



ANNUAL REPORT

2016-2017

Asia/Pacific Group
on Money Laundering



The Asia/Pacific Group on Money Laundering (APG) is an autonomous and collaborative international organisation founded in 1997 in Bangkok, Thailand consisting of 41 members and a number of international and regional observers. Some of the key international organisations which participate with, and support, the efforts of the APG in the region include the Financial Action Task Force (FATF), International Monetary Fund, World Bank, OECD, United Nations, Asian Development Bank and the Egmont Group of Financial Intelligence Units.

APG members and observers are committed to the effective implementation and enforcement of internationally accepted standards against money laundering and the financing of terrorism, in particular the Forty Recommendations of the FATF.

For more information about the APG, please visit the website: www.apgml.org

Cover image: APG delegates to the 2017 Annual Meeting in Colombo, Sri Lanka in plenary session

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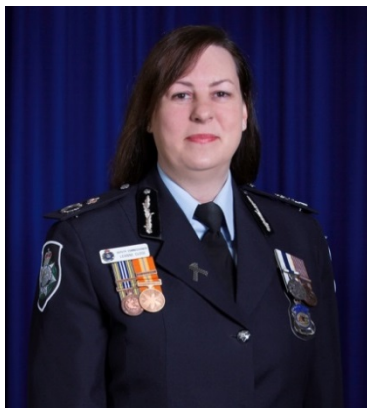


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APG Co-CHAIRS' FOREWORD



Deputy Commissioner Close

In accordance with Section 6.5 of the *APG Terms of Reference 2012* requiring the filing and signing of annual reports and financial statements by the APG Co-Chairs, we submit the following report to the membership on the operations of the Asia/Pacific Group on Money Laundering (APG) for the period 1 July 2016 to 30 June 2017.

This report highlights the achievements of the APG over the reporting period against the goals and strategies contained in the Strategic Plan 2016–2020. The independent audit report of Ernst & Young of Canberra, Australia dated 7 September 2017 is attached to this report.

The last year has been a particularly busy one for the APG. Overall, it conducted over 54 missions, visits, training programmes and other activities as outlined in this report including mutual evaluations, technical assistance programmes, high level membership-related visits, typologies projects and many more. At the 2017 annual meeting, five mutual evaluation reports were adopted (Cambodia; Macao, China; Mongolia, Thailand and the United States) and a large number of follow-up and transitional reports relating to second and third round mutual evaluations were discussed and adopted.

We conducted a technical seminar on human trafficking, as well as an implementation issues session on implementing standards against proliferation financing. We also conducted a very successful joint typologies workshop with the Middle East and North Africa Financial Action Task Force (MENAFATF) in Jeddah, Saudi Arabia in November 2016.

These activities and many others are outlined in this report. On behalf of all members we would like to extend our thanks to all APG members and observers who made 2016-2017 a successful year for the APG. We are certain that 2017-2018 will be another successful year and we look forward to seeing our delegates at the 2018 annual meeting in Kathmandu, Nepal in July 2018.



Dr H. Amarathunga

10 September 2017

[signed]

Deputy Commissioner Leanne Close
APG Co-Chair
Australia

[signed]

Dr H. Amarathunga
APG Co-Chair
Sri Lanka

APG ORGANISATIONAL STRUCTURE 2016–2017

The APG has 41 members, which are divided into five sub-regions. The membership composition of each sub-region effective 30 June 2017 is as follows:

APG Members by Sub-Region				
North Asia	South East Asia	South Asia	Pacific	CANZUS
China Hong Kong, China Japan Macao, China Mongolia Republic of Korea Chinese Taipei	Brunei Darussalam Cambodia Indonesia Lao PDR Malaysia Myanmar Philippines Singapore Thailand Timor-Leste Vietnam	Afghanistan Bangladesh Bhutan India Maldives Nepal Pakistan Sri Lanka	Cook Islands Fiji Marshall Islands Nauru Niue Palau Papua New Guinea Samoa Solomon Islands Tonga Vanuatu	Australia Canada New Zealand United States

The APG has eight observer jurisdictions and 28 observer organisations (including FATF-style regional bodies, or FSRBs). APG observers to 30 June 2017 were as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
France Germany Russian Federation United Kingdom Kiribati Democratic People's Republic of Korea Federated States of Micronesia Tuvalu	ADB/OECD Anti-Corruption Initiative APEC secretariat ARIN-AP ASEAN secretariat Asian Development Bank Commonwealth secretariat Egmont Group of FIUs Group of International Finance Centre Supervisors IMF Interpol	Oceania Customs Organisation Pacific Financial Technical Assistance Centre Pacific Islands Chiefs of Police Pacific Islands Forum Secretariat Pacific Islands Legal Officers' Network United Nations UN Office on Drugs and Crime World Bank World Customs Organisation	CFATF EAG ESAAMLG FATF GABAC GAFILAT GIABA MENAFATF MONEYVAL

APG Co-Chairs

The APG has two Co-Chairs: one Co-Chair position is a permanent position and the other is rotated among APG members every two years. The Co-Chairs are responsible for chairing APG meetings and providing strategic advice and direction to the membership. Australia, as host of the APG secretariat, holds the permanent Co-Chair position and the rotating Co-Chair position was held during the reporting period by Sri Lanka with a term from September 2016 to July 2018. Both Australia and Sri Lanka were founding members of the APG in 1997.

Co-Chair, Australia: The Australian Co-Chair position is held by Australian Federal Police (AFP) Deputy Commissioner Leanne Close. Deputy Commissioner Close joined the AFP in 1986 and currently holds the position of Deputy Commissioner Operations. Her current role requires the management of more than 2,600 staff members, and encompasses responsibility for Crime Operations, Organised Crime, Cyber and International Operations. During the year, Deputy Commissioner Close was seconded to the Commonwealth Attorney-General's Department as Deputy Secretary of the Criminal Justice Group until April 2017 but continued in her role as APG Co-Chair on behalf of Australia.

Co-Chair, Sri Lanka: The rotating Co-Chair position for 2016–2018 is held by Dr H. Amarathunga. He has been Director of the Financial Intelligence Unit of Sri Lanka since 17 June 2014 and served as Director of Provincial Offices Monitoring Department as well as Additional Director of Management Audit Department of the Central Bank of Sri Lanka since 2 November 2011. He also served as an Assistant Lecturer before joining the Central Bank in 1986.

Previous Rotating Co-Chairs

Since the APG’s establishment in 1997 there have been a number of rotating Co-Chairs as follows:

APG member	Agency/Department	Period
• Philippines:	Department of Foreign Affairs	1998–2000
• Malaysia:	Central Bank of Malaysia	2000–2002
• Korea:	Korea Financial Intelligence Unit	2002–2004
• Japan:	Japan Financial Intelligence Office	2004–2006
• Indonesia:	Indonesian Financial Transaction Reports & Analysis Centre	2006–2008
• Singapore:	Commercial Affairs Department	2008–2010
• India:	Directorate of Enforcement	2010–2012
• China:	People’s Bank of China Anti-Money Laundering Bureau	2012–2014
• New Zealand:	Ministry of Justice	2014–2016

Incoming Rotating Co-Chair

Bangladesh (2018–2020)

Bangladesh was formally endorsed by the APG membership out-of-session in September 2014 as the Co-Chair for 2018–2020. Bangladesh hosted the 13th APG Typologies Workshop in 2010 and a number of other APG workshops.

20th Annual Meeting and 16th Annual Forum on Technical Assistance

The 2017 APG annual meeting and 16th annual forum on technical assistance were held in Colombo, Sri Lanka from 17 to 21 July 2017. The meeting was attended by 424 delegates from all APG members and most observers and observer organisations. Some APG delegates received sponsored assistance from China and Chinese Taipei to attend the annual meeting.

Major Annual Meeting Outcomes

The major outcomes of the meeting were:

- Adoption of five mutual evaluation reports;
- Adoption of six third-round mutual evaluation follow-up reports, 16 transitional follow-up reports and three joint APG/FATF follow-up reports;
- Changes to APG governance arrangements, including working group structures;
- Adoption of a new operating budget and business plan for the coming year;
- Adoption of two typologies reports;
- Amendments to the APG's mutual evaluation procedures; and
- Conduct of the annual forum on technical assistance and training (including separate meetings with APG members).

Membership issues

The membership made a number of decisions some of which are confidential in nature but relate to action applied to members that are not fully implementing their obligations under the *APG Terms of Reference 2012*.

Streamlining working groups

The membership made some preliminary decisions to streamline the APG working groups as follows:

- The steering group was renamed as the *governance committee*
- The mutual evaluation working group was renamed the *mutual evaluation committee*; and
- The typologies working group and implementation issues working groups were merged into one committee referred to as the *operations committee*.

The membership also considered proposals to enhance these new committees to streamline decision-making as the APG moves forward with increased work. A special ad hoc committee was established to prepare new terms of reference for these new committee which will be considered at next year's annual meeting. During the coming year the new committees will operate under their previous terms of reference, until endorsement of the new terms of reference for each committee at the next annual meeting.

Finance

The APG ended the FY2016–2017 in a significantly stronger position than anticipated. Rather than operating at a budgeted loss of \$310,000 through the expenditure of reserves, the APG achieved a small surplus for the year of \$8,660. Net equity as at 30 June 2017 was \$425,249, which was \$318,659 more than the estimated net equity of \$106,590 contained in last year's Budget Paper.

This significantly better than expected outcome was due primarily to significantly lower than budgeted expenditure from the core budget and from reserves/voluntary donations in employee costs, savings in travel, some savings in non-core expenditure (approximately \$300,000 in total savings), and a lower than budgeted call on reserves to support the hosting of the 2016 annual meeting.

A Business Plan for 2017–2018 was adopted with a supporting budget. The core budget agreed for 2017–2018 was \$2,767,790 representing an increase of 6.8% over the previous year's core budget. Members agreed to increase the minimum reserves from \$200,000 to \$250,000 by 30 June 2018. Members also agreed to \$1,543,288 in expenditure from non-core sources of funding (voluntary support) in FY2017–2018. This non-core funding includes \$558,360 from New Zealand, which is the first year of a five year technical assistance project (2017–2022) funded with NZ\$3.6 million in total.

With this agreed budget, activities for 2017–2018 include four APG mutual evaluations; a number of membership-related missions; workshops; pre-mutual evaluation visits to APG members to be evaluated; participation in FATF plenary and other meetings; ICRG-related assistance visits for APG members under the FATF's ICRG monitoring process; coordination of and input into typologies projects; and technical assistance and training/implementation activities. Many of these initiatives are outlined in Part Five of this report.

Mutual evaluation programme

Members adopted five mutual evaluation (ME) reports namely: Cambodia; Macao, China; Mongolia, Thailand and the United States, with varying levels of compliance by each member.

Members also adopted: (i) the third round ME follow-up reports of Bangladesh, Bhutan, Fiji, Samoa, Sri Lanka and Vanuatu; (ii) transitional follow-up reports of Afghanistan, Brunei Darussalam, Lao PDR, Maldives, Marshall Islands, Nauru, Nepal, Niue, Pakistan, Papua New Guinea, Philippines, Solomon Islands, Chinese Taipei, Timor-Leste, Tonga and Vietnam; and (iii) three joint FATF/APG follow-up reports of Australia, Malaysia and Japan.

Members also adopted the revised *APG 3rd Round Mutual Evaluation Procedures 2017*. The revisions reflect the FATF's changes to its fourth round ME procedures and Universal ME Procedures in June 2016 and February 2017 respectively.

Typologies

The Operations Committee (chaired by India) met during the annual meeting week and considered the following matters:

- 2017 APG yearly typologies report;
- review of the typologies framework;
- report of the APG/UNODC Enhancing the Detection, Investigation and Disruption of Illicit Financial Flows from Wildlife Crime project;
- typologies projects, including the joint project with MENAFATF on abuse of social media for terrorism financing purposes;
- joint FATF/APG human trafficking and people smuggling project; and
- 2017 APG typologies and capacity building workshop to be held in Busan, Korea.

The Operations Committee also hosted a technical seminar on human trafficking at the 2017 annual meeting, which will contribute to the human trafficking and people smuggling project.

APG members adopted the reports noted above.

Implementation and technical assistance

A number of meetings were held and reports made during the 2017 Annual Forum on Technical Assistance and Training, which was held in parallel with the annual meeting, including:

- individual meetings between the APG's Donors and Providers (DAP) Group and 27 members on technical assistance and training needs and current and planned delivery of assistance;
- a meeting of the DAP Group in relation to planning, coordination and delivery of technical assistance and training;
- two sub-regional meetings for ASEAN and Pacific Islands jurisdictions, jointly chaired by APG secretariat/ASEAN representatives Indonesia and Malaysia, and Pacific Islands Chiefs of Police secretariat respectively;

- a special information session on FATF International Cooperation Review Group (ICRG) criteria, entry and exit; and
- a report to the plenary on the outcomes of the forum activities throughout the week.

Participants discussed technical assistance and training needs, ICRG updates and regional issues. Prior to the forum, the APG distributed information on members' needs and their ongoing technical assistance and training activities.

The 2017 annual meeting included a plenary session focussing on various implementation issues including: implementation of standards against proliferation financing (PF); regional responses to de-risking; and international cooperation between AML/CFT supervisors.

The APG is pursuing ongoing work to enhance implementation of measures to combat terrorist financing (TF) and PF, including through targeted financial sanctions. Members committed to support regional workshops on targeted financial sanctions, to participate in the FATF TFS handbook and to support ongoing work by the APG on PF and TF. Results of the regional workshops and surveys on targeted financial sanctions will be shared with members of the DAP Group and with the FATF to encourage them to enhance the availability of assistance for implementing targeted financial sanctions. The APG has continued to develop and pursue a program of regional programmes to identify and overcome implementation challenges in combating PF.

2016 Joint Typologies Workshop with MENAFATF

The 2016 typologies workshop was held jointly by the APG and the Middle East and North Africa Financial Action Task Force (MENAFATF) in Jeddah, Saudi Arabia from 28 November to 1 December 2016. Approximately 300 delegates from 55 jurisdictions and 15 regional and international organisations participated in the workshop.

The workshop included presentations on a new project on the financing of recruitment for terrorist purposes (Russian Federation), an update by the UN Office on Drugs and Crime (UNODC) on two projects – the joint APG/UNODC project on enhancing the detection, investigation and disruption of illicit financial flows from wildlife crime and typologies and their use in the automatic detection of ML/TF schemes – a MENAFATF project on ML and Corruption (Lebanon), and a presentation by the United Nations on the Financing of ISIL affiliates. The MENAFATF and APG secretariats discussed a new joint project on terrorist financing and social media. The workshop included four two-day concurrent sessions on these projects.

APG STRATEGIC PRIORITIES

The APG's strategic priorities are outlined in the *APG Strategic Plan 2016–2020* as three goals, each containing a subset of "strategies" or performance outcomes against which the goals are designed to be measured, which are outlined in greater detail in annual business plans. These performance outcomes are set against a framework of APG values, which the APG endeavours to incorporate into its operational activities and to assert in its dealings with other international organisations, including the global AML/CFT network.

Below is a summary of the performance highlights of the APG for the financial year under each strategic goal.

STRATEGIC GOAL #1 **EFFECTIVE MULTILATERAL ORGANISATION**

INCLUDE ALL RELEVANT REGIONAL AND INTERNATIONAL STAKEHOLDERS IN THE WORK OF THE APG

Required activities in 2016–2017:

1. APG members will encourage bilateral or multilateral engagement between members/observers and other jurisdictions/organisations to advance APG strategic objectives.
2. Continue engagement with FATF, FSRBs, ADB, IMF, World Bank, PIFS, UN agencies, UNODC, the Egmont Group and other similar bodies on conferences, seminars, workshops and strategically important regional initiatives.
3. Continue engagement with existing observer jurisdictions, encouraging them as appropriate to consider full membership of the APG.
4. The APG will identify international organisations for possible observer status (e.g. SAARC).

Achievements:

1. The secretariat attended the ADB/OECD Anti-Corruption Initiative for the Asia Pacific Summit, Bhutan in November 2016, the FATF TREIN workshop in Korea in December 2016, as well numerous other conferences and seminars, in order to increase engagement with members and observers to advance APG strategic objectives.
2. The secretariat actively worked with DAPs (including major institutional observers) to collaborate on technical assistance and implementation activities, including holding one face-to-face meeting (July 2017) and one teleconference of the DAP Group (February 2017).
3. The UNODC, the World Bank and the secretariat conducted a visit to Vietnam in March 2017 to assist Vietnam's efforts to improve its AML/CFT system, including commencing preparations for its mutual evaluation in late 2019. Australia provided funding to support the secretariat.
4. The APG held the joint APG/MENAFATF Typologies Workshop in Saudi Arabia, November 2016.
5. The secretariat continued engagement with existing observer jurisdictions including Tuvalu and DPRK (the latter for ICRG-related issues).
6. The secretariat presented on the wildlife crime and TF and social media typologies projects at the FATF's RTMG joint experts' meeting in Moscow from 24 to 27 April 2017.

ENSURE EFFECTIVE GOVERNANCE STRUCTURES, INCLUDING PLENARY OF MEMBERS AND OBSERVERS, STEERING GROUP, CO-CHAIRS, COMMITTEES AND SECRETARIAT

Required activities in 2016–2017:

1. The 20th annual meeting and technical assistance forum will be delivered in Colombo, Sri Lanka in July 2017.
2. The membership will review the APG work programme over the course of the existing mandate and decide to implement the most effective mechanism(s) to address the growing workload.
3. The steering group (SG) will consult with members and meet at least five times in the year to provide on-going advice to the membership and Co-Chairs on governance, policy and planning issues and will implement, where needed, the membership decisions and directions made at the 2016 annual meeting.
4. APG working groups will deliver projects and programmes as agreed by the membership.
5. The executive secretary will effectively manage the work of the APG secretariat.

Achievements:

1. The 2017 annual meeting was delivered and hosted by the government of Sri Lanka. Sponsorship for priority delegates was arranged by the APG with funds from China and Chinese Taipei.
2. The APG reviewed its programme and considered Korea's proposal for the APG to hold two plenary meetings per year. A proposal to restructure working groups was endorsed at the 2017 annual meeting.
3. The SG met five times by teleconference during the year and held a face-to-face meeting in the margins of 2017 annual meeting. Sub-regional SG representatives contributed to the work of the SG through participation in all meetings and consultation with sub-regions.
4. The secretariat provided administrative and advisory support and briefing documents to the Co-Chairs and SG as per section 6.3 and Annex A of the *APG Terms of Reference 2012*.
5. At the 2017 annual meeting all sub-regional groups elected one representative for a one-year term on the SG/governance committee.
6. The Mutual Evaluation Working Group (MEWG) met by teleconference four times during the year and held face-to-face meetings on Sunday 16 July and Monday 17 July 2017, in the margins of the APG annual meeting. The MEWG contributed to FATF policy development work; considered changes to the APG ME procedures; discussed third round reports; and endorsed third round and transitional follow-up reports.
7. The executive secretary effectively managed the work of the secretariat by facilitating communication across the membership and with observers and external stakeholders through annual reporting, mid-year reporting, APG website, email communications and information updates.

RESOURCE THE APG AND ITS OPERATIONS AND ENSURE PROPER MANAGEMENT OF APG FUNDS AND ACTIVITIES

Required activities in 2016–2017:

1. Members and observers will support operations through voluntary contributions, project support, active participation, expert advice or other resources in addition to members' budget contributions.
2. The secretariat will manage and report on APG revenue and expenditure in accordance with the agreed 2016–2017 budget and legal obligations of the host government, Australia.
3. The secretariat will engage auditors to review of APG end of year financial statements and file an independent audit report to be attached to the APG's Annual Report 2016–2017.

Achievements

1. APG members Australia, Canada, China, Chinese Taipei, New Zealand, Singapore and the United States provided project support and voluntary contributions to APG programmes including funds for specific activities such as visits to members, sponsored travel and workshop costs as well as costs related to staff establishment (Part Four of this annual report contains details). Substantial new voluntary funding is being provided by New Zealand to support technical assistance and training in the Pacific over the next five years, commencing FY2017–2018.
2. The secretariat managed APG funds in accordance with Australian law, and the host agency's governance framework as well as internal secretariat policies, within agreed timeframes. Substantial savings were achieved in FY2016–2017.
3. An independent financial audit of APG funds was conducted and the audit report is attached at **Annex B**.

ACTIVELY PARTICIPATE IN INTERNATIONAL AML/CFT POLICY DEVELOPMENT AND, STANDARD SETTING PROCESSES THROUGH COOPERATION WITH THE FATF AND INTERNATIONAL PARTNER ORGANISATIONS

Required activities in 2016–2017:

1. Participate in FATF plenary, working group and inter-sessional meetings. The APG will also participate in one other FSRB meeting in 2016–2017.
2. Coordinate APG inputs to the FATF's and other bodies' projects, policy development, assessment work and studies of risks, trends and methods.

Achievements:

1. The APG effectively contributed as a FATF associate member in FY2016–2017 by participating in all regular FATF plenary meetings, working groups, including the Global Network Coordination Group, Asia-Pacific Joint Group (formerly the Regional Review Group) meetings and in the FATF review of ICRG rules. The APG was unable to participate in an FSRB meeting due to competing priorities.
2. The APG MEWG and the secretariat contributed to FATF's policy development work on AML/CFT standards. Members of the MEWG actively participated in workshops on implementation of the revised FATF standards.
3. The APG's consolidated position and/or individual members' views for policy issues were provided to FATF in the following areas:
 - mutual evaluations, including universal procedures, follow-up rules and common principles on transitional procedures;
 - ICRG rules; and
 - FATF initiatives on terrorist financing and proliferation financing, including APG inputs to the FATF TF fact finding project and updates to the interpretative note to FATF Recommendation 7 and PF-related guidance.

STRATEGIC GOAL #2

COOPERATION IN UNDERSTANDING RISK ENVIRONMENT AND IMPLEMENTING STANDARDS

SUPPORT RESEARCH ON AML/CFT RISKS AND CONTEXTUAL ISSUES

Required activities in 2016–2017:

1. Deliver the 2016 typologies and capacity building workshop with the MENAFATF in December 2016 in Saudi Arabia, focusing on terrorism financing.

2. Undertake a joint APG/ MENAFATF typologies project on a topic to be jointly agreed.
3. Participate in/contribute to FATF and other FSRB typologies activities relevant to APG business.
4. Review and strengthen the typologies framework and content of the annual typologies report.

Achievements:

1. The joint MENAFATF/APG typologies workshop was held in Jeddah, Saudi Arabia from 28 November to 1 December 2016. The workshop focused on terrorism financing and social media, ML through electronic means, proceeds of corruption in foreign countries and best practices and barriers to domestic interagency information sharing.
2. The APG and MENAFATF, with Malaysia and Egypt as co-chairs, are conducting a joint project on terrorist financing and social media. The project will identify techniques and trends associated with the use of social media for financing acts of terrorism, individual terrorists or terrorist organisations. The project will conclude in November 2017.
3. The APG and UNODC finalised a joint project on *Enhancing the detection, investigation, and disruption of illicit financial flows from wildlife crime*. The project considered risks and vulnerabilities of money laundering in wildlife trafficking and encouraged cooperation between civil society, financial institutions, and government agencies with anti-money laundering responsibilities. The project developed a good practices guideline to enhance the financial aspects of wildlife crime investigations in the Asia/Pacific region.
4. The secretariat attended the FATF RTMG joint experts' meeting in Moscow from 24 to 27 April 2017. The secretariat presented on APG projects relating to wildlife crime and TF and social media.
5. The secretariat reviewed and strengthened the APG typologies framework and content of the annual typologies report for the 2017 annual meeting.

IDENTIFY DOMESTIC AND REGIONAL ISSUES THAT AFFECT IMPLEMENTATION OF THE FATF STANDARDS, INCLUDING MEMBERS' ASSISTANCE NEEDS AND OPPORTUNITIES FOR ENHANCED INTERNATIONAL COOPERATION

Required activities in 2016–2017:

1. Engage with members and technical assistance providers to identify domestic and regional assistance needs and implementation issues arising from members' experience of international cooperation, risk assessments, typologies work, mutual evaluations (including follow-up) and FATF processes (including the FATF's Terrorist Financing Fact Finding Initiative).
2. Continue to identify domestic and regional implementation issues through the APG's technical assistance and training coordination processes.

Achievements:

1. The secretariat has reached out to all APG members and observer jurisdictions asking them to nominate a specific point of contact for international cooperation between AML/CFT supervisors. This will remain an ongoing information collection element for the APG so that members have a first point of contact whenever they seek to cooperate with foreign partner supervisors on issues including sharing information on: risk; fit and proper information; planning and conducting outreach; planning and conducting offsite/onsite supervision; sanctioning; etc.
2. The APG continued to identify domestic and regional implementation issues through the APG's technical assistance and training coordination processes, and encouraged technical assistance in response to identified needs.

3. The UNODC and APG secretariat have designed and are planning to deliver a broad-ranging project to provide a simplified risk assessment methodology for Pacific Island jurisdictions.
4. In response to discussions related to the threat of corruption, the APG is working with relevant DAPs to design and deliver bilateral analyst exchanges that use international cooperation and peer-to-peer learning to enhance the use of financial analysis in combating corruption.

PROVIDE GUIDANCE, ADVICE, AND TECHNICAL ASSISTANCE ON IMPLEMENTATION OF THE FATF STANDARDS, IN COLLABORATION WITH GLOBAL PARTNERS

Required activities in 2016–2017:

1. Support APG, FATF and other bodies' work to share experience and develop guidance/implementation support on topics including risk assessments; international cooperation; terrorist financing; proliferation financing; targeted financial sanctions; illicit financial flows from wildlife smuggling; and supervision.
2. Deliver strategic implementation planning support pre- and post-mutual evaluations.

Achievements:

1. The secretariat advised Pacific members on beneficial ownership and transparency issues at the ADB and New Zealand Company Registries Workshop (March 2017, Sydney).
2. The secretariat began preparations for a workshop on NPO regulation, to take place in November 2017, to avoid the threat of TF abuse, including seeking funding to support participants.
3. The secretariat presented and advised jurisdictions from South and South East Asia on risk assessment issues at the World Bank ASEAN Regional workshop on risk assessment (March 2017, Busan).
4. With funding from the US Department of State, the APG is providing jurisdiction-specific technical assistance to four Pacific Island members (Tonga, Cook Islands, Fiji and Palau). The programme includes a workshop for each of the four jurisdictions, followed by two mentoring visits. The programme saw successful completion of a workshop on improving ML/TF investigations in Tonga (October 2016), Cook Islands (March 2017), and Fiji (June 2017). A further workshop is planned for Palau (August 2017), to be followed by mentoring visits on high priority issues for each of the four jurisdictions.
5. The APG conducted technical assistance visits to Palau and Cook Islands to assist in engaging stakeholders and raising awareness of the upcoming mutual evaluation and ML/TF obligations generally.

SUPPORT THE COORDINATION OF TECHNICAL ASSISTANCE BETWEEN MEMBERS AND RELEVANT PROVIDERS OF ASSISTANCE

Required activities in 2016–2017:

1. Annual technical assistance and training forum in 2017 to facilitate discussions between members and donors/providers.
2. Collect and analyse information on gaps in members' AML/CFT systems and coordinate technical assistance to address those gaps.
3. Coordinate and support assistance provided by the DAP Group.
4. Tele-conferences to coordinate technical assistance in the Pacific and across other sub-regional groups.

Achievements:

1. The secretariat conducted the annual technical assistance and training forum in July 2017 which facilitated discussions between members and donors/providers.

2. The secretariat held a teleconference of the DAP Group in February 2017 to continue discussions and follow up on outcomes from the 2016 forum.
3. Over the year, the secretariat remained in regular contact with DAPs to assist as necessary, including assisting with introductions and coordination, providing background information on technical assistance activities and needs, and advising on FATF Standards.
4. Members adopted the *Technical Assistance & Implementation Activities 2017* report during the 2017 annual meeting which outlines all of the year's technical assistance and training as well as related activities. A report back was given to the plenary at the 2017 APG annual meeting providing information to members on the technical assistance activities and plans.
5. Prior to the 2017 forum, the secretariat distributed information on members' needs and their ongoing technical assistance and training activities. The secretariat analysed information received from members in addition to mutual evaluation reports, ICRG action plans, progress and follow-up reports in order to provide DAPs with a clear understanding of members' contexts, needs and implementation gaps.
6. Upon completion of the forum, the secretariat followed up discussions with a report on commitments and outcomes for the DAPs with respect to each of the 27 members which receive technical assistance.

STRATEGIC GOAL #3

CONDUCT AND RESPOND TO ASSESSMENTS

CONDUCT THE APG'S THIRD ROUND MUTUAL EVALUATION PROGRAMME

Required activities in 2016–2017:

1. Complete mutual evaluations for adoption at the 2017 annual meeting for Cambodia; Macao, China; Mongolia; Thailand and the United States, including through pre-mutual evaluation, on-site and face-to-face visits as required.
2. Commence another four (4) mutual evaluations to be adopted at the 2018 annual meeting including through pre-mutual evaluation visits as required.
3. Adopt an updated APG third round mutual evaluation schedule at the 2017 annual meeting.

Achievements:

1. Mutual evaluation reports were adopted at the 2017 annual meeting for Cambodia; Macao, China; Mongolia; Thailand and the United States.
2. Mutual evaluations of the Cook Islands; Indonesia; Myanmar; and Palau commenced in May/June 2017 and the reports will be adopted in 2018. Pre-mutual evaluation visits and on-site evaluation visits will occur in the second half of 2017 for each of these members.
3. A pre-mutual evaluation visit to China, co-facilitated by the IMF, was conducted in Shanghai in February/March 2017.
4. A revised APG third round mutual evaluation schedule was approved at the 2017 annual meeting.

RESPOND TO MUTUAL EVALUATIONS WITH FOLLOW-UP PROCESSES

Required activities in 2016–2017:

1. Implement APG's transitional mutual evaluation follow-up procedures to monitor members' progress.
2. Implement APG third round follow-up procedures to monitor members' progress.
3. Secretariat will document cases of insufficient progress for MEWG, SG and Co-Chair consideration.
4. Membership will consider actions to be taken in cases of insufficient progress.

Achievements:

1. The transitional and third round ME follow-up procedures are being implemented.
2. The secretariat and review teams continued to monitor members' progress with 16 transitional reports and six third round follow-up reports discussed and adopted at the APG annual meeting 2017.
3. The proposed amendments to the APG *Third Round Mutual Evaluation Procedures 2017* were adopted at the 2017 annual meeting. The amendments to the APG procedures were made pursuant to amendments to the FATF's *Universal Procedures* approved in February 2017.
4. The transitional follow-up reports of two members under expedited transitional follow-up were considered by the SG and as membership issues at the annual meeting.

SUPPORT THE MUTUAL EVALUATION PROGRAMME AND FOLLOW-UP WITH EXPERTS, TRAINING AND PROCEDURES

Required activities in 2016–2017:

1. Members and observers will provide assessors for each APG evaluation, and support their work in serving as assessors, including joining on-site visits and face-to-face meetings.
2. Deliver assessor and pre-mutual evaluation training workshops for mutual evaluations planned in 2017–2018.
3. Provide support to members undergoing a mutual evaluation.

Achievements:

1. Assessors have been identified for 2017–2018 mutual evaluations.
2. A joint FATF/CFATF/APG assessor training workshop was held in Washington DC from 27 to 31 March 2017.
3. The APG secretariat hosted an APG assessor training workshop in Sydney from 1 to 5 May 2017.
4. The next APG assessor training/pre-mutual evaluation workshop will be conducted in Hong Kong, China in January 2018.

PARTICIPATE IN THE FATF'S ICRG AND ITS PROCESSES ON BEHALF OF APG MEMBERS

Required activities in 2016–2017:

1. Provide assistance, advice and engagement with APG members and technical assistance donors on FATF's ICRG rules and procedures and strategic responses to ICRG review.
2. Provide APG input to FATF ICRG processes and the development of ICRG procedures.
3. Actively participate in FATF ICRG meetings and inter-sessional Joint Group meetings.

Achievements:

1. The secretariat provided support to members in the ICRG process including Afghanistan, Lao PDR, Sri Lanka and Vanuatu, as well as APG observer the Democratic People's Republic of Korea.
2. Timely advice and explanatory materials were provided to members under ICRG review including: advice on ICRG process, rules and practice; general comments on legislative, regulatory and administrative measures needed to address ICRG concerns; and the impact of ICRG processes on APG membership status.
3. The APG provided policy input to FATF on the review of ICRG processes (e.g., consolidation of ICRG rules, harmonization with ME follow-up).
4. The APG participated in:
 - a) three ICRG meetings during FATF plenaries (October 2016, February 2017 and June 2017);

- b) three Asia-Pacific Joint Group meetings to support members under ICRG review;
 - c) two onsite visits ahead of ICRG de-listing: Afghanistan and Lao PDR; and
 - d) FATF review of ICRG rules for the FATF's 4th round of evaluations.
5. The APG conducted four ICRG-related support visits in 2016–2017 namely: Sri Lanka (July 2016), Vanuatu (December 2016 and May 2017) and Lao PDR (April 2017).

SUMMARY OF BUDGET OUTCOMES FOR 2016–2017

A core budget for 2016–2017 of \$ \$2,590,569 was approved and adopted at the 2016 annual meeting. Below is an overview of the APG finances in the year 2016–2017. All figures are in Australian dollars.

Contributions required from members to meet the 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 \$9,895. As in previous years, members noted at the 2016 annual meeting that the core budget would not, of itself, enable the APG to complete the work outlined in the 2016–2017 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of ‘non-core budget’ funding totalling \$1,259,467 should be made available in 2016–2017 to meet the costs of the APG’s agreed work programme. Total revenue from all sources was budgeted at \$3,540,036. Total proposed expenditure from all streams of funding (core and non-core), including reserves of \$310,000, was \$3,850,036. The APG therefore budgeted for a deficit of \$310,000, including ‘emergency reserves’ of up to \$140,000 to support the hosting of the re-scheduled 2016 annual meeting.

The budget outcomes for the period 1 July 2016 to 30 June 2017, based on the audited financial reports (**Annex B**) are as follows:

- the APG commenced the FY2015–16 with a total equity of \$416,589;
- total income for the year was \$3,464,189 with \$2,590,569 coming from APG members in required contributions, and \$872,621 in voluntary contributions and other revenue and gains;
- total expenditure for the year to 30 June 2017 from all revenue sources was \$3,455,529 including expenditure against the core budget, ‘reserved’ expenditure, and 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 2016–2017 was a surplus of \$8,660; and
- the APG therefore had a total equity of \$425,429 as at 30 June 2017.

This outcome is significantly better than expected, due primarily to lower than budgeted expenditure from the core budget and from reserves/voluntary donations in employee and travel costs.

External (voluntary) financial support 2016–2017

A number of APG members provided financial support over and above members’ fee obligations for APG business during 2016–2017.

One APG member paid a general voluntary contribution in 2016–2017, that is a donation not tied to any particular project or activity and which is rolled into general revenue:

- Australia: Australia’s calculated contribution was \$200,465. Australia actually paid \$270,000, including a voluntary contribution of \$69,535. These funds were spent on salaries (to reduce expenditure which otherwise would have come from the core budget).

Seven members provided project funding, which is funding tied to a particular activity:

- Australia: In August 2016, the Attorney-General’s Department (AGD) provided AU\$50,000 to support the attendance of selected APG members at the 2016 annual meeting in San Diego. Approximately \$36,344 of this amount was spent on annual meeting sponsorship, with a further \$4,158 spent on other activities with the agreement of AGD. The remaining \$9,498 is due to be spent in 2017–2018;
- Canada: In January 2017, the Department of Foreign Affairs, Trade and Development’s Counter-Terrorism Capacity Building Program (CTCBP) agreed to provide CA\$350,000 (approximately AU\$350,000) over three

years (commencing in 2016) to support APG efforts to build capacity in member jurisdictions to combat the financing of terrorism in the Asia/Pacific region. CA\$119,566 (approx. AU\$119,000) was provided for FY2016–2017. \$61,273 of that amount was spent as at 30 June 2017, with unspent funds to be rolled over into years two and three of the agreement;

- China: China made a voluntary contribution of \$100,000 in 2014 to support specific Pacific APG members' attendance at APG annual events. The remaining \$7,693 of this donation was realised as revenue in 2016–2017. China made a new voluntary contribution of \$149,000 in December 2016 to support specific Pacific APG members' attendance at APG annual events for a two year period (December 2016 to December 2018). \$2,117 was realised as revenue in 2016–2017;
- New Zealand: the Ministry of Foreign Affairs and Trade (MFAT) and the Ministry of Justice provided NZ\$40,000 each over two years (a total of NZ\$80,000 or approximately AU\$73,600) in support of the additional (third) executive officer position that was filled in April 2015. The \$26,907 in remaining funds was spent in 2016–2017. In November 2015, MFAT agreed to provide a total of NZ\$68,450 (approximately AU\$42,800) to support various activities on a reimbursement basis. \$2,800 of these funds was spent in 2016–2017. This project funding is now finalised. Finally, In August 2016, MFAT agreed to provide NZ\$50,150 (approx. AU\$50,000) to support priority jurisdictions from South and South East Asia to attend the 2016 Typologies Workshop in Jeddah, Saudi Arabia. \$35,512 was spent in 2016–2017. This project is now finalised;
- Singapore: Singapore provided AU\$43,634 (S\$50,000) over two years in support of the additional (third) executive officer position that was filled in April 2015. The \$15,936 in remaining funds was spent in 2016–2017;
- Chinese Taipei: Chinese Taipei provided a grant in 2015 of \$122,100 over two years (January 2015 to January 2017) for priority Pacific Island APG members and observers to more effectively engage with the APG and to implement the global AML/CFT standards. The remaining \$9,927 from a prior grant was also rolled into this grant. \$48,333 was realised as revenue in 2016–2017. The remaining \$11,123 available in funding was rolled into a new grant of \$70,000 over two years (January 2017 to January 2019) for priority Pacific Island APG members and observers received from Chinese Taipei in January 2017;
- United States: in October 2012, the US State Department provided \$23,548 to fund a training placement for the Timor-Leste FIU in the Indonesian FIU (PPATK). A further \$4,842 of these funds was realised as revenue in FY2016–2017. The remaining \$3,755 of this donation is due to be spent in 2017–2018. In October 2013, the US State Department provided \$164,965 (US\$153,580) in support of APG mutual evaluation (ME) training, in country Pre-ME training and the trans-Pacific drug routes typologies project. No funds were realised as revenue in 2016–17. The remaining \$17,803 is due to be spent in 2017–2018. The US State Department provided AU\$120,000 (US\$115,000) over two years in support of the additional (third) executive officer position that was filled in April 2015. The \$44,072 in remaining funds was spent in 2016–2017. Finally, in August 2016, the State Department provided a grant of US\$75,000 (AU\$98,555) to support members on the FATF ICRG list from the Pacific jurisdictions building their capacity and address deficiencies. \$22,657 was realised as revenue in 2016–2017.

In kind (voluntary) support 2016–17

Australia (AFP) provided office accommodation and essential support services (legal, HR, financial and IT) to the APG secretariat during the financial year in the total attributed amount of \$490,721.

Budget for 2017–2018

A 'core' budget for 2017–2018 of \$2,767,790 was approved and adopted at the 2017 annual meeting – an increase of 6.8% over the 2016–2017 budget. APG members also approved total non-core expenditure from available reserves, voluntary funding and 'in-kind' hosting support from the AFP (as above) in the amount of \$1,543,288 in 2017–2018.

PRINCIPAL TASKS 2017–2018

The APG's key tasks for 2017–2018 (some of which are dependent on external funding) are as follows:

Key meetings

The following key meetings will occur in 2017–2018:

- 21st APG annual meeting and annual forum on technical assistance and training in July 2018;
- 2017 APG typologies workshop, Busan, Korea in November 2017;
- APG Governance Committee will meet at least five times in the year as follows: August/September 2017; November/December 2017; February/March 2018; May/June 2018; and in July 2018.

Membership visits

Up to three membership-related visits will be undertaken to members and non-members to facilitate full and active membership and promote commitment to the global AML/CFT standards. Additional visits and activities will be undertaken with external donor funding.

Participation in Global AML/CFT Network

As an associate member of the FATF, the APG will continue to participate in:

- three FATF plenary meetings and working group meetings in the FATF;
- either one FATF inter-sessional meeting (if required) or the FATF typologies meeting;
- an FSRB meeting; and
- meetings of the Asia-Pacific Joint Group.

Information from the FATF and other AML/CFT bodies will be communicated to members when received via the APG website and/or individual correspondence/communication.

The APG secretariat will provide communications, information and liaison assistance to the Asia-Pacific Joint Group in further support of APG members in accordance with the *APG Strategic Plan 2016–2020*.

Third round of evaluations

The APG will:

- continue the APG's third round of mutual evaluations, including assessor/reviewer and pre-mutual evaluation training; complete a revised mutual evaluation schedule;
- continue to support the Mutual Evaluation Committee;
- develop and deliver at least one assessor training workshop under the 2013 FATF assessment methodology in support of the APG's third round of evaluations;
- support the delivery of one regional pre-ME workshop for APG members;
- undertake and complete four mutual evaluations with reports to be considered at the 2018 annual meeting;
- commence the mutual evaluations of six members with reports to be adopted in July 2019;
- review and prepare analysis reports of members under APG third round follow-up;
- implement and review the progress of the eight members subject to the transitional follow-up procedures for the 2018 annual meeting;
- continue to contribute to preparation of updated assessment methodology training materials; and
- review the FATF rules relating to mutual evaluation follow-up and the ICRG as they change and develop under the 2013 assessment methodology.

Typologies

The APG will continue to support the APG Operations Committee in its typologies work programme; review the typologies framework; organise and convene typologies events; and closely collaborate with the FATF and other strategic partners including supporting the FATF's Risk, Trends and Methods Group and the typologies work of other FSRBs directly relevant to APG business.

The APG will continue to:

- work with MENAFATF on the joint research project on terrorist financing and social media, due to be completed in November 2017;
- plan with FATF TREIN the annual typologies workshop scheduled for November 2017 in Busan Korea;
- work with the FATF and member jurisdictions on a the joint FATF/APG human trafficking and people smuggling project; and
- support regional training initiatives, led by donors and providers, by building upon relevant typologies work.

Implementation, technical assistance and ICRG activities

The APG will support the APG Operations Committee in its implementation issues work programme and provide priority assistance and support for APG members involved in the FATF's ICRG process, including participation at Asia-Pacific Joint Group meetings, ICRG meetings, information briefings, supply of information and interpretative materials, implementation assistance and coordination of technical assistance and training. The APG will undertake ICRG-related assistance visits to APG members under ICRG review.

The APG will assist members to develop sustainable strategies to meet mutual evaluation report (MER) recommendations and implement the updated Strategic Implementation Planning Framework to respond to priority recommendations in MERs.

The APG will continue to provide priority implementation assistance relating to combating proliferation financing. This will include working with global and regional bodies to identify and address challenges to effective implementation of the global standards to combat PF.

A number of regional AML/CFT technical assistance projects will be considered in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors. The secretariat will support existing mechanisms with the Pacific Island Forum secretariat and the ASEAN secretariat, and will continue efforts to support greater cooperation with South Asian regional bodies.

The APG secretariat will also collaborate with DAP Group members and recipient member jurisdictions to develop, coordinate and deliver AML/CFT-specific programmes, including:

- regional programmes to support improved assessments of risk and strategic responses to risk mitigation;
- regional programmes to build AML/CFT capacity amongst AML/CFT supervisors and regulators, in particular in relation to international cooperation between supervisors;
- regional enforcement and prosecution capacity building programmes focusing on targeting policy responses to proceeds of crime and terrorist financing, including through improved international cooperation;
- AML/CFT implementation programmes related to targeted financial sanctions against terrorism and proliferation financing; including a regional program on counter terrorism financing with the NPO sector; and
- regional programmes to improve capacity to utilise financial investigation techniques to combat corruption.

APG resources

The financial resources required to achieve these programmes and plans for 2017–2018 extend beyond members' core contributions to include additional financial resources, as well as human and technical resources. Many technical assistance activities and visits rely on voluntary funding and on participation by individual member experts.

The APG will continue in the coming year to seek additional resources from members and observers to assist in meeting our strategic objectives.

ANNEX A

APG Activities, Visits and Conferences 2016–2017

Associate Member Activities	Visits	Conferences, workshops and seminars
<ul style="list-style-type: none"> • A-P Joint Group, Thailand, September 16 • FATF plenary, France, October 16 • A-P Joint Group, Australia, January 17 • FATF plenary, France, February 17 • FATF joint experts meeting on typologies, April 17 • A-P Joint Group, Lao PDR, April 17 • FATF Typologies Meeting, Russia, April 17 • FATF plenary, Spain, June 17 	<ul style="list-style-type: none"> • ICRG support visit, Sri Lanka, July 16 • Joint FATF/APG US ME F2F, France, August 16 • PF workshop, Korea, August 16 • Cambodia, pre-ME visit, Cambodia, August 16 • Mongolia, pre-ME visit, Mongolia, August 16 • APG annual meeting and TA&T forum, US, September 16 • Thailand, pre-ME visit, Thailand, September 16 • Macao, China, pre-ME visit, Macao, China, September 16 • Mongolia, ME onsite visit, October 16 • Thailand, ME onsite visit, November 16 • Macao, China, ME onsite visit, November 16 • High level visit (HLV) to Philippines, November 16 • Joint APG/MENAFATF typologies workshop, Saudi Arabia, November 16 • Cambodia, ME onsite visit, December 16 • ICRG support visit, Vanuatu, December 16 • Palau, pre-ME visit, January 17 • HLV to Indonesia, February 17 • China, pre-ME, February 17 • Strategic Implementation Planning visit to Bhutan, March 17 • HLV to Vietnam, March 17 • Thailand, ME F2F visit, March 17 • MFATF/TA&T meeting, New Zealand, April 17 • Lao PDR ICRG onsite visit, April 17 • Cook Islands, pre-ME visit, May 17 • Mongolia, ME F2F visit, May 17 • Macao, China ME F2F visit, May 17 • Cambodia, ME F2F visit, May 17 • ICRG support visit, Vanuatu, May 17 	<ul style="list-style-type: none"> • Interpol SE Asia seminar on social media and CT, Singapore, July 16 • AUSTRAC/PPATK 2nd Joint Indonesia/Australia regional CFT summit, Indonesia, August 16 • Pre-ME workshop, Chinese Taipei, October 16 • IFCTF Conference, Malaysia, October 16 • Tonga ML/TF investigations workshop, Tonga, October 16 • University of Sydney lecture, Australia, November 16 • ADB/OECD Anti-Corruption Initiative for the Asia Pacific Summit, Bhutan, November 16 • 2nd ASEAN international economic crime workshop, Singapore, November 16 • IMF pre-ME workshop, Singapore, November 16 • ABA ROLI, Anti-Corruption Roundtable, Thailand, December 16 (via Skype) • FATF TREIN workshop, Korea, December 16 • Thomson Reuters regulatory summit, Tokyo, March 17 • Global emerging markets conference, Malaysia March 17 • Oceania Customs Organisation information working group meeting, March 17 • OECD Global Forum workshop, Philippines, March 17 • APG assessor training, Sydney, May 17 • Thompson Reuters regulatory summit, Australia, June 17 • ML investigations workshop, Fiji, June 17

ANNEX B

2016–2017 APG Audit Report and Financial Statements

Independent Auditor's Report to the Members of the Asia/Pacific Group on Money Laundering

Opinion

We have audited the financial report, being a special purpose financial report, of Asia/Pacific Group on Money Laundering, which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the Statement by the Executive Secretary.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Asia/Pacific Group on Money Laundering as at 30 June 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Asia/Pacific Group on Money Laundering in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 1.2 to the financial statements which describes the basis of accounting. The financial report is prepared to assist the Asia/Pacific Group on Money Laundering to meet the requirements of Section 6.5 of the *APG Terms and Reference 2012*. As a result the financial report may not be suitable for another purpose. Our report is intended solely for the Asia/Pacific Group on Money Laundering and should not be distributed to parties other than the Recipients.

Responsibilities of the Executive Secretary for the Financial Report

The Executive Secretary of the Asia/Pacific Group on Money Laundering is responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of Section 6.5 of the *APG Terms of Reference 2012* and is appropriate to meet the needs of the members. The Executive Secretary responsibility also includes such internal control as the Executive Secretary determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Secretary is responsible for assessing the Asia/Pacific Group on Money Laundering's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Asia/Pacific Group on Money Laundering or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Asia/Pacific Group on Money Laundering's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Asia/Pacific Group on Money Laundering's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Asia/Pacific Group on Money Laundering to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young
Canberra
7 September 2017

Asia/Pacific Group on Money Laundering

**Special Purpose Financial statements
for the year ended 30 June 2017**

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Statement by the Executive Secretary

In my opinion:

1. The Asia/Pacific Group on Money Laundering (APG) is not a reporting entity and these special purpose financial statements and notes:

- are based on properly maintained financial records and prepared in accordance with the accounting policies outlined in the overview to the financial statements which are appropriate to meet the needs of users;
- present fairly the APG's financial position as at 30 June 2017 and its performance for the year ended on that date; and

2. At the date of this statement, there are reasonable grounds to believe that APG will be able to pay its debts as and when they become due and payable.



Gordon Hook
Executive Secretary, APG Secretariat

7 September 2017

Statement of comprehensive income

for the year ended 30 June 2017

		2017	2016
	Notes	\$	\$
INCOME			
Contributions from members	1.1	2,590,569	2,355,608
Other contributions	1.2	382,899	478,177
Total revenue		2,973,468	2,833,785
Gains			
Resources received free of charge from the AFP		490,721	336,751
Total income		3,464,189	3,170,536
EXPENSES			
Employee benefits	2.1	2,270,333	2,199,859
Depreciation and amortisation		1,325	1,325
Supplier expenses	2.2	682,301	406,391
Travel expenses	2.3	501,356	501,774
Asset revaluation loss		214	-
Total expenses		3,455,529	3,109,349
Surplus		8,660	61,187

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

Statement of financial position

as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Financial Assets			
Cash and cash equivalents		3,653,417	1,344,475
Trade and other receivables	3	76,242	84,945
Accrued revenue		513	-
Total financial assets		3,730,172	1,429,420
Non-Financial Assets			
Property, plant and equipment		1,000	2,541
Prepayments		51,429	41,981
Total non-financial assets		52,429	44,522
Total assets		3,782,601	1,473,942
LIABILITIES			
Payables¹			
Supplier payables		157,287	50,459
Unearned income	4	2,463,672	332,943
Salaries and wages		15,453	6,730
Superannuation		2,642	1,145
FBT		1,592	7,070
Total payables		2,640,646	398,347
Provisions			
Leave provisions ²		716,706	659,006
Total liabilities		3,357,352	1,057,353
Net Assets		425,249	416,589
EQUITY			
Retained surplus		425,249	416,589
Total equity		425,249	416,589

1. All supplier payables are expected to be settled within 7 days (2016: 7 days). All other payables are expected to be settled within 12 months.

2. Employee provisions which are expected to be settled beyond 12 months (commonly long service leave), are discounted to present value using market

Statement of changes in equity

for the year ended 30 June 2017

	2017 \$	2016 \$
Retained surplus		
Opening balance, 30 June 2016		
Balance carried forward from previous period	416,589	355,402
Add: Surplus for the period	8,660	61,187
Closing balance as at 30 June 2017	425,249	416,589

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

Cash flow statement

for the year ended 30 June 2017

	2017 \$	2016 \$
Operating activities		
Cash received:		
Contributions and other receipts	5,049,745	3,068,342
Net GST received from ATO	8,745	11,004
Total cash received	5,058,490	3,079,346
Cash used:		
Employees	2,202,413	2,206,792
Suppliers and other payments	547,135	625,771
Total cash used	2,749,548	2,832,563
Net cash from / (used by) operating activities	2,308,942	246,783
Net increase/(decrease) in cash held	2,308,942	246,783
Cash and cash equivalents at the beginning of the reporting period	1,344,475	1,097,692
Cash and cash equivalents at the end of the reporting period	3,653,417	1,344,475

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

Overview

Objectives of Asia/Pacific Group on Money Laundering

The purpose of the Asia/Pacific Group on Money Laundering (APG) is to facilitate the adoption, implementation and enforcement of internationally accepted standards against money laundering, terrorist financing and financing of the proliferation of weapons of mass destruction, in particular the forty recommendations of the Financial Action Task Force (FATF). The APG allows for regional factors to be taken into account in the implementation of anti-money laundering, anti-terrorist financing and anti-proliferation financing measures and provides for peer review by means of a mutual evaluation process.

Basis of preparation of the financial statements

The APG's accounts form part of the Australian Federal Police (AFP) special account, Services and Other Entities Trust Moneys Account.

The AFP continued to host the APG for the year ended 30 June 2017 and has prepared this special purpose financial report for the members of the APG.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period with the exception of AASB 124, 'Related Parties' which has not been adopted by the APG.

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

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless alternative treatment is specifically required by an accounting standard, assets and liabilities are recognised in the Statement of financial position when it is probable that future economic benefits will flow to the entity or future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrecognised may be reported in a Schedule of contingencies. The APG does not have any contingencies as at 30 June 2017 (30 June 2016: nil).

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

Significant accounting judgements and estimates

In the process of applying the accounting policies listed in this note, the APG has made the following judgement that has the most significant impact on the amounts recorded in the financial statements:

- The liability for long service leave has been estimated using present value techniques. This takes into account expected salary growth through promotion, inflation, attrition and future discount rates.

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

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

- AASB 15 *Revenue from Contracts with Customers* applies from 1 January 2017. This standard is not expected to have any material impact upon the APG statements, however it may result in changes to revenue recognition with respect to APG members and other contributions.

Future Australian Accounting Standard Requirements

There are no new Accounting Standard requirements which are expected to have a material impact upon the APG statements.

Overview (cont)

Gains

Resources received free of charge

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

Financial instruments

The APG's financial instruments are measured at fair value. Interest-earning financial assets and liabilities are measured using the effective interest rate method. The carrying amount of all financial instruments in the Statement of financial position approximates fair value. Financial instruments held by the APG carry minimal credit, liquidity and market risk.

Property, plant and equipment

Asset recognition and initial measurement

Assets are initially recorded at cost. Purchases of property, plant and equipment are recognised initially at cost in the Statement of financial position, except for purchases costing less than \$2,000, which are expensed in the year of acquisition.

Revaluations

Following initial recognition at cost, property plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure the carrying amounts of assets do not differ from the assets' fair values as at the reporting date. The APG has adopted a 3 year valuation cycle based on an assessment the APG tests the valuation model as an internal management review at least once every 12 months to ensure there are no material differences. The last formal valuation occurred at 30 June 2017. Australian Valuation Services conducted the valuation. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

The fair value for property, plant and equipment is measured at depreciated replacement cost.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the APG using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to plant and equipment are based on the following useful lives:

	2017	2016
Plant and Equipment	1-5 years	1-5 years

Taxation

The APG is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses, assets and liabilities are recognised net of GST except:

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

Events after the reporting period

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

Note 1: Income

	2017	2016
	\$	\$
Note 1.1: Contributions from members		
Afghanistan	9,895	8,995
Australia	200,465	179,621
Bangladesh	13,153	11,360
Bhutan	9,895	8,995
Brunei Darussalam	9,895	8,995
Cambodia	9,895	8,995
Canada	222,333	207,111
China	304,427	276,752
Chinese Taipei	66,180	60,012
Cook Islands	9,895	8,995
Fiji	9,895	8,995
Hong Kong, China	54,610	51,085
India	185,261	180,288
Indonesia	92,449	80,353
Japan	374,130	340,119
Korea	143,469	127,643
Lao PDR	9,895	8,995
Macau, China	9,895	8,995
Malaysia	39,469	35,078
Maldives	9,895	8,995
Marshall Islands	9,895	8,995
Mongolia	9,895	8,995
Myanmar	9,895	8,995
Nauru	9,895	8,995
Nepal	9,895	8,995
New Zealand	48,443	43,014
Niue	9,895	8,995
Pakistan	23,267	21,016
Palau	9,895	8,995
Papua New Guinea	9,895	8,995
Philippines	26,849	24,090
Samoa	9,895	8,995
Singapore	70,539	60,729
Solomon Islands	9,895	8,995
Sri Lanka	9,895	8,996
Thailand	43,311	37,880
Timor-Leste	9,895	8,995
Tonga	9,895	8,995
United States	438,633	398,757
Vanuatu	9,895	8,995
Vietnam	15,996	13,814
Total member contributions	2,590,569	2,355,608

Note 1: Income (cont)

	2017	2016
	\$	\$
Note 1.2: Other contributions		
Voluntary Contribution - Australia	69,535	90,379
Voluntary Contribution - New Zealand	-	30,000
Project Contribution - Australian Department of Foreign Affairs and Trade	-	28,455
Project Contribution - Australian Attorney General's Department	40,502	-
Project Contribution - Canadian Department of Foreign Affairs and International Trade	61,723	16,197
Project Contribution - China	10,080	42,319
Project Contribution - Chinese Taipei	48,333	47,312
Project Contribution - NZ Ministry of Foreign Affairs and Trade	-	10,112
Project Contribution - US State Department	22,657	22,030
Project Contribution - US - Timor-Leste	4,842	-
Project Contribution via Reimbursement - New Zealand	38,312	63,355
Project Co-funding for Executive Officer - US	44,072	65,066
Project Co-funding for Executive Officer - Singapore	15,936	24,246
Project Co-funding for Executive Officer - New Zealand	26,907	38,706
Total other contributions	382,899	478,177

Accounting Policy

Contributions

Member contributions are annual contributions from APG members to fund the ongoing activities of the APG. They are recognised as revenue in the membership year they pertain to.

Voluntary contributions are contributions from APG members or observers not tied to a particular APG project or activity. These funds are provided for the APG to spend as it sees fit, with approval from APG members through the annual budget process. They are recognised as revenue in the period they are received or invoiced.

Project contributions are additional allocations attributed to particular projects or activity as specified by the donor. Project contributions are recognised with reference to the stage of completion of the project and are generally received in advance. The proportion of the contribution relating to the uncompleted percentage of the project is recognised as unearned income.

Note 2: Expenses

	2017	2016
	\$	\$
Note 2.1: Employee benefits		
Wages and salaries	1,661,702	1,495,556
Superannuation:		
Defined contribution plans	80,251	127,662
Defined benefit plans	235,005	166,383
Leave and other entitlements	286,340	404,862
Other employee expenses	7,035	5,396
Total employee benefits	2,270,333	2,199,859

Accounting Policy

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

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

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

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

Leave

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

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

The liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2016. Attrition rates and pay increases through promotion and inflation are taken into account in the estimate of the present value of the liability. A full review by an actuary is conducted every 3 years.

Superannuation

Staff of APG are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap). The CSS and PSS are defined benefit schemes for the Commonwealth of Australia. The PSSap is an accumulation fund.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

APG make employer contributions to their employee's superannuation scheme at rates determined by an actuary to be sufficient to meet the cost to the Government of the superannuation entitlements of the APG's employees. APG accounts for the contributions as if they were contributions to defined contribution plans.

Note 2.2: Supplier expenses	2017	2016
	\$	\$
Goods and services		
Consultants and contractors	177,520	24,573
Audit fees	14,545	13,636
Staff and recruitment	5,720	455
Conference costs	111,425	5,906
Communications and IT	12,346	11,073
General and office	9,656	7,262
Building and accommodation	35,865	39,347
Office space	278,761	275,368
Other expenses	13,172	8,461
Total goods and services	659,010	386,081
Other supplier expenses		
Workers compensation expenses	23,291	20,310
Total other supplier expenses	23,291	20,310
Total supplier expenses	682,301	406,391

Note 2: Expenses (cont)

	2017	2016
Note 2.3: Travel expenses	\$	\$
Airfares	298,041	237,272
Accommodation	141,261	156,058
Other travel expenses	62,054	108,444
Total travel expenses	501,356	501,774

Note 3: Trade and other receivables

	2017	2016
	\$	\$
Member contributions and other receivables	76,218	22,277
GST receivable from the Australian Taxation Office	1,224	418
Receivable from AFP	-	63,450
Total trade and other receivables	77,442	86,145
Less impairment allowance account:		
Other receivables	(1,200)	(1,200)
Total impairment allowance account	(1,200)	(1,200)
Total trade and other receivables (net)	76,242	84,945

Accounting Policy

Receivables for goods and services are recognised at the nominal amounts due, less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 4: Unearned income

	2017	2016
	\$	\$
Member and project contributions paid in advance		
Member contribution - US State Department	69,600	51,554
Member contribution - US Treasury Department	27,924	57,005
Member contribution - Cook Islands	10,649	10,093
Member Contribution - Marshall Islands	234	181
Member Contribution - Mongolia	35	-
Member Contribution - Pakistan	3,228	3,370
Member Contribution - Papua New Guinea	900	-
Member Contribution - Timor-Leste	15	-
Project contribution - Australian Attorney General's Department	9,498	-
Project contribution - Canada	36,581	-
Project contribution - China	148,630	7,963
Project contribution - Chinese Taipei	81,122	59,456
Project contribution - NZ Ministry of Foreign Affairs and Trade	1,892,800	-
Project contribution - New Zealand	85,000	30,000
Project contribution - Singapore	-	-
Project contribution - US State Department	93,701	26,400
Project contribution - Timor-Leste	3,755	-
Project Co-funding for Executive Officer - US	-	44,072
Project Co-funding for Executive Officer - Singapore	-	15,936
Project Co-funding for Executive Officer - New Zealand	-	26,907
Other	-	6
Total unearned income	2,463,672	332,943



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Annual Business Report of the Asia/Pacific Group on Money Laundering 2016-2017

In this report: a summary of major APG business programmes completed and the objectives achieved for the financial year 1 July 2016 to 30 June 2017 including audited financial statements.