERTIFICATION BY CO-CHAIRS

In accordance with the APG Terms of Reference 2012 requiring the filing of Annual Reports with the membership, we submit the following report on the operations of the APG for the period 1 July 2011 to 30 June 2012.

This report highlights our achievements against the goals and strategies contained in the APG Strategic Plan 2009-2012 and includes independently audited financial statements.

31 October 2012

[signed]

Deputy Commissioner Andrew Colvin
Co-Chair
Australia

[signed]

Deputy Director General Liu Zhengming
Co-Chair
China

OUTLINE OF THIS REPORT

This Annual Report summarises the achievements of the APG against the Strategic Plan 2009-2012 from 1 July 2011 to 30 June 2012 (incorporating outcomes from the 15th Annual Meeting in July 2012).

The report is divided into 10 sections and is prefaced by the APG Co-Chairs and the Executive Secretary. Sections 3 to 8 report on the APG's six strategic goals stated in the APG's Organisational Statements on page 4.

Section 1 provides an overview of the APG including its role and current members and observers.

Section 2 outlines the major achievements and outcomes of the APG's 15th Annual Meeting in Brisbane, Australia in July 2012.

Section 3 reports on Strategic Goal 1 (*Developing and sustaining an effective regional body*). It provides a snapshot of the important activities undertaken by the APG.

Section 4 reports on Strategic Goal 2 (*Actively participating in and cooperating with the global AML/CFT network*) by outlining the major activities undertaken in the reporting year with our key international partner agencies and jurisdictions.

Section 5 reports on Strategic Goal 3 (*Ensuring compliance with global standards*). It reports on the three mutual evaluation reports adopted this year, including three joint evaluations and outlines the APG's mutual evaluation follow-up process.

Section 6 reports on Strategic Goal 4 (*Understanding the effectiveness of AML/CFT efforts in the money laundering and financing of terrorism environment*). This section outlines the achievements of the 2011 joint APG/FATF Typologies Workshop in Busan, Korea, and the APG Typologies Working Group during the year.

Section 7 reports on Strategic Goal 5 (*Achieving full implementation of the global AML/CFT standards in APG member jurisdictions*) and discusses the activities of the Implementation Issues Working Group (IIWG) and the continuing refinement of the Strategic Implementation Planning (SIP) Framework.

Section 8 reports on Strategic Goal 6 (*Technical assistance and training*). This section outlines ongoing TA&T coordination activities, including the outcomes of the 2012 Annual Forum on TA&T during the 2012 Annual Meeting.

Section 9 provides details of the APG Secretariat, its functions, responsibilities and contact details. It also provides information on the APG's Budget and Financial Statements and outcomes for 2011–12.

Section 10 sets out APG's future directions and priorities and gives a summary of important APG issues in the next financial year, 2012-2013.

ANNEXES – Audit Report and Financial Statements

Annexes A and B are APG business documents.

Annex C contains the Independent Audit Report and audited Financial Statements of the APG for the period 1 July 2011 to 30 June 2012 by Moore Stephens (of Canberra, Australia) on 10 September 2012.

ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AFP	Australian Federal Police
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APEC	Asia Pacific Economic Cooperation
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of South East Asian Nations
AUSTRAC	Australian Transaction Reports and Analysis Centre
BNM	Bank Negara Malaysia
CFATF	Caribbean Financial Action Task Force
CGCC	Center on Global Counterterrorism Cooperation
COAMLI	Coordinating Office for the Pacific Anti-Money Laundering Initiative
CTCB	Counter Terrorism Capacity Building
DAP	Donors and Providers
DFAIT	Department of Foreign Affairs and International Trade (Canada)
DoJ	Department of Justice (USA)
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
EQCG	Expert Quality Control Group
Egmont Group	Egmont Group of Financial Intelligence Units
ESAAMLG	Eastern and Southern African Anti-Money Laundering Group
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FRSC	Forum Regional Security Committee (PIFS)
FSRB	FATF-Style Regional Body
FT	Financing of Terrorism
GAFISUD	Grupo de Acción Financiera de Sudamérica (Financial Action Task Force of South America Against Money Laundering)
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
GIFCS	Group of International Finance Centre Supervisors [formerly Offshore Group of Banking Supervisors]
ICNL	International Center for Not-for-Profit Law
ICRG	International Cooperation Review Group (FATF)
IIWG	Implementation Issues Working Group (APG)
IMF	International Monetary Fund
INTERPOL	International Criminal Police Organization
ME	Mutual evaluation
MER	Mutual evaluation report
MENAFATF	Middle East and North Africa Financial Action Task Force
ML	Money laundering
Moneyval	Committee of Experts on the Evaluation of Anti-Money Laundering Measures
NPO	Non-Profit Organisation
OCO	Oceania Customs Organisation
OECD	Organisation for Economic Co-operation and Development
PBC	People's Bank of China
PEPs	Politically Exposed Persons
PFTAC	Pacific Financial Technical Assistance Centre

PIFS	Pacific Islands Forum Secretariat
PPATK	Pusat Pelaporan dan Analisis Transaksi Keuangan (Indonesian Transaction Reporting Analysis Centre)
RRG	Regional Review Group (FATF)
SAARC	South Asian Association for Regional Cooperation
SIP	Strategic Implementation Planning
STR	Suspicious Transaction Report
TA&T	Technical Assistance and Training
TBML	Trade-Based Money Laundering
TF	Terrorist Financing
UN	United Nations
UN CTED	United Nations Counter-Terrorism Executive Directorate
UNODC	United Nations Office on Drugs and Crime
WCO	World Customs Organization
WGCT	Working Group on Counter-Terrorism (PIFS)
WGEI	Working Group on Evaluation and Implementation (FATF)
WMD	Weapons of mass destruction

APG Co-CHAIRS' FOREWORD



**Deputy Commissioner
Andrew Colvin**

The end of 2012 marks the completion of the APG's second mandate term and the beginning of the third eight-year term (December 2012 to December 2020).

In the last eight years the APG has made significant achievements. Our membership has expanded from 28 members at the end of the first mandate to 41 members at the close of the second. At the outset of the second mandate the majority of APG members did not have money laundering and terrorist financing laws and, of those that did, many had not had the opportunity to effectively implement those laws. At the close of our second mandate now in 2012 only a small number of members lack money laundering and terrorist financing laws. And, regional implementation of existing laws is well on its way to acceptable levels of compliance.



**Deputy Director General
Liu Zhengming**

As the APG moves into its new mandate we are confident that the membership is well placed to meet the challenges of implementing a new and expanded set of FATF Recommendations adopted in early 2012. We have a new constitutional document (APG Terms of Reference 2012) and a new Strategic Plan 2012-2016 both of which incorporate improved governance and operational mechanisms. We also have an improved technical assistance and training framework designed to provide targeted assistance to members and, in particular, to those under review by the FATF in its International Cooperation Review Group.

We would like to thank India for co-chairing the APG with Australia from 2010 until 2012. India is strongly committed to the APG as demonstrated by its continued chairing of the APG Typologies Working Group, its provision of AUD \$60,000 as a voluntary contribution for improvement of the APG website and to continued hosting of many APG meetings, conferences and events.

Australia as Co-Chair welcomes China as the new rotating Co-Chair from 2012 to 2014. The membership will be meeting in Shanghai in July 2013 for the 16th Annual Meeting.¹ China's firm commitment to the APG is demonstrated by the provision of AUD \$345,000 over two years to fund a new senior executive position within the APG Secretariat. Also we would like to thank New Zealand who has agreed to be the Co-Chair from 2014 to 2016 following China's term and to hosting the 2015 Annual Meeting.

Once again we look forward to the new challenges of the APG over the coming year and in the long term over the coming mandate term to 2020. We are sure that the APG will continue to be the leading FATF-style regional body within the global AML/CFT network.

31 October 2012

[signed]

Deputy Commissioner Andrew Colvin
Co-Chair
Australia

[signed]

Deputy Director General Liu Zhengming
Co-Chair
China

¹ Macau, China will host the APG's 2014 Annual Meeting.

EXECUTIVE SECRETARY'S REPORT

The Year



Dr Gordon Hook

With the close of the financial year 2011-2012 the APG has reached a significant milestone – the completion of the APG's second mandate and the second round of mutual evaluations. Completion of the second round of mutual evaluations was marked in July 2012 with the adoption of the mutual evaluation reports of Niue, Nauru and Timor Leste. 40 reports were completed and adopted by the membership from 2005 to 2012 – the largest number for any FSRB to date and averaging five such reports per year. The body of this report goes into greater detail on the specifics of these reports and who conducted them.

In the last year we have also conducted 10 ICRG-related missions, in addition to three ICRG Regional Review Group meetings and three ICRG meetings during FATF plenaries. Suffice it to say that ICRG-related missions have become a major APG business activity. This year we also conducted eight SIP workshops (including a regional SIP workshop); and a number of technical assistance visits. These are only a few of the total 56 missions and visits conducted in the last financial year. All of these activities are detailed on page 23 of this report in the table of APG activities.

The Coming Year

We are now gearing up for the third round of evaluations commencing late 2013 which will utilize the new FATF recommendations adopted in early 2012. Training for evaluators under the new standards will commence in 2012-2013. We have already commenced a round of general awareness raising workshops on the new standards ("FATF standards workshops") and expect to complete that training in June 2013. Concurrently with that training, and after the FATF adopts its new methodology for assessments in February 2013, mutual evaluator training will start with a view to training a new pool of experts for the next round of evaluations and assessments in late 2013/early 2014. And, as noted above, we will undertake a number of ICRG-related activities including technical visits and Regional Review Group meetings in addition to attendances at ICRG meetings during FATF plenaries.

Voluntary Funding

I would like to thank China for its voluntary donation of AUD \$345,000 to engage another senior staff person in the Secretariat for two years. A selection has been made and it is expected the person will commence work in the Secretariat in late 2012. On a related point, I also thank the Australian Federal Police for the secondment of two persons to the Secretariat in the financial year. One was a senior officer filling the role of Principal Executive Officer and the other a research officer filling the role of Project Officer. Both of these secondments we completed during the year at no cost to the membership -- a significant saving for the membership.

All of the training and workshops conducted in the past year and planned for the coming year would not be possible without the continued additional financial support of APG members Australia, Canada, Chinese Taipei, New Zealand, and the United States. In addition, the Commonwealth Secretariat (an APG Observer) also provides additional sources of funds for various activities.

On the behalf of the APG Co-Chairs I would like to extend my deep appreciation to those members and the Commonwealth Secretariat for additional funding sources to assist the APG to meet its business objectives each year.

Australian Government Support

On behalf of the APG membership, once again, I would like to thank the Australian Federal Police for its very generous administrative support to the APG and to the Secretariat and especially for the provision of

new office space in downtown Sydney to accommodate the office needs of the Secretariat -- including training facilities. This support represents a significant cost saving for all APG members. I would also like to thank our other Australian government partners, including AUSTAC, the Attorney General's Department, the Department of Foreign Affairs and Trade and the Commonwealth Director of Public Prosecutions for their continuing support and advice on a range of topics that affect the membership.

The Secretariat looks forward to another busy year for 2012-2013 and to gearing up for another round of evaluations.

31 October 2012

[signed]

Dr Gordon Hook
Executive Secretary

1. OVERVIEW OF THE APG

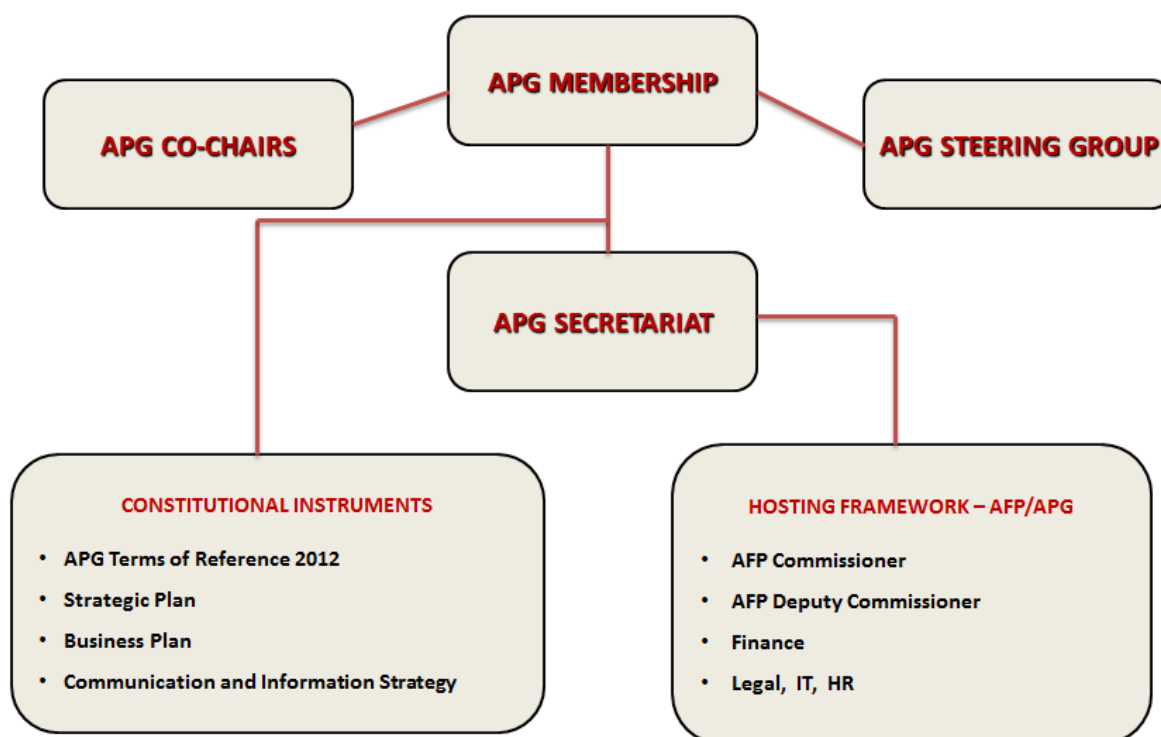
Background

The APG was officially established by formal Terms of Reference endorsed by 13 founding members in February 1997 at the 4th Asia/Pacific Money Laundering Symposium in Bangkok, Thailand. In July 2012 the 1997 Terms of Reference were replaced with the new and more streamlined *APG Terms of Reference 2012*. This document incorporates two other APG governance documents – the *Steering Group Terms of Reference* and the *Explanatory Note on Membership* and in doing so consolidates the APG reporting and governance framework in one document for ease of reference.

Structure of APG

The APG is an autonomous, voluntary and co-operative multilateral organisation established by agreement among its 41 members. The APG's strategic direction, business plan, work schedule and priorities, and its procedures are determined on a consensus basis among its members.

The following diagram outlines the basic constitutional and governance structure of the APG:



The four principal APG bodies are described below in order of importance:

Membership: The membership is the decision-making body of the APG. All other organs (Co-Chairs, Steering Group and Secretariat) are ultimately responsible to, and report to, the APG membership.

Co-Chairs: Two Co-Chairs are responsible for chairing APG meetings and providing strategic advice and direction to the membership. Australia, as host of the Secretariat, retains the permanent Co-Chair. The other Co-Chair position rotates among the membership every two years.

Steering Group: Pursuant to the *APG Terms of Reference 2012*, the Steering Group consists of one representative from each sub-regional group, the current Co-Chairs and, for one year, the previous rotating Co-Chair, or (when known) the incoming rotating Co-Chair. The Steering Group considers governance and other issues of strategic importance referred by the Co-Chairs and membership; engages and consults with APG members in their sub-regional groups to obtain input on key issues; provides advice to the Co-Chairs

and members through the Secretariat; and encourages all APG members to effectively participate in APG activities, including leading or sponsoring specific APG projects.

APG Secretariat: The Secretariat acts as a focal point for the APG and provides support to the Co-Chairs, Steering Group and membership. The Secretariat organises mutual evaluations; coordinates technical assistance and training; prepares financial statements, annual budgets, annual business plans and policy papers; and reports against all such activities to the membership including expenditure of APG funds. The Secretariat is hosted by the Australian Government in Sydney, Australia.

Purpose and functions of APG

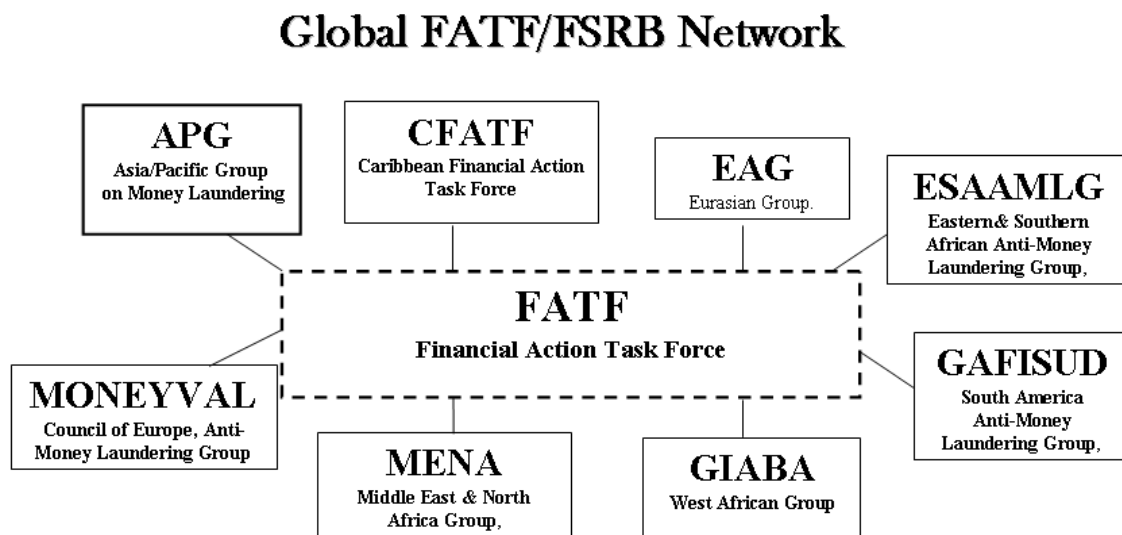
The primary purpose of the APG is to facilitate the adoption, effective implementation and enforcement of the global AML/CFT standards comprised primarily of the FATF's 40 Recommendations. The core APG functions include:

1. Assessing compliance with FATF standards by APG members within a mutual evaluation framework;
2. Coordinating technical assistance and training for APG members; and
3. Carrying out education, research and analysis to enhance the understanding of money laundering typologies and the financing of terrorism environment as well as the global efforts against it.

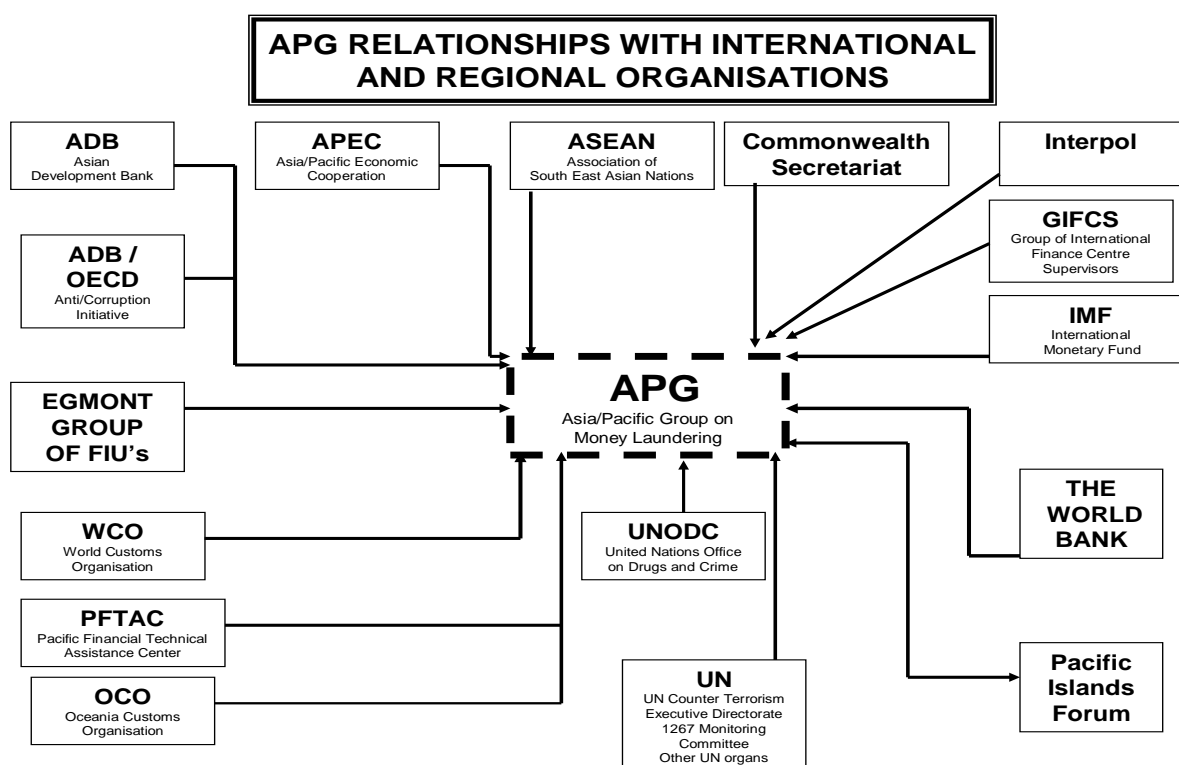
The APG's purpose, mission and goals are further described in the APG's Strategic Plan (2012-2016) at **Annex A** which includes the *APG Terms of Reference 2012*.

APG in the Strategic International and Regional Context

The APG is an important part of a global network of FATF-style regional bodies (FSRBs), the FATF and the network of inter-governmental organisations. The following chart shows the place of the APG within that network:



The next chart shows how the APG fits within the regional AML/CFT context:



Members and Observers

Membership in the APG is open to any jurisdiction within the Asia/Pacific region that recognises the need to combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. Potential members and observer jurisdictions must also have taken (or be actively taking) steps to develop, enact and implement anti-money laundering and anti-terrorist financing legislation and other targeted financial system prevention measures. Membership requirements are stated in greater detail in the *APG Terms of Reference 2012*.

As noted above, the APG has 41 members and five observer jurisdictions. In addition, 24 international organisations participate in APG work, including the FATF, seven FATF-style regional bodies (FSRBs), the International Monetary Fund (IMF), the World Bank, the Asian Development Bank (ADB), the Egmont Group, the Group of International Finance Centre Supervisors (GIFCS) and the United Nations Office on Drugs and Crime as well as the UN. The following Members and Observers are part of the APG effective July 2012:

Members		Observers
1. Afghanistan	22. Myanmar	Jurisdictions
2. Australia*	23. Nauru	1. France
3. Bangladesh	24. Nepal	2. Germany
4. Bhutan	25. New Zealand*	3. United Kingdom
5. Brunei Darussalam	26. Niue	4. Russian Federation
6. Cambodia	27. Pakistan	5. Federated States of Micronesia
7. Canada*	28. Palau	
8. China, People's Republic of*	29. Papua New Guinea	Organisations
9. Cook Islands	30. Philippines	1. ADB
10. Fiji Islands	31. Samoa	2. ADB/OECD
11. Hong Kong, China*	32. Singapore*	3. APEC Secretariat
12. India*	33. Solomon Islands	4. ASEAN Secretariat
13. Indonesia	34. Sri Lanka	5. CFATF
14. Japan*	35. Chinese Taipei	6. Commonwealth Secretariat
15. Korea, Republic of*	36. Thailand	

16. Lao PDR	37. Timor-Leste	7. EAG
17. Macao, China	38. Tonga	8. Egmont Group
18. Malaysia	39. United States*	9. ESAAMLG
19. Maldives	40. Vanuatu	10. FATF
20. Marshall Islands	41. Vietnam	11. GAFISUD
21. Mongolia		12. GIABA
		13. IMF
		14. Interpol
		15. MENAFATF
		16. MONEYVAL
		17. OCO
		18. GIFCS (formerly OGBS)
		19. PIFS
		20. PFTAC
		21. UN
		22. UNODC
		23. World Bank
		24. WCO

*Also FATF member

Co-Chairs

The APG has two Co-Chairs: Australia, as host of the APG Secretariat, holds one Co-Chair position and the other is rotated every two years. The rotating Co-Chair position is currently held by China with a term from July 2012 to July 2014. New Zealand is the incoming Co-Chair for 2014-2016.

Co-Chair, Australia



The Australian Co-Chair position is held by Australian Federal Police (AFP) Deputy Commissioner, Andrew Colvin effective May 2012. The Australian Co-Chair position was previously held by AFP Commissioner Tony Negus from 2010.

Deputy Commissioner Andrew Colvin joined the AFP in 1990 and was appointed to his current role responsible for AFP Operations in 2010. During his career he has had a number of portfolio responsibilities including serious and organised crime, counter terrorism, terrorism financing, high tech crime, drug trafficking, money laundering and politically motivated crime. Between 2002 and 2005, he managed the national and international aspects of the AFP's response to terrorism, including the 2002 Bali bombings, the 2003 Jakarta Marriott Hotel bombing and the 2004 Australian Embassy bombing. Deputy Commissioner Colvin was awarded the Order of Australia Medal for his contribution to the 2002 Bali bombing investigation.

Co-Chair, China (July 2012–2014)

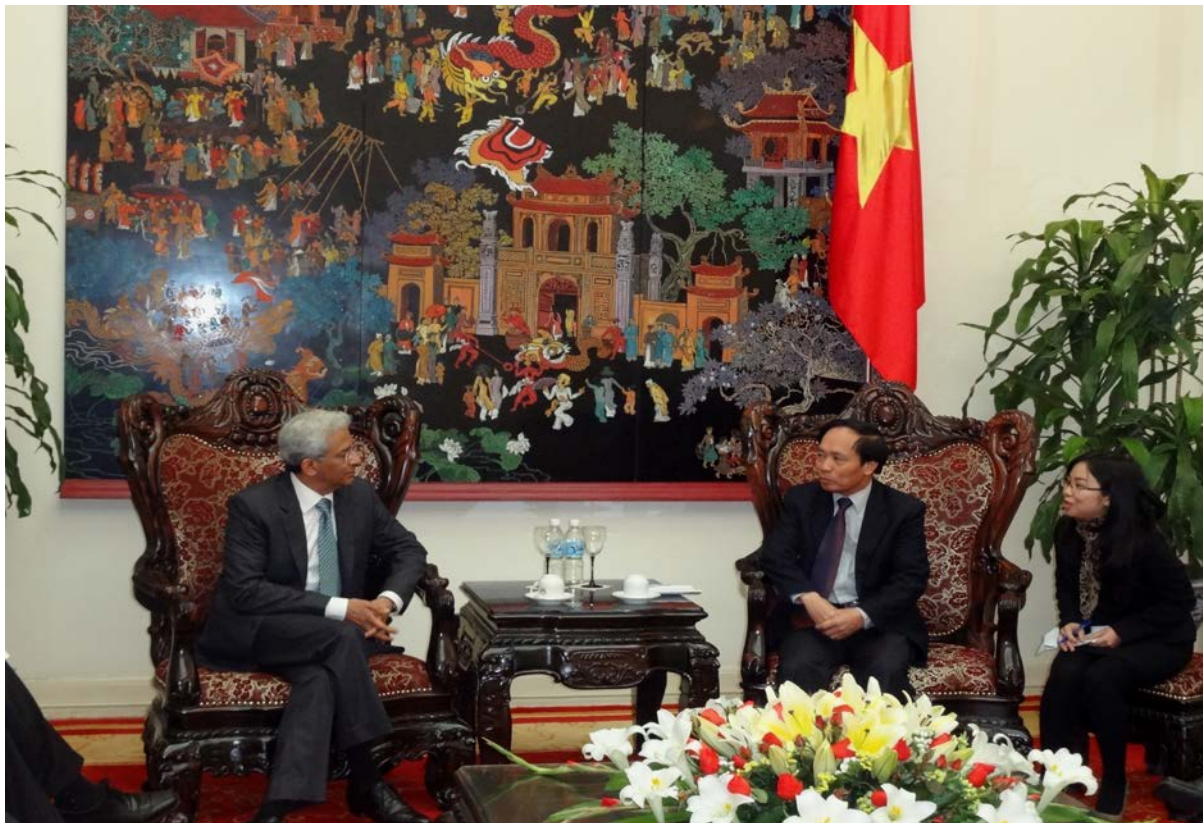
Mr Liu Zhengming is Deputy Director-General of the Anti-Money Laundering Bureau of the People's Bank of China (PBC). During his career he has held a number of responsibilities in the areas of international cooperation, domestic coordination, policy making and anti-money laundering supervision. Before he took current position with PBC in 2007, Mr Liu Zhengming served as Deputy Chief of the Division of Supervision over Foreign Financial Institutions in the Foreign Affairs Department of the People's Bank and then as the Chief of the International Monetary Fund Division of the People's Bank. Since 2002 he has been the Chief Representative at the Frankfurt Representative Office.

Mr Liu Zhengming has a Bachelor's degree in International Finance and a Master's degree in Banking and Finance.



Outgoing Co-Chair, India (2010 – 2012)

India Co-Chaired the APG from 2010-2012 and was represented by Sri Jose Cyriac, Secretary to the Government of India, Sri Arun Mathur, Director of Enforcement, and Dr Rajan Katoch, Additional Secretary to the Government of India. During India's tenure as Co-Chair, the 14th APG Annual Meeting in July 2011 was convened in Kochi, India. India remains on the APG Steering Group until July 2013 when New Zealand (as the incoming APG Co-Chair for 2014-2016) replaces India.



APG Co-Chair (India) meets with Vietnam's Vice-Minister of Justice, February 2012

2. APG 15TH ANNUAL MEETING, BRISBANE, AUSTRALIA

Annual Meeting Opening Ceremony

The 15th APG Annual Meeting was held in Brisbane, Australia from 16 to 20 July 2012 at the Sofitel Hotel conference centre. The plenary was opened by the Secretary for the Australian Attorney-General's Department, Mr Roger Wilkins. During his opening address Mr Wilkins remarked that:

“In this region we continue to face threats from transnational organised crime – drug trafficking, migrant smuggling, trafficking in persons – terrorism and corruption. These are some of the most challenging and damaging criminal activities facing the Asia-Pacific today. In Australia alone, our Crime Commission estimates that serious and organised crime costs between 10 and 15 billion dollars every year. ...APG plays an important role in the global fight against money laundering, terrorist financing and financing of proliferation. This is because APG is the largest and most diverse regional body in the Financial Action Taskforce family. APG covers countries with different legal systems, economies, cultures and populations – from the most populous to the least populous in the world. ... These APG Annual Meetings are a great opportunity for Members to collaborate and build the strong relationships that are vital to combatting organised crime.”

FATF President, Mr Bjørn Aamo of Norway, also addressed the plenary and in doing so stated that:

“This is the first FATF Associate Member Plenary meeting that I attend [sic] since the start of the Norwegian Presidency on the 1st of July. I would like to take this opportunity to highlight the important role APG plays in the global AML/CFT network as one of the senior FATF associate members and one of the consistently well-performing ones. The coming year will present significant challenges for our work as partners in the FATF-family. Many countries and financial institutions have economic difficulties. Terrorist threats are present in several parts of the world. Fighting money laundering and financing of terrorism are important tasks in promoting financial integrity and building trust between countries and market participants. Trust and confidence are necessary to restore growth and prosperity in all parts of the world.”



15th Annual Meeting opening ceremony in Brisbane, Australia

Annual Meeting Outcomes - 2012

APG Annual Meetings are attended by officials from legal, financial and law enforcement sectors in the Asia/Pacific region responsible for AML/CFT issues. These meetings provide an opportunity for delegates to discuss a variety of issues relevant to the FATF standards, TA&T initiatives, mutual evaluation reports, APG progress reports and to attend special technical seminars on emerging money laundering and terrorist financing issues.

The major outcomes of the 15th Annual APG meeting are:

- Members formally agreed to extend the term of the APG from 2012 to 2020. This extension was agreed to by the membership's 41 Ministers or Ministers-equivalent (Central Bank Governors).
- New Terms of Reference were adopted for the next 8-year term which explicitly adopts the new FATF standards issued in February 2012.
- A new Strategic Plan was adopted for 2012-2016.
- China became the new Co-Chair jointly with Australia for the term 2012 to 2014 and New Zealand agreed to be the Co-Chair from 2014 to 2016 following China's term.
- Mutual evaluation reports for Timor-Leste, Nauru and Niue were adopted and published to the APG website.
- Thirty mutual evaluation progress reports of individual APG members were adopted, each tracking progress by members against the international AML/CFT standards.
- Two significant typologies reports were adopted and published to the APG website.
- The APG completed the APG 2nd Round of Mutual Evaluations, which commenced in 2005. A new round of evaluations was agreed to start in late 2013 under the 2012 FATF 40 Recommendations.

- 23 separate meetings were held during the week of the Annual Meeting to coordinate technical assistance for many members of the APG. These meetings were held with key APG stakeholders involved in providing AML/CFT assistance, including the World Bank, IMF, Asian Development Bank, Pacific Islands Forum, UN, UNODC and bilateral donors, Australia, Canada, Chinese Taipei, South Korea, Malaysia, New Zealand, Singapore, United Kingdom, and the United States.



351 APG delegates attended the 15th Annual Meeting in Brisbane, Australia. Chinese Taipei provided funding to sponsor delegates to this meeting

Three technical seminars were conducted on the new FATF standards to enhance greater understanding of the standards in the lead-up to the new round of evaluations commencing in late 2013. Those seminars were as follows:

- Technical Seminar 1: New threats – financing of proliferation, corruption (domestic PEPs) and tax crimes as a predicate for money laundering;
- Technical Seminar 2: Assessing risks and applying a risk-based approach; and
- Technical Seminar 3: Operational issues: Powers, responsibilities and best practice for FIUs and law enforcement.

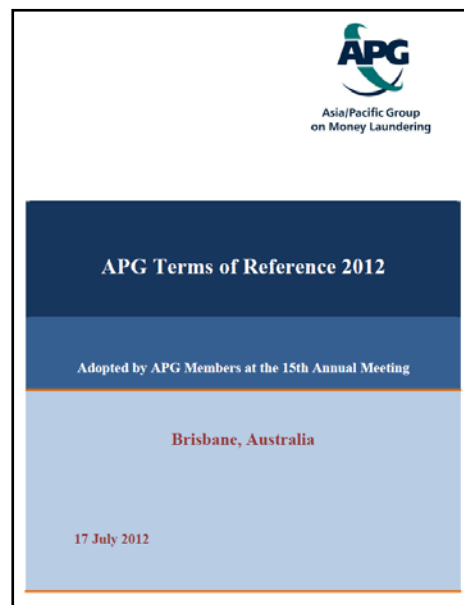
As noted, 30 mutual evaluation progress reports and annual member status reports (outlining policy, technical and statistical information in relation to each member's domestic AML/CFT systems) were examined and discussed during the meeting. These and other more specific items arising from the meeting are commented upon in more detail in other sections of this report.

APG Terms of Reference 2012

During the 2012 Annual Meeting new Terms of Reference were adopted. These new terms (referred to as the *APG Terms of Reference 2012*) build on the original Terms of Reference adopted in 1997 and amended in 2010. This document also incorporates the previous APG Explanatory Note on Membership and the Steering Group Terms of Reference and in doing so rationalises and consolidates the underlying constitutional document of the APG for the coming mandate from 2012-2020.

APG Strategic Plan 2012-2016

Under the new APG Terms of Reference 2012 the APG moved from three-year to four-year strategic planning to coincide with the new eighth-year mandate from 2012 to 2020. The new Strategic Plan reduces the number of strategic goals from six to five in order to reduce overlap of activities identified in the recent mandate policy review. The new Plan is also more streamlined and consolidates within it the APG Action Plan to Support Members under ICRG Review 2010-2012. Under the new APG Terms of Reference 2012 the APG is now required to compile a report against Strategic Plans at their expiry.



Yearly reporting against the new strategic plan will commence in next year's annual report.

3. DEVELOP AND SUSTAIN AN EFFECTIVE REGIONAL BODY

This section outlines progress made in achieving Goal 1 of the APG's Strategic Plan 2009-12:

PROVIDE A STRONG, COHESIVE AND AUTONOMOUS REGIONAL AML/CFT BODY FOR APG MEMBERS AND OBSERVERS, INCLUDING ALL STRATEGICALLY IMPORTANT JURISDICTIONS IN THE ASIA/PACIFIC REGION

The APG's Business Plan 2011-12 outlined a number of tasks to achieve this strategy. These tasks included the following:

- Delivery of the 2012 APG Annual Meeting and Annual Forum on Technical Assistance & Training;
- APG Donor & Provider (DAP) Group meetings, Working Group meetings, Steering Group meetings, and consideration of three mutual evaluation reports;
- Delivery of the joint APG/FATF Typologies Workshop in Korea;
- A joint APG/Pacific Islands Forum Secretariat coordination meeting; a joint APG / Association of South East Asian Nations (ASEAN) Coordination meeting; and
- Ensuring that the APG Steering Group continued to perform its advisory role for members and the Co-Chairs by holding at least five meetings during the year.

Other strategies included soliciting members for voluntary donations to assist in supporting the APG's programmes. Canada, Chinese Taipei, New Zealand and the United States made significant voluntary contributions to the APG in the year to support technical assistance and training activities.

APG Steering Group

The APG Steering Group provides the Co-Chairs and membership with strategic advice on the structure, functioning and support of the APG. Steering Group representatives in 2011-12 were: Hong Kong, China (North Asia); Tonga (Pacific Islands); Bangladesh (South Asia); Philippines (South East Asia); and New Zealand (Other). The Co-Chairs (Australia and India) were also members of the Steering Group as well as China as the incoming Co-Chair.

The Steering Group held five meetings during in 2011-2012 as follows:

- 8 September 2011;
- 6 December 2011;
- 13 March 2012;
- 8 June 2012; and
- 16 July 2012 (immediately prior to Annual Meeting)

Some of the issues considered by the Steering Group during 2010–11 included: APG Co-Chairing arrangements for 2012–14; the development of revised APG Terms of Reference; the development of the Strategic Plan 2012–2016; membership matters; updates on mutual evaluations; and mutual evaluation progress reports. The Steering Group's membership for 2012–13 is:

- Co-Chair: Australia
- Co-Chair: China
- Outgoing Co-Chair: India
- North Asia: Hong Kong, China
- Pacific Islands: Cook Islands
- South Asia: Nepal
- South East Asia: Indonesia
- Other: New Zealand

The Steering Group has a number of important business items on its agenda for 2012-13, including:

- Considering further amendments to the APG Mutual Evaluation Procedures;
- Reviewing a number of detailed progress reports relating to mutual evaluations, including any membership issues arising from the reports;
- Considering issues arising from the APG's status as an associate member of the FATF, including the FATF's development of the new assessment methodology; and
- Monitoring and contributing to the FATF's International Cooperation Review Group regional review process on behalf of the membership.

APG Action Plan for ICRG Issues 2010-12

The FATF's International Cooperation Review Group (ICRG) has procedures and remedies to apply pressure on jurisdictions that have significant deficiencies in their AML/CFT systems. The procedures include direct referral for review based on the results of mutual evaluation reports (MERs). Jurisdictions are referred when the MER has 10 or more partially compliant (PC) or non-compliant (NC) ratings on the 16 core and key Recommendations. Procedures also cover individual referral of a jurisdiction by another, or from an FSRB.

ICRG reviews are conducted by ICRG regional review groups (RRGs) chaired jointly by a member of the FATF and a member of the relevant FSRB. The FATF's RRG is tasked with preparing *prima facie* and targeted review reports and monitoring progress of jurisdictions under review. Targeted reviews include an action plan to address noted deficiencies. ICRG action plans are agreed with the jurisdiction under review and the RRG and are endorsed at a ministerial level by each jurisdiction under review.

During 2011–12 the Asia/Pacific RRG was co-chaired by India and Macao, China. As of June 2012 the Asia/Pacific RRG is co-chaired by India and Hong Kong, China.

As of June 2012, 13 APG members were under active ICRG review included in FATF statements as part of the ICRG process. The FATF will review additional APG members in the latter half of 2012 and early 2013 and decide whether to place them under ICRG review, and if so at what stage.

In 2010 members adopted an ICRG Action Plan 2010-12 to provide a framework for APG support to ICRG listed members, cooperation with the FATF, technical assistance providers and for interactions with the Asia/Pacific RRG. This plan has now been merged into the new APG Strategic Plan 2012-2016 in order to streamline reporting requirements. The ICRG related plan was deliberately adopted in 2010 (after issuance of the 2009 -2012 Strategic Plan) to expire in 2012 so that it could be incorporated within the wider strategic reporting framework of the four-year Strategic Plan.



Myanmar government officials met with the APG in September 2011 to discuss ICRG-related issues and the pace of Myanmar's AML/CFT reforms

The following points highlight actions taken during the year by the APG and donors and providers in support of APG members involved in the ICRG:

- APG convened technical assistance and training (TA&T) coordination meetings addressing members' ICRG-related needs during the 2012 TA&T Forum;
- APG developed an ICRG / TA&T gap analysis for each APG member under review to clearly identify for each jurisdiction whether technical assistance is being received for each action plan item. These gap analyses have been provided to each ICRG-affected member and to the DAP group. The Secretariat held TA&T discussions with APG members in the margins of FATF RRG meetings in September 2011, and January and May 2012;
- Several DAP Group teleconferences were conducted to discuss priority needs to assisting APG members under ICRG review.
- Ten outreach missions or briefings at the Secretariat which focused on ICRG issues were undertaken in 2011-2012 to the following members:

ICRG-related APG Outreach Missions 2011-2012

i. Myanmar, September 2011	vi. Philippines, February 2012
ii. Papua New Guinea, September 2011	vii. Vietnam, February 2012
iii. Lao PDR, September 2011	viii. Cambodia, February 2012
iv. Bangladesh, December 2011	ix. Thailand, February 2012
v. Pakistan, January 2012	x. Sri Lanka, May 2012

- The Secretariat attended all ICRG meetings and all Asia/Pacific RRG meetings in order to support APG members and to ensure that RRG reports accurately present APG members' progress.
- The Secretariat distributed relevant FATF ICRG documents, papers and decisions with members and prepared APG-specific explanatory materials. Briefing materials were developed by the Secretariat and shared with all ICRG affected members



APG high level delegation met with the Prime Minister of Bangladesh (centre) in December 2011.
APG Co-Chair (2nd from right)

Information and Communications Strategy

The government of India provided a voluntary grant to the APG in April 2012 (AUD\$60,000) to renovate the APG website in accordance with a renovation plan approved in 2010. The renovation plan includes the following improvements:

- Sub-regional information pages;
- Individual member and individual observer jurisdiction information pages (in the current format no information can be posted on member pages);
- Observer information pages and integrated external links;
- Additional pages for the APG Mutual Evaluation Program (currently there is no capacity for this in the site. ME information is contained only within the "documents section");
- Substantially enhanced technical assistance and training pages and information networks for donors and observers;
- Improved secure site access for members and observers; and
- Interactive menu for members and the public to access information and to notify external users on APG activities.

The website upgrade is being conducted using the procurement policies and processes of the APG Secretariat host agency, the Australian Federal Police. In accordance with those policies, the Secretariat issued a formal request for offer (RFO) for website upgrade services to three potential suppliers. The successful supplier was

identified in June 2012. Upgrading the website is expected to start in October 2012 and be completed in February/March 2013.

The membership thanks the government of India for the generous funding to complete this project.

Attendance at meetings, conferences and seminars 2011–2012

APG representatives and Secretariat staff made a number of important contributions to conferences, seminars, training workshops and meetings during the year as follows:

FATF-Related Activities	APG Activities	Other
<ul style="list-style-type: none"> FATF Plenary, Paris, France October 11 ICRG RRG face to face meetings, Malaysia, September 11 Joint FATF/APG Typologies Workshop and APG / ESAAMLG / ComSec Seminar and Egmont Seminar, Korea, December 11 FATF Special Plenary, Paris, France January 12 ICRG RRG face to face meetings, Australia, January 12 FATF Plenary, Paris, France February 12 FATF Plenary, Rome, Italy, June 12 FATF WGEI Effectiveness sub-group meeting, Singapore, April 12 ICRG RRG face to face meetings, India, May 12 	<ul style="list-style-type: none"> APG Annual Meeting and TA&T Forum, India, July 11 ICRG Mission, PNG, September 11 ICRG Mission Myanmar, September 11 ICRG Mission Lao PDR, September 11 SIP Regional Workshop, Sydney, September 11 Mutual Evaluation of Nauru, October 11 SIP Workshop Afghanistan, Dubai, October 11 Mutual Evaluation of Niue, November 11 SIP Workshop, PNG, November 11 SIP Workshop, Lao PDR, November 11 SIP Visit, PNG, November 11 Mutual Evaluation of Timor-Leste, November 11 High-level mission to Bangladesh, November 11 SIP Workshop, Nepal, December 11 SIP Workshop, Maldives, January 12 ICRG Mission Cambodia, January 12 ICRG Mission, Pakistan, January 12 ICRG Mission, Vietnam, January 12 ICRG Mission, Philippines, February 12 Technical Assistance & Training Mission, Palau, February 12 ICRG Mission, Thailand, February 12 SIP Workshop, RMI, February 12 APG FATF Standards Revision Workshop, April 12 ICRG Mission, Sri Lanka, May 12 Visit by CFATF in relation to structure and governance of FSRBs, Australia, March 12 	<ul style="list-style-type: none"> UNCTED Regional Training on “Judiciary consideration for STRs regarding Money Laundering and Financing of Terrorism”, Malaysia, October 11 Financial Crime Risks, Globalisation and the Professions Conference, Sydney, November 11 UNCTED & CGCC Regional working group meeting on preventing terrorist financing abuse of the non-profit sector, New Zealand, November 11 AUSTRAC AML/CFT Conference, Sydney, November 11 UNCTED South East Asia Regional Workshop on Control of Physical Cross-Border Transportation of Cash and Bearer Negotiable Instruments (BNI), Malaysia, November 11 UNODC CFT Workshop, Thailand, December 11 UNCTED / APG training exchange, USA, December 11 3rd APEC Workshop on CFT and the NPO Sector, Malaysia, January 12 BNM AML/CFT Training Programme Serie 1 – Fundamentals in AML/CFT, Malaysia, January 12 Inaugural Cybercrime Symposium, Sydney, March 12 IMF workshop on establishing a sound and effective AML/CFT risk-based supervisory framework, Singapore, March 12 Commonwealth Secretariat Pacific Judges Regional Forum on “Corruption and Other Financial Crimes”, March 12 UNODC Training Course for Trainers on the Global Legal Framework against Terrorism and Specific Thematic Areas of Counter-Terrorism, Pakistan, April 12 8th IAP Asia Pacific and Middle East Regional Conference, April 12 WMD Proliferation Financing Conference, South Korea, May 12

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|---|--|
| <ul style="list-style-type: none"> • Technical Assistance & Training Mission, Bhutan, May 12 | <ul style="list-style-type: none"> • CTED / AUSTRAC / APG / PIF / OCO Subregional Workshop on the Control of the Cross-Border Movement of Cash and Bearer Negotiable Instruments, Tonga, May 12 • APG / PIF / AUSTRAC subregional workshop on Suspicious Transactions Reporting, Tonga, May 12 • US, Australia, & PPATK Third Annual Regional Asset Forfeiture Conference, Indonesia, May 12 • Joint India-IMF Training Program on Anti-Money Laundering and Combating the Financing of Terrorism – Revisions to the International Standards of the FATF's 40 Recommendations, India, June 12 • Pacific Islands Forum FRSC/WGCT, Fiji, June 12 • DoJ South Asian CFT Workshop, Bangladesh, June 12 |
|---|--|

4. ACTIVELY PARTICIPATE IN, AND COOPERATE WITH, THE GLOBAL AML/CFT NETWORK

This section reports on progress made to achieve the APG's Strategic Plan Goal 2:

ACTIVELY PARTICIPATE IN, AND CO-OPERATE WITH, THE GLOBAL AML/CFT NETWORK, INCLUDING THE FINANCIAL ACTION TASK FORCE ON MONEY LAUNDERING (FATF), OTHER FATF-STYLE REGIONAL BODIES AND RELEVANT INTERNATIONAL AND REGIONAL ORGANISATIONS

Strategies to achieve strategic Goal 2 include maintaining the APG's Associate Membership in the FATF, providing advice to APG members and observers and continuing to develop and enhance APG mechanisms for working our strategically important regional and international organisations and jurisdictions.

As noted above the APG was represented in a wide range of AML/CFT workshops, seminars and conferences in 2010–11. These events provided an excellent opportunity to promote the APG's work, to improve working relationships, to provide technical assistance and to generally support the APG's mission. During 2010-11, the APG:

- Participated as a FATF Associate Member in three regular and one special FATF plenary and working group meetings, as well as a number of inter-sessional meetings;
- Maintained strong working relationships with numerous relevant multilateral bodies including the IMF, World Bank, Asian Development Bank, Commonwealth Secretariat, Egmont Group of FIUs, the Group of International Finance Centre Supervisors (GIFCS), Pacific Islands Forum Secretariat (PIFS) and the United Nations Office on Drugs and Crime (UNODC) and United Nations Counter-Terrorism Executive Directorate (UN CTED).

Revised FATF 40 Recommendations

Revised FATF standards (now referred to as the 40 Recommendations) were adopted and published by the FATF in February 2012. The revised standards contain the basic core, or essential, Recommendations from the previous version including the requirements to:

- Criminalise money laundering and terrorist financing;
- Freeze seize and confiscate terrorist assets and the proceeds of crime;
- Implement targeted financial sanctions against terrorists;

- Establish a financial intelligence unit to collect, analyse, evaluate and disseminate suspicious transaction reports from financial institutions and other reporting entities;
- Supervise those financial institutions and other reporting entities to ensure compliance with customer due diligence and other requirements contained in the standards; and
- Ensure that comprehensive and effective mechanisms are in place to cooperate effectively on the international level given the growing international dimension to these crimes.



APG Secretariat staff members met with the CFATF Executive Director, Mr Calvin Wilson, (back row, 3rd from right) in March 2012 during a visit to Sydney, Australia to discuss areas of mutual interest and concern

The key additions the 40 Recommendations are as follows:

- Countries are required to identify, assess and understand money laundering and terrorist financing risks;
- Implement targeted financial sanctions against financing the proliferation of weapons of mass destruction;
- Addition of tax crimes as predicate offences to money laundering;
- Measures relating to domestic politically exposed persons;
- Requirement for countries to ratify the UN Convention Against Corruption.

At the 15th Annual Meeting, APG members formally adopted these new Recommendations in the *APG Terms of Reference 2012*.

Non-Profit Organisation (NPO) Projects

UNCTED: APG continued to engage with the UN Counter-Terrorism Executive Directorate's programme of work and participated with experts at the UNCTED NPO workshop held in Auckland, New Zealand, November 2011. 52 delegates attended this workshop from the following: Australia, Canada, China, Cook Islands, ICNL, Korea, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Tonga, UNCTED, United Kingdom, United States, UNODC, as well as NGOs and NGO umbrella organisations.

Chinese Taipei: The APG is also coordinating with principal APG member donor, Chinese Taipei, and other donors and providers to provide a more targeted sub-regional workshop for the Pacific on assessing terrorist financing risk in the Pacific NPO sector and addressing legislative gaps amongst the APG's Pacific membership.



Pacific Islands Forum – Annual Meeting of the Working Group on Counter-Terrorism

In June 2012 APG presented to the Pacific Island Forum Technical Working Group on Counter-Terrorism. All 16 Pacific Islands Forum Countries (including 13 of our members- Australia, Cook Islands, Fiji, Marshall Islands, Nauru, Niue, New Zealand, Palau, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu) were present, as were other donors and providers and regional organisations such as the Pacific Island Legal Officers Network Secretariat and the Oceania Customs Organisation.

5. ENSURING COMPLIANCE WITH GLOBAL STANDARDS

This section briefly reports on progress made to achieve Goal 3 of the Strategic Plan:

ASSESS APG MEMBERS' COMPLIANCE WITH THE GLOBAL STANDARDS AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

The APG meets the requirements of this strategic goal through ensuring that a minimum of six APG members are assessed each year, either through an APG mutual evaluation/joint evaluation or an IMF/World Bank-led assessment.

Mutual Evaluations

The APG's Terms of Reference require members to commit to a mutual peer review system ('mutual evaluation') designed to test members' compliance with the global AML/CFT standards and to identify weaknesses and make appropriate recommendations to improve legal and administrative weaknesses. To give effect to this mechanism, the APG membership annually adopts an updated schedule of on-site visits. Each member is assessed on all the FATF Recommendations by a team of experts with legal, financial and law enforcement expertise and a member of the APG Secretariat. The APG also conducts evaluations jointly with the FATF, and has cooperative arrangements with other assessing bodies including the International Monetary Fund, World Bank and the GIFCS.



APG/GIFS joint mutual evaluation team in Niue with officials

Evaluations in 2011–12

Three APG members were evaluated during the year, namely:

Member	On-site visit dates
Nauru	24 – 31 October 2011
Niue	21 – 25 November 2011
Timor-Leste	21 November – 2 December 2011

Following the practice of previous years, the APG Expert Quality Control Group (EQCG) reviewed the draft MERs to enhance quality and consistency. In 2011–12, EQCG experts were drawn from Australia,

Bangladesh (two reports), Pakistan (two reports), Papua New Guinea, the Philippines, the FATF Secretariat (three reports), the IMF, and the World Bank.

Completion of Second Round of Evaluations

The APG's second round of mutual evaluations commenced in July 2005 and was completed in July 2012 with the adoption of the mutual evaluation reports of Nauru, Niue and Timor-Leste at the 2012 Annual Meeting. Forty reports were adopted and published by the APG in its second round and all are available on the APG's website to download. The APG's newest member, Bhutan, will be evaluated as part of the APG's third round of evaluations.

The following points summarise the APG's second round of Mutual Evaluations:

- The first on-site visit took place in March 2005 with the on-site visit of Australia. The last on-site visit (to Timor-Leste) concluded almost seven years later in December 2011;
- The 40 mutual evaluations adopted by the APG were conducted as follows:
 - 16 APG-only evaluations;
 - 9 joint APG/FATF evaluations;
 - 4 joint APG/GIFCS evaluations;
 - 6 evaluations led by the World Bank;
 - 4 evaluations led by the IMF;
 - 1 evaluation not involving the APG.
- Five regional APG training workshops for assessors were held (in 2005, 2007, 2008, 2009 and 2010), with strong support from the FATF, IMF, the World Bank and individual members (through the provision of expert presenters, venues and funding). A total of 176 experts from almost all APG members were trained at these workshops. Regional preparatory training workshops for members being assessed were held in 2008, 2009 and 2010 for a total of 17 members undergoing an evaluation, and training was also provided to a number of individual members;
- A total of 29 APG members provided assessors for evaluations in the second round;



APG mutual evaluation team in Timor Leste with government officials, December 2011



Nauru mutual evaluation team during on-site visit, October 2011

- The APG commenced the Expert Quality Control Group (EQCG) process in 2006–07, and since that time 21 members and observers have provided experts for the EQCG process. The EQCG process played a valuable role in improving the quality of MERs, while at the same time maintaining and enhancing the mutuality of the evaluation process as well as allowing both experienced assessors and those who have simply completed the assessor training to apply their skills and knowledge.

- APG revised and enhanced its mutual evaluation follow-up procedures in 2010 to involve a much larger number of experts in APG Review Teams established to analyse members' progress. Over the past two years, a total of 22 members and observers have provided experts for the ME follow-up process.

The summary table below shows each member's general levels of compliance with the FATF Recommendations under the mutual evaluation follow-up procedures with the exception of Bhutan (most recent member). It should be noted that the summary is not a mathematical comparison, and that the rating should be read in conjunction with the full assessment which is available on the APG website.

Summary of ratings for APG members assessed during the APG's Second Round							
	C	LC	PC	NC	NA	Total	Total NC/PC
Afghanistan	1	1	17	29	1	49	46
Australia	12	14	14	9	0	49	23
Bangladesh	1	5	29	14	0	49	43
Brunei	2	5	25	16	1	49	41
Cambodia	0	0	13	33	3	49	36
Canada	7	23	8	11	0	49	19
China	8	16	16	9	0	49	25
Chinese Taipei	7	18	17	7	0	49	24
Cook Islands	4	25	19	0	1	49	19
Fiji	8	6	32	3	0	49	35
Hong Kong, China	10	20	15	4	0	49	19
India	4	25	15	4	1	49	19
Indonesia	4	8	22	14	1	49	36
Japan	4	19	15	10	1	49	25
Korea	5	14	17	13	0	49	30
Lao PDR	1	2	9	35	2	49	44
Macao, China	7	19	22	1	0	49	23
Malaysia	9	23	16	1	0	49	17
Maldives	1	0	10	37	1	49	47
Marshall Islands	5	16	19	9	0	49	28
Mongolia	3	5	23	17	1	49	40
Myanmar	2	2	28	15	2	49	43
Nauru	4	11	26	6	2	49	32
Nepal	1	3	10	33	2	49	43
New Zealand	8	17	6	18	0	49	24
Niue	3	10	27	8	1	49	35
Pakistan	6	8	23	12	0	49	35
Palau	4	10	17	18	0	49	35
Papua New Guinea	2	6	19	22	0	49	41
Philippines	4	11	29	5	0	49	34
Samoa	1	4	30	14	0	49	44
Singapore	11	32	4	2	0	49	6
Solomon Islands	6	13	17	12	1	49	29
Sri Lanka	3	4	24	18	0	49	42
Thailand	2	4	28	14	1	49	42
Timor-Leste	1	14	28	3	3	49	31
Tonga	0	4	26	18	1	49	44
United States	15	28	2	4	0	49	6
Vanuatu	3	8	26	12	0	49	38
Vietnam	1	3	26	17	2	49	43

Mutual Evaluation Report Follow-up

After a mutual evaluation report has been adopted, the APG monitors progress by the evaluated member against the recommendations contained in the report. The APG's Mutual Evaluation Procedures provide for the application of biennial, regular or enhanced follow-up, incorporating expedited reporting requirements depending on the findings of the report and the progress made. When necessary, members are placed in the enhanced follow-up procedure in order to encourage greater efforts by that member to improve their AML/CFT system. As at July 2012, 19 APG members were placed on regular APG follow-up and 11 under enhanced follow-up (the APG's 10 joint FATF/APG members are subject to the FATF's follow-up process).

Commencement of Third Round of Evaluations

The APG's third round of evaluations will commence in late 2013/early 2014. No mutual evaluations will be conducted in 2012–13 but evaluation training and awareness raising seminars will be conducted to familiarise APG delegates with the revised FATF Standards and the new methodology expected to be adopted by the FATF in February 2013.

6. UNDERSTANDING THE EFFECTIVENESS OF AML/CFT EFFORTS IN THE MONEY LAUNDERING AND FINANCING OF TERRORISM ENVIRONMENT

Strategic Goal 4 requires the APG to:

CARRY OUT EDUCATION, RESEARCH AND ANALYSIS ACTIVITIES TO ENHANCE THE UNDERSTANDING OF THE MONEY LAUNDERING AND FINANCING OF TERRORISM ENVIRONMENT AND THE EFFECTIVENESS OF THE AML/CFT EFFORTS

Typologies work involves the study of methods and trends of money laundering and terrorist financing. Since its commencement, the APG has undertaken extensive typologies research and analysis and filed Annual Typologies Reports 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. Strategies to achieve Goal 4 include maintaining and enhancing the APG's typologies programme and conducting an annual APG Typologies Workshop. The strategy also provides for the yearly publication of typologies reports. This year's report was examined and adopted at the 2012 Annual Meeting and published on the APG's web site.

The APG also cooperates with global typologies partners, including the private sector and the FATF. An APG Typologies Workshop is currently planned for Hanoi, Vietnam in November 2012.

APG Typologies Framework

The APG Typologies Framework provides an operating framework to collect, analyse and disseminate information on money laundering and terrorist financing trends in the region. During 2011-12 APG members continued to support the Typologies Framework for collection, analysis and dissemination of typologies information and collaboration with the FATF Working Group on Typologies.

APG Typologies Working Group

The APG Typologies Working Group continued its work in 2011-12 under the leadership of India and Malaysia as Co-Chairs. In July 2011 the APG Typologies Working Group met to determine the work program for the year, including the in-depth study of trade based money laundering (TBML) in the Asia/Pacific region and the conduct of a joint APG / FATF Typologies Meeting in late 2011 hosted by the Republic of Korea in Busan.

The APG produced its yearly regional typologies report, which included a compendium of recent case studies. APG and FATF typologies studies, reports and reference documents on ML/FT methods and techniques were uploaded to the APG website during the year.

Joint APG / FATF Typologies Workshop: December 2011

The Republic of Korea hosted the joint APG/Financial Action Task Force (FATF) Typologies Meeting in Busan from 5– 8 December 2011. The APG thanks the government of the Republic of Korea for their leadership in hosting the annual typologies meeting in 2011.



290 delegates attended the Joint APG/FATF Typologies Workshop in Busan, Korea in early December 2011. Sponsorship funding for delegates to attend this workshop was provided by Canada, Chinese Taipei, New Zealand and the Commonwealth Secretariat

The meeting was a great success and was attended by more than 290 delegates from 73 jurisdictions and 11 organisations. The 2011 joint FATF/APG meeting is the largest typologies event that the APG has ever conducted.

The meeting was jointly chaired by the APG and FATF Working Group co-chairs. The workshop moved forward very significant work on the following topics:

- Trade-Based Money Laundering (TBML) - led by APG
- Illicit Tobacco Trade and money laundering
- Operational Issues
- Corruption-related Money Laundering.

Following the APG/FATF Typologies Workshop two additional workshops were held on technical issues with the Egmont Group and separately with ESAAMLG and the generous support of the Commonwealth Secretariat.

Trade Based Money laundering (TBML) Project

In July 2012 the APG published its first comprehensive typologies report on trade based money laundering (TBML). The APG study builds on the FATF's landmark study published in 2006, and consider the extent of the prevalence of TBML and current methods, techniques and modus operandi for TBML so as to shortlist 'red flags' to detect and respond to TBML. The Paper has sought to clarify and furnish explanations for terms and processes of trade finance to assist ML investigators.

Future Typologies Work

During the 2012 APG Annual Meeting, the APG Typologies Working Group considered and adopted proposals for work on designated non-financial businesses and professions in collaboration with APEC. APG

will continue to pursue work on money laundering and corruption. APG will contribute to FATF-led studies on hawala and on counterfeit currency.

APG will follow up on the landmark TBML study with further capacity building workshops, including in the margins of the APG Typologies Workshop in 2012.

7. ACHIEVE FULL IMPLEMENTATION OF THE GLOBAL AML/CFT STANDARDS IN APG MEMBER JURISDICTIONS

This section reports on progress made in achieving strategic Goal 5:

APG MEMBERS TO IMPLEMENT THE GLOBAL AML/CFT STANDARDS THROUGH IMPLEMENTATION PLANNING AND THE PROVISION OF GUIDANCE

The strategies to achieve this goal include:

- supporting and promoting the work of APG Working Groups and Project Groups to explore and address specific AML/CFT implementation issues in depth;
- providing 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;
- providing advice and assist members to implement and integrate the AML/CFT global standards with their existing legal, financial and law enforcement systems of each jurisdiction; and
- developing and sharing comprehensive information resources to assist APG members with AML/CFT implementation.

APG Implementation Issues Working Group (IIWG)

The APG Strategic Plan provides a mandate for an integrated approach to addressing implementation issues, including the establishment of an APG IIWG. Malaysia and New Zealand co-chaired the IIWG in 2011-12.

The APG IIWG worked on AML/CFT and financial inclusion concerns in 2011-2012, including highlighting the lessons identified in the FATF Guidance paper in a session devoted to financial inclusion as part of a regional (strategic implementation planning) SIP workshop in September 2010. Further, the APG in partnership with the FATF and World Bank started revising the FATF Guidance Paper to incorporate the new elements of the revised FATF standards with completion and adoption by the FATF in February 2013.

During the year the Secretariat updated the APG website which contains the 'implementation issues library' found in various parts of the site.

Strategic Implementation Planning (SIP) Framework

The SIP Framework continued to receive very positive feedback from APG members and observers and from international and regional organisations, including the FATF, IMF and all FSRBs. Members noted the SIP continues to provide a unique and important tool to address complex recommendations in a mutual evaluation report and to identify areas requiring focused technical assistance and training.

The SIP framework aims to provide post-ME evaluation implementation assistance. The SIP framework assists member to prioritise and sequence the implementation of MER recommendations on the basis of identified risks/vulnerabilities and 16 (former) core/key FATF Recommendations), and factoring in resourcing and capacity constraint issues. While members are encouraged to use the SIP Framework, especially in the context of ME follow-up processes, it is intended to be a tool for jurisdictions to use on a voluntary basis to reflect their priorities.



Officials in the Maldives completing APG Strategic Implementation Planning (SIP) Workshop, March 2012

In 2010-11, the IIWG and the World Bank made minor amendments to the SIP Framework for consistency with the revised FATF standards, with further and more substantive amendments to be completed after the FATF assessment methodology is finalised in February 2013.

A SIP Regional Workshop was held in Sydney in September 2011 with technical support from Australia and the World Bank. Canada funded participants from four jurisdictions to attend i.e.

the Maldives, Marshall Islands, Papua New Guinea and Mongolia. The workshop

outcomes included draft strategic implementation plans by participants and trained personnel able to deliver SIP workshops in their home jurisdictions.

Subsequent individual SIP workshops were held for Afghanistan (in Dubai), Lao PDR, Maldives, Nepal, Papua New Guinea, and the Marshall Islands. Expert participants at these workshops included representatives from the APG Secretariat; Australia; Chinese Taipei; Hong Kong, China; IMF; Indonesia; Macao, China; Malaysia; Singapore; Pacific Islands Forum Secretariat; UNODC and the World Bank.

8. TECHNICAL ASSISTANCE AND TRAINING

Goal 6 of the Strategic Plan provides that the APG will:

PROVIDE COORDINATION, ADVISORY SERVICES AND INFORMATION-SHARING FOR TECHNICAL ASSISTANCE AND TRAINING

Agreed strategies to meet this goal are as follows:

- supporting the development of an AML/CFT coordination mechanism in each APG member jurisdiction;
- conducting and supporting technical assistance and training (TA&T) needs analyses in targeted members and observers;
- developing and sustaining regional and in-country mechanisms to support the identification of TA&T needs as well as the delivery of assistance;
- facilitating cooperation in, and supporting the design, development and delivery of, AML/CFT technical assistance activities and training programmes in collaboration with donors and providers; and
- building on our close cooperation with global partners to address specific issues and supporting the role of private sector TA&T delivery.

During 2011-12, APG undertook a number of activities to achieve these goals including convening the 2012 APG Annual Forum on TA&T, APG DAP Group meetings and tele-conferences, undertaking TA&T missions to APG member jurisdictions, and participation in conferences, workshops and training sessions throughout the year.

A significant number of TA&T missions and training sessions are planned for the coming year to build on the work of previous years. Particular priority is being given to APG members affected by the FATF's ICRG process.

2012 APG Annual Forum on Technical Assistance and Training

The 2012 Annual Forum on TA&T was held in July 2012 concurrently with the Annual Meeting in Kochi and consisted of several sessions including:

- two DAP Group meetings to discuss TA&T programmes and related assistance in the region;
- three technical seminars covering a range of topics related to the new FATF standards;
- individual sessions with 19 jurisdictions to discuss TA&T needs;
- a sub-regional meeting for ASEAN members, as part of the Coordinating Agreement between ASEAN and APG Secretariats; and
- a sub-regional meeting for Pacific Islands Forum members as part of the COAMLI agreement between the Forum Secretariat and the APG Secretariat.

As in previous years, positive feedback was received on the significant value of the 2012 Forum. The individual sessions with members were again well received and both members and donors were able to make significant progress toward identifying TA&T needs and toward coordinating the delivery of assistance across the region.

Highlights

The APG received strong support from members of the DAP Group in the design, delivery and collaboration relating to TA&T projects for APG members. Other TA&T coordination, advisory, and information sharing activities in the year are outlined as follows.

Support for DAP group

In order to identify TA&T needs and coordinate delivery of TA&T to APG members, the APG Secretariat has continued to provide strategic support the DAP Group in their planning and delivery of TA&T on a range of issues. This support has included:

- Developing a new 'ICRG TA&T gap analysis' tool to assist in collating and comparing ICRG action plan items against current TA&T information in order to highlight the most urgent needs for those jurisdictions undergoing ICRG review.
- Engaging the FATF, UN, and various DAP Group members on emerging TA&T issues arising from the revised 40 Recommendations; the APG encouraged DAP Group members to consider incorporating proliferation financing, working with tax authorities, and more assistance on risk assessments into their TA&T delivery.
- Holding individual technical assistance discussions in the margins of the January 2012 RRG meetings in Sydney, with those members undergoing review through the FATF ICRG process, which enabled the Secretariat to update the DAP Group on members' needs and priorities.



Commonwealth Secretariat Pacific Judges Regional Forum on "Corruption and other Financial Crimes" in Collaboration with the Asia/Pacific Group on Money Laundering
14 – 17 March 2012, Sydney, Australia

- Leading two DAP Group teleconferences that were conducted in support of assisting members to address TA&T needs, and which focused on ICRG listed members.

Support for members under ICRG review

As set out in Section 3 of this report in relation to Goal 1, the Secretariat is focused on providing assistance to all members who are currently undergoing FATF ICRG review. In this respect a number of TA&T activities and initiatives were undertaken during 2011/12 to ensure that members under review were able to receive guidance on the ICRG process, developing their ICRG action plans, responding to ICRG requirements, and accessing assistance and training.



APG SIP Workshop in Vientiane, Lao PDR, November 2011

The Secretariat undertook a number of visits, using funding from project contributions that have been provided to support members undergoing ICRG review, and supported by the participation of APG members and DAP Group members, to members undergoing the ICRG process. As detailed in Section 3, ten outreach missions or briefings were undertaken by the APG Secretariat that focused on ICRG issues, eight of which were supported by DAP Group and other APG members: Australia, Canada, Malaysia, the Philippines, the United States, IMF, UNODC and the World Bank.

Other support for members undergoing ICRG review included: a pro forma briefing document to explain ICRG procedure, ICRG issues meetings, TA&T coordination meetings convened in the margins of other regional events (including the RRG meetings hosted in Sydney), and DAP Group teleconferences to discuss support of members to address TA&T needs.

Support for members in strategic implementation planning

Technical assistance and training is a significant factor in planning and implementation by APG members in both the planning and implementation of their AML/CFT systems. As reported in Section 7, Goal 5, the APG continues to achieve positive outcomes in using the Strategic Implementation Planning (SIP) framework to address the recommendations made in their mutual evaluation reports. Donors and providers play an important part in assisting members with using the SIP framework and in addressing TA&T needs that are identified as a result of the SIP process.

The APG Secretariat provided other assistance to APG members on AML/CFT strategy through discussion of national risk assessments, TA&T needs assessments, and provision of fundamental AML/CFT information, including to Bhutan, Fiji, and regional groupings at AML/CFT events.

Strategic approach to TA&T

The Secretariat is taking a more strategic approach to TA&T collaboration and engagement, by focusing on thematic areas which have been identified as common gaps across the membership. These thematic areas have been identified through feedback on members' progress in implementing the FATF standards via three broad processes:

- FATF ICRG review process;
- APG mutual evaluation (ME) program including the ME follow up process and strategic implementation planning workshops; and

- Direct updates from members on implementation challenges and TA&T gaps and from the DAP Group on available TA&T throughout the year including at the APG Annual Forum on TA&T.



SIP Workshop for senior Ministers and officials from Afghanistan convened in Dubai, UAE, October 2011. Afghanistan Senior Minister to the President (centre), Deputy Minister of Justice (4th from right)

Thematic focus of TA&T activities on implementation gaps

Drawing on the above information the Secretariat has identified four areas as implementation gaps, and then collaborated with APG members and the DAP Group to design, develop, and deliver TA&T activities to meet those identified needs of APG members, as follows:

Revised FATF standards

Following the finalisation of the revised FATF Standards in February 2012, a key priority was to brief the APG membership on the most important changes to the FATF Recommendations and their implications for policy makers. To assist with this process, the APG:

- conducted a workshop on the Review of the FATF Standards, hosted in Kuala Lumpur by Bank Negara Malaysia in April 2012;
- assisted the IMF with the delivery of a workshop for South Asian jurisdictions on the Revised FATF standards in Pune, India from 4-8 June 2012; and,
- remained engaged with the FATF, UN, and DAP Group members in relation to TA&T issues emerging from the revised Standards, especially on implementing recommendations on the proliferation of financing of WMD;
- will deliver sub-regional FATF standards workshops in 2012-2013.

Financing of Proliferation of Weapons of Mass Destruction

Through engagement with donors, standard setters and APG members, APG has sought to highlight needs for the development of technical assistance resources and programs to support implementation of new FATF standards relating to financing of the proliferation of WMD. The APG contributed to the design and conduct of the Conference on Financing of Proliferation of Weapons of Mass Destruction which was hosted by the government of Korea in Seoul, 17-18 May 2012.

Countering the Financing of Terrorism

The APG continues to work with the DAP group in dedicating resources to assist members with CFT. Significant TA&T has been delivered through regional workshops and individual assistance on regulating and protecting not-for-profit organisations, on cross-border movement of currency and other financial instruments, and on 'following the money', to prevent proceeds of crime being used in TF.

The Secretariat will continue to emphasise to members that implementation of CFT systems, in particular around UN Security Council Resolutions 1267 and 1373, will support and complement members' implementation of the new recommendations for combatting the proliferation of financing of WMD that are contained in the revised FATF standards.



APG technical assistance visit to Thimphu, Bhutan, May 2012

Asset Restraint and Confiscation

Most APG members have legislation that provides for asset restraint and confiscation, however, for many members its use has been very limited. Police and prosecution agencies often lack clear policy on 'following the money' which results in lack of clarity around who has responsibility for it. This gap in policy has generally resulted in a gap in implementation. The APG has worked with the DAP Group to address this gap through a number of workshops on proceeds of crime, asset forfeiture and judicial training.

Preventative Measures and FIUs

Implementing preventative measures and the work of financial intelligence units have been identified as areas requiring on-going support and assistance. A major gap identified for a number of members' FIUs is the lack of targeted and contemporary information provided to law enforcement agencies. In relation to preventative measures, the risk-based approach to supervision has been identified as needing strengthening and has renewed importance in respect to the new FATF Recommendation 1. In response to these issues the APG Secretariat and donors and providers have undertaken a number of activities on risk-based supervision, the structures and processes for information sharing between FIUs, and suspicious transaction reporting and the sharing of FIU information.

Funding Assistance from Canada

Canada provides high levels of financial support for the APG, including through a series of grants for a variety of programmes. Funding assistance from Canada's Counter Terrorism Capacity Building Programme (CTCBP) has been provided over a number of years for different purposes, and in 2011-12 funded AUD192, 142 for a range of APG activities. The funding concluded in March 2012. Canada's grants to the APG have been a central source of funding for APG activities and have provided a solid platform for project planning. The APG extends its gratitude to Canada.

Funding Assistance from China

The government of China has provided the APG with a voluntary grant in the amount of AUD \$345,000 over two years to enable the APG Secretariat to expand its staff numbers to meet APG business demands. This funding has been earmarked for the engagement of a senior executive officer.

China's support for the expansion of staff is very welcome by the Secretariat and together with China assuming the Co-Chair position clearly displays China's commitment to the activities and objectives of the APG.

Funding Assistance from Commonwealth Secretariat



The Commonwealth Secretariat provided a grant totalling AUD59,982 in support of the APG/ESAAMLG/Commonwealth Secretariat workshop on addressing policy gaps affecting the pursuance of proceeds of crime and of the investigation and prosecution of ML/TF held in Busan, December 2011. Over 150 participants attended the two day workshop and noted the need for clearer policy particularly in police and prosecution agencies. The Commonwealth funding was used to sponsor many of the participants to the workshop and to the APG 2011 Annual Typologies Workshop that was held in the days preceding. This project funding is now complete and unspent funds are being returned to the Commonwealth Secretariat.

The Commonwealth Secretariat frequently supports the APG with substantial project funding. Many key projects and sponsorship would not be possible without this generous support.

Funding Assistance from New Zealand

The New Zealand Ministry of Foreign Affairs and Trade has provided three grants totalling NZD180,700 (AUD138,522) to the APG to assist members from the Pacific Islands, South East Asia, and South Asia respectively. New Zealand continues to support implementation activities in the region through the APG.

During 2011-12, New Zealand project funds were used for funding experts to participate in the Tonga regional workshop on STRs and cross-border cash; sponsorship of New Zealand experts to participate in an FATF RRG meeting and an FATF Standards workshop (both in Malaysia); the mutual evaluation of Niue; sponsorship of Bangladeshi officials to a South East Asia regional workshop on cross-border cash; and for the APG Secretariat to conduct individual missions to Myanmar, Nepal, Sri Lanka, and Thailand. The remaining funds will continue to be used in 2012-13.

New Zealand is a principal source of APG expenditure on critical APG activities in the region.

Funding Assistance from Chinese Taipei

Chinese Taipei has provided a grant totalling AUD105,000 to assist Pacific Island members in participating at regional events and hosting visits from experts to discuss key AML/CFT issues. In 2011-12 the funding was used to sponsor Pacific members to the 2012 APG Annual Meeting and the 2011 APG Annual Typologies Workshop, and for other individual missions in the region namely to Palau, the Marshall Islands, and Fiji. The remaining funds will continue to be used in 2012-13.

The grant from Chinese Taipei shows the strong support that Chinese Taipei has for the APG and concern for AML/CFT implementation levels in the Pacific.

Funding Assistance from United States

The United States' State Department provided voluntary funding of AUD132,067 in June 2009 and AUD124,467 in June 2010 to support APG technical assistance and training activities, in particular the development of national AML/CFT coordination mechanisms. In 2011-12, the remaining AUD14,259 from

the 2009 grant and AUD49,351 from the 2010 grant was used for various APG purposes, including: sponsorship of APG Secretariat to regional workshops on cross border cash movement, NPOs, and FATF issues; ICRG support missions to the Philippines and Pakistan; sponsorship for Pakistan to participate in a study tour with AUSTRAC of Australian regulatory agencies; sponsorship of experts to participate in the mutual evaluations of Nauru, Niue and Timor-Leste; and a mission to support the Indonesian national coordination mechanism. The remaining funds from the grants provided by the US State Department will be available for expenditure in 2012-13.

The United States is a principal supporter of the APG with voluntary funding grants over many years.

9. SUPPORT SERVICES AND FINANCIAL STATEMENTS

APG Secretariat

The APG Secretariat is based in Sydney, Australia and is hosted by the Australian Government through the Australian Federal Police. As at 30 June 2012, the staffing of the Secretariat was as follows:

- | | |
|----------------------|---|
| • Dr Gordon Hook | Executive Secretary |
| • Eliot Kennedy | Assistant Secretary |
| • David Shannon | Principal Executive Officer |
| • Lindsay Chan | Principal Executive Officer |
| • Sisilia Eteuati | Director, Technical Assistance and Training |
| • Dietmar Kahles | Executive Officer |
| • Dhayani Yogesvaran | Executive Officer |
| • Jennifer Ford | Policy Officer, Technical Assistance and Training |
| • Shannon Rutherford | Policy Officer, Corporate Support |
| • Linda Vanderwey | Project Officer (AFP secondment) |
| • Marnie Campbell | Executive Assistant |

Secretariat Responsibilities

The primary responsibilities of the APG Secretariat include:

- support the APG Plenary, Co-Chairs and the Steering Group;
- act as a centre of APG activities;
- coordinate and lead APG mutual evaluations of members and participate in other AML/CFT evaluations including with the FATF, World Bank, IMF and GIFCS on a joint basis;
- implement the APG's TA&T coordination role;
- organise and conduct the APG's annual meetings and workshops;
- prepare, conduct and chair specialist typologies workshops (on methods, trends and case studies on money laundering and terrorist financing);
- support the work of APG Working Groups (Typologies and Implementation Issues);
- advise the FATF on the work of the APG, and participating in the FATF Plenary and Working Groups;
- provide advice and information to agencies (especially financial, legal and law enforcement agencies) on AML/CFT matters;
- provide expertise and material concerning money laundering and terrorist financing to members and other interested parties;
- establish and maintain effective working relationships with relevant international and regional organisations in order to advance the APG's work and its regional strategy; and
- arrange and conduct 'outreach' missions to members and potential members of the APG.

Secretariat Contact Details

The Secretariat offices are located on the 18th floor of 1 Oxford Street, central Sydney, Australia with contact details as follows:

Delivery Address:

110 Goulburn Street
Sydney, New South Wales 2000
AUSTRALIA
Telephone: +61 2 9277 0600
Facsimile: +61 2 9277 0606

Postal:

Locked Bag A3000,
Sydney South, New South Wales 1232
AUSTRALIA
Email: mail@apgml.org
Website: www.apgml.org

Budget and Financial Statements

Summary of Budget Outcomes for 2011–12

A core budget for 2011–12 of AUD 1,736,630 was approved and adopted at the 2011 Annual Meeting. Contributions required from members to meet that budget were calculated using the APG funding formula that calculates contributions using an 80/20 per cent combination of GDP and GDP per capita and required a minimum contribution of AUD 6,630. As in previous years, members noted at the 2011 Annual Meeting that the core budget would not, of itself, enable the APG to complete the work outlined in the 2011–12 Business Plan. Members agreed that voluntary contributions, continued use of accumulated assets and various streams of ‘non-core budget’ funding totalling AUD 1,146,825 should be made available in 2011–12 to meet the costs of the APG’s agreed work programme. Total proposed expenditure from all streams of funding (core and non-core) was AUD 2,883,455.

The budget outcomes for the period 1 July 2011 to 30 June 2012, based on the audited financial reports (**Annex C**) provided to the APG Secretariat are as follows:

- the APG commenced the financial 2011–12 year with a total equity of AUD 471,599;
- total income for the year was AUD 2,711,169, with AUD 1,736,628 coming from APG members in required contributions, and AUD 974,541 in voluntary contributions and other revenue and gains;
- total expenditure for the year to 30 June 2012 from all revenue sources was AUD 2,980,615, including expenditure against the core budget, ‘reserved’ expenditure, and in expenditure from other revenue sources (sponsorship and other funding support, including resources provided free of charge by the Secretariat’s host agency, the AFP);
- the APG’s net operating result for 2011–12 was a deficit of AUD 269,446; and
- the APG therefore had a total equity of AUD 203,103 as at 30 June 2012.

This outcome reflected the members’ decision at the 2010 Annual Meeting to reduce the APG’s equity over the two years to 30 June 2012 to a figure closer to minimum agreed reserve (AUD 150,000), as the APG approached the end of its previous mandate in 2012 and to minimise membership fee increases to the extent possible.

External Support

The following agencies supported the work of the APG during 2011-12. Their considerable support is acknowledged:

- Canadian Department of Foreign Affairs and International Trade (DFAIT) CTCB Programme: to support attendance by delegates at major APG events and post-evaluation planning and awareness raising missions to a number of APG members: AUD 192,142;
- United States State Department: additional contribution to support the development of national AML/CFT coordination mechanisms in priority jurisdictions: AUD 63,610;
- Commonwealth Secretariat: to support regional participation in the 2011 APG/FATF Typologies Workshop and a cross-regional workshop (APG and ESAAMLG): AUD 57,521;
- Chinese Taipei: for technical assistance and training and sponsorship of priority Pacific Islands delegates to attend APG meetings and events: AUD 38,140;
- New Zealand Ministry of Foreign Affairs & Trade: additional contribution for TA&T activities in the Pacific and South East Asia: AUD 26,945;

- AFP, Australian Government: provision of accommodation, essential support services and seconded staff to the APG Secretariat: AUD 408,856;
- Australian Government (AUD 150,303) and New Zealand Government (AUD 37,024) voluntary contributions.

Budget for 2012–13

A ‘core’ budget for 2012–13 of AUD 1,980,112 was approved and adopted at the 2012 Annual Meeting, an increase of 14%. This is the first substantial increase in the core budget for three years and reflects the fact that available reserves (above the minimum reserve of AUD 150,000) have been substantially reduced over the past two years.

10. FUTURE DIRECTIONS AND PRIORITIES

The APG Strategic Plan 2012–16 is the strategic operating framework for the APG’s core business. The APG Annual Business Plan 2012–13 outlines the APG’s work programme in detail for next year. Key tasks for the upcoming year include:

Governance/Meetings

- The 16th APG Annual Meeting and Annual Forum on Technical Assistance & Training will be held in mid-July 2013 in China.
- APG Typologies Workshop will be held in Vietnam in late 2012.
- The Steering Group will meet regularly and continue to provide on-going advice to the membership and the Co-Chairs.

Outreach/Membership Missions

- Up to four (4) outreach/membership missions will be undertaken to APG members and other jurisdictions to facilitate full and active membership and promote commitment to implement the global AML/CFT standards.

Participation in Global AML/CFT network

- The APG will contribute to the development of the new FATF assessment methodology as part of the implementation of the 2012 FATF 40 Recommendations. APG will contribute to the review of the FATF rules for mutual evaluation follow-up and the ICRG as a consequence of the new standards.
- The Ad Hoc Working Group on FATF Associate Membership Issues (Ad Hoc WG) will continue to assist the Secretariat to facilitate increased input by members into completion of the FATF’s work on effectiveness and the revision of the Methodology.
- As an Associate Member of the FATF, the APG will continue to participate in FATF plenary meetings, typologies, working group meetings and one to two inter-sessional meetings. In 2012–13, this will include an inter-sessional meeting associated with preparations for the FATF’s 4th round of evaluations and meetings of the FATF’s ICRG Asia-Pacific Regional Review (RRG) Group. Reports summarizing these meetings will be prepared and provided to members.
- The APG will provide priority assistance and support for APG members under ICRG review, including participation at Asia-Pacific RRG meetings, ICRG meetings, information briefings, implementation assistance and coordination of TA&T.
- APG Secretariat will provide communications, information and liaison assistance to the Asia-Pacific RRG Group in further support of APG members.

Mutual Evaluations and Training

- APG will prepare for the 3rd Round of Mutual Evaluations, including training and a coordinated evaluation schedule.

- APG will implement its mutual evaluation follow-up procedures, including preparation of detailed analyses of progress by selected members for 2013 Annual Meeting.
- APG will deliver an assessor training workshop and a workshop for APG members to be assessed to prepare for the commencement of the 3rd round (late 2013/ early 2014).

Typologies Research

- The APG will support the Typologies Framework and closely collaborate with the FATF Typologies Working Group including:
 - Supporting the FATF Typologies Working Group; and
 - Commenting on FATF typologies projects and participating in related FATF activities.
- The 2012 APG Typologies Workshop will be hosted by Vietnam in Hanoi in November.
- The APG Typologies Working Group will prepare an in-depth report on regional trends and case studies for publication in July 2013 and
- The APG will continue to support regional training initiatives (led by donors and providers) by building upon relevant typologies work.

Implementation Assistance: guidance, advice, technical assistance & training

- Three sub-regional workshops/seminars will be held on the new FATF standards in 2012-13 for the Pacific, South East Asia and North Asia sub-regions;
- The IIWG will continue to implement the SIP Framework in collaboration with the World Bank and other donors and will conduct up to three (3) SIP in-country workshops to assist APG members to develop implementation priorities/plans;
- The IIWG will amend the SIP Framework for consistency with the revised FATF Standards and new assessment methodology;
- The IIWG will work jointly with the FATF and World Bank to amend the FATF Guidance Paper on AML/CFT and financial inclusion;
- The IIWG will work on a project to identify and document implementation lessons from members' experience in prosecuting and sanctioning the ML offence;
- The IIWG will continue to develop an implementation resource library reflecting APG members' implementation experiences;
- A number of regional AML/CFT TA&T projects will be considered in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors;
- The Secretariat will support and enhance existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat, and will continue efforts to establish greater cooperation with a South Asian body such as SAARC (South Asian Association for Regional Cooperation); and
- The APG Secretariat will collaborate with DAP Group members and recipient jurisdictions to develop, coordinate and deliver AML/CFT-specific programmes, including:
 - Regional programmes to build AML/CFT capacity amongst AML/CFT supervisors and regulators;
 - Regional enforcement and prosecution capacity building programmes focusing on targeting policy responses to proceeds of crime, and
 - AML/CFT implementation programmes.

This is not an exhaustive list of activities for 2012-2013 but represents the core activities planned to meet the APG's business objectives. Further details of the APG work programme are contained in the 2012-2013 Annual Business Plan available on the APG web site (www.apgml.org) under the "documents" section.

ANNEXES