



ANNUAL REPORT

Asia/Pacific Group
on Money Laundering

2020-2021



The Asia/Pacific Group on Money Laundering (APG) is an inter-governmental organisation consisting of 41 members in the Asia-Pacific region, as well as organisations, and observers from outside the region.

Under Article 1 of the APG Terms of Reference 2019, the APG is a non-political, technical body, whose members are committed to the effective implementation and enforcement of the internationally accepted standards against money laundering, financing of terrorism and proliferation financing set by the Financial Action Task Force. This document, any expression herein, and/or any map included herein, are without prejudice to the status of, or sovereignty over, any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Under the APG Terms of Reference, membership in the APG is open to jurisdictions which have a presence in the Asia-Pacific region.

Cover image: The APG Annual Meeting 2021, hosted by Malaysia via virtual platform.

For more information about the APG, please visit the website.

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APG CO-CHAIRS' FOREWORD



Deputy Commissioner McCartney

In accordance with Section 5.5 of the *APG Terms of Reference 2019* 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 2020 to 30 June 2021.

This report highlights the achievements of the APG over the reporting period against the goals and strategies contained in the *Strategic Plan 2020–2024*. The Review of Special Purpose Financial Statements as reviewed by RSM Australia on 13 September 2021 are attached to this report.

The APG has continued to face challenges throughout year due to the COVID-19 pandemic, with many APG events and business activities postponed due to travel restrictions associated with the pandemic. Despite this, 2020-2021 has been a successful year with business outcomes delivered through the use of virtual platforms, as well as decisions made by the membership both out-of-session, and at the 2021 APG Annual Meeting.



Deputy Governor Omar

Over the last year, the APG conducted a number of virtual events and training programmes, including the 2021 APG annual typologies workshop, technical assistance and training forum, mutual evaluation preparation meetings and two assessor training workshops (including one hosted by China). The APG participated in the FATF Strategic Review and provided members' input and feedback facilitated by its Ad Hoc Committee, which met eight times over the year and conducted a number of rounds of consultation. In addition, the APG continued to implement the Co-Chairs' priorities for 2020-2022, focussing on DNFBP supervision, data analytics, public-private Partnership and secretariat resourcing (through secondments). These activities and many others are outlined in this report.

The APG finalised mutual evaluations of Japan and Tonga, and continued its work on a further four (4) evaluations: Vietnam, Brunei Darussalam, Lao PDR and the Republic of Marshall Islands. The APG adopted 17 third round APG ME follow-up reports and four FATF follow-up reports out-of-session throughout the year, and continued its work on a further three reports.

On behalf of all members we would like to extend our thanks to all APG members and observers who made 2020-2021 a successful year for the APG despite the continued challenges associated with the global pandemic and restrictions on international travel.

[signed]

Deputy Commissioner Ian McCartney
APG Co-Chair
Australia
7 October 2021

[signed]

Deputy Governor Marzunisham Omar
APG Co-Chair
Malaysia
7 October 2021

APG ORGANISATIONAL STRUCTURE 2020-2021

The APG has 41 member jurisdictions as follows:

- | | | |
|--------------------------------|--------------------------------------|------------------------------|
| 1. Afghanistan | 15. Korea, Republic of | 29. Papua New Guinea |
| 2. Australia | 16. Lao People's Democratic Republic | 30. Philippines |
| 3. Bangladesh | 17. Macao, China | 31. Samoa |
| 4. Bhutan, Kingdom of | 18. Malaysia | 32. Singapore |
| 5. Brunei Darussalam | 19. Maldives | 33. Solomon Islands |
| 6. Cambodia | 20. Marshall Islands | 34. Sri Lanka |
| 7. Canada | 21. Mongolia | 35. Chinese Taipei |
| 8. China, People's Republic of | 22. Myanmar | 36. Thailand |
| 9. Cook Islands | 23. Nauru | 37. Timor-Leste |
| 10. Fiji | 24. Nepal | 38. Tonga |
| 11. Hong Kong, China | 25. New Zealand | 39. United States of America |
| 12. India | 26. Niue | 40. Vanuatu |
| 13. Indonesia | 27. Pakistan | 41. Vietnam |
| 14. Japan | 28. Palau | |

The APG has eight observer jurisdictions and 32 observer organisations (including FATF-style regional bodies, or 'FSRBs'). APG observers to 30 June 2021 were as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
1. France	1. ADB/OECD Anti-Corruption Initiative	13. Interpol	1. CFATF
2. Germany	2. Alliance for Financial Inclusion	14. Islamic Development Bank	2. EAG
3. Democratic People's Republic of Korea	3. APEC secretariat	15. Oceania Customs Organisation	3. ESAAMLG
4. Kiribati	4. ARIN-AP	16. Pacific Islands Chiefs of Police	4. FATF
5. Federated States of Micronesia	5. ASEAN Secretariat	17. Pacific Islands Forum Secretariat	5. GABAC
6. Russian Federation	6. Asian Development Bank	18. Pacific Islands Legal Officers' Network	6. GAFILAT
7. Tuvalu	7. Commonwealth Secretariat	19. Pacific Financial Technical Assistance Centre	7. GIABA
8. United Kingdom	8. Egmont Group of FIUs	20. United Nations	8. MENAFATF
	9. European Commission	21. UN Office on Drugs and Crime	9. MONEYVAL
	10. Financial Services Volunteer Corps	22. World Bank	
	11. Group of International Finance Centre Supervisors	23. World Customs Organisation	
	12. IMF		

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. The rotating Co-Chair position was held by Malaysia during the reporting period, with a term from July 2020 to July 2022. Malaysia became a member of the APG in May 2000, and has previously served as APG Co-chair from 2000 to 2002.

Co-Chair, Australia: The Australian Co-Chair position is held by Deputy Commissioner Ian McCartney who assumed the role on behalf of Australia when Deputy Commissioner Leanne Close retired at the end of 2019. Deputy Commissioner McCartney is a career police officer with significant experience in national and international economic and organised crime investigations. In 2014, Ian was awarded with the Australian

Police Medal in recognition of his distinguished service, particularly in the areas of law enforcement liaison in Asia, and for his role in national investigations.

Co-Chair, Malaysia: The rotating Co-Chair position for 2020–2022 is held by Deputy Governor Marzunisham Omar on 24 July 2020. Mr Omar is the Deputy Governor of Bank Negara Malaysia, the chair of the National Coordination Committee to Counter Money Laundering and a member of the National Anti-Financial Crime Centre (NFCC) Advisory Board. Marzunisham joined Bank Negara Malaysia in 1993 and holds a MA in Economics from Cambridge University. He has 27 years of experience across various functions of Central Banking, ranging from economic and monetary policy, financial sector regulation and development, financial inclusion and organisational development.

Outgoing Co-Chair, Bangladesh: The rotating Co-Chair position for 2018-2020 was held by Mr Abu Hena Mohammad Razee Hassan, Head of Bangladesh Financial Intelligence Unit (BFIU)¹. Mr Hassan was the Head of BFIU since 2012, and is the Member Secretary of the National Coordination Committee (NCC) on anti-money laundering and combatting the financing of terrorism (AML/CFT). He was a member of the Working Committee on AML/CFT and the Anti-Militancy and De-Radicalization Committee, and was the convener of the Central Task Force for Prevention of Money Laundering and Terrorist Financing. In his time as APG Co-Chair, Mr Hassan has co-chaired the 22nd annual meeting in Canberra, Australia; co-chaired nine governance committee meetings; and has chaired the APG Ad hoc Strategic Review Committee meetings, an important review dealing with significant changes in FATF that affect the APG.

Previous Rotating Co-Chairs

Since the APG's establishment in 1997 there have been 12 rotating Co-Chairs as follows:

APG member	Agency/Department	Period
1. Philippines:	Department of Foreign Affairs	1998–2000
2. Malaysia:	Central Bank of Malaysia	2000–2002
3. Korea:	Korea Financial Intelligence Unit	2002–2004
4. Japan:	Japan Financial Intelligence Office	2004–2006
5. Indonesia:	Indonesian Financial Transaction Reports & Analysis Centre	2006–2008
6. Singapore:	Commercial Affairs Department	2008–2010
7. India:	Directorate of Enforcement	2010–2012
8. China:	People's Bank of China Anti-Money Laundering Bureau	2012–2014
9. New Zealand:	Ministry of Justice	2014–2016
10. Sri Lanka:	Financial Intelligence Unit	2016–2018
11. Bangladesh:	Bangladesh Financial Intelligence Unit	2018–2020
12. Malaysia	Bank Negara Malaysia	2020 – 2022

APG Co-Chairs' Priorities 2020-2022

In July 2020 at the commencement of the Malaysian Co-Chair's term, the APG membership endorsed a set of 'Co Chairs Priorities' for the term of the appointment linked to the strategic priorities of the membership. The Co-Chair's Priorities are included in the table (over).

Implementation Update (to July 2021)

1. DNFBP Supervision: A DNFBP Supervision webinar series for 2021-2022 commenced. Two webinars were delivered in the year as follows:
 - a) The first was conducted on 24 April 2021 and covered 'DNFBP Regulation: FATF International Standards and Implementation'.
 - b) The second was conducted on 16 June 2021 and covered 'Risk Assessments and DNFBPs: Regulatory and Supervisory Strategies to Address Risk'.

¹ Mr Abu Hena Mohammad Razee Hassan retired from his position in July 2021.

2. The webinar series is considered the first step towards establishing a *DNFBP Supervisors' Platform* to allow APG members to continuously share supervision expertise and experience, address common challenges and gaps on AML/CFT measures, and to provide DNFBP supervisors with the opportunity for ongoing engagement with international counterparts.
3. The APG, in partnership with Malaysia, will conduct the 3rd webinar on 27 October 2021 Which will discuss issues on risk-based supervision.
4. Data Analytics: This priority involves a focusing on increasing expertise and use of data analytics by AML/CFT competent authorities. The APG, in partnership with Malaysia, will conduct two events under this initiative.
 - a) The first is a webinar on Data Analytics and AML/CFT on 5 to 7 October 2021;
 - b) The second event is a 'Codeathon' that will be conducted in early 2022. The aim of the 'Codeathon' is to trigger more application of data analytics in addressing challenges in the field of AML/CFT (details on the event to be announced).
5. Public Private Partnership: The priority involves enhancing PPP and promoting the adoption and best practices of PPPs among APG members, through co-hosting two virtual events. The first event is a Technical Seminar on PPP which was conducted on 7 July 2021 as part of APG Virtual Annual Meeting 2021. This Technical Seminar was co-led by Malaysia, Fintel Alliance (AUSTRAC), and the Royal United Services Institute (RUSI). A second event will be conducted in late 2021 as part of the APG Typologies Workshop.
6. Annual Typologies Workshops: This priority enhances Malaysia's commitment to the APG's typologies programme including hosting annual typologies workshops. The 2021 workshop, is scheduled for 9 to 11 November and will be conducted virtually. Malaysia will host this workshop.
7. Secondment Program: Malaysia has committed to supporting the mutual evaluation programme through the provision of dedicated expert staff on virtual secondment. A six month pilot for the secondment programme commenced on 1 August 2021, and will be reviewed in late 2021. Based on the outcomes of this programme's evaluation, APG may consider opening participation to other members post completion of the Malaysian secondment.

APG Co-Chairs Priorities 2020-2022

No.	Priorities	Envisioned Deliverables	Relevant Goals in APG Strategic Plan 2020-2024
1(a)	<p>Enhance <u>DNFBPs supervision</u> (and possibly FI's AML/CFT supervision)</p> <ul style="list-style-type: none"> • DNFBPs supervision is a major deficiency for most jurisdictions at global level • Provide platform for jurisdictions with leading expertise to share experience in terms of resource management, supervisory approach and outreach 	<ul style="list-style-type: none"> • Targeted engagements/ technical assistance programme (bilateral or group event) • Development of supervisory framework or structured enhancement plan from participating jurisdictions 	<p>Technical assistance and training</p> <ul style="list-style-type: none"> • GOAL 4 - Working cooperatively and supporting implementation to effectively implement AML/CFT measures tailored to risk and context
1(b)	<p>Increase expertise and use of <u>data analytics</u> by authorities</p> <ul style="list-style-type: none"> • Fast-changing environment requires a sophisticated approach and most jurisdictions are actively exploring a suitable approach for data analytics • In-line with the incoming FATF President's priorities on digital transformation of AML/CFT 	<ul style="list-style-type: none"> • Targeted engagements/ technical assistance programme (bilateral or group event) • Collaboration between jurisdictions to develop AML/CFT data analytics strategy 	
2	<p>Promote best practices in <u>Public Private Partnership (PPP)</u></p> <ul style="list-style-type: none"> • Provide platform for jurisdictions which have successfully established PPP framework to share experience with others • Opportunity for APG to expand engagement with the private sector 	<ul style="list-style-type: none"> • Targeted engagements/ technical assistance programme (bilateral or group event) • Issuance of PPP best practices report 	<p>Private sector engagement</p> <ul style="list-style-type: none"> • GOAL 4 - Working cooperatively and supporting implementation to effectively implement AML/CFT measures tailored to risk and context

No.	Priorities	Envisioned Deliverables	Relevant Goals in APG Strategic Plan 2020-2024
3	<p>Expand APG typologies works and commitment to conduct <u>annual APG Typologies Workshop</u></p> <ul style="list-style-type: none"> APG Typologies Workshop was conducted annually since 1998 but it was not held in 2019 due to capacity constraints 	<ul style="list-style-type: none"> More collaboration with private sector moving forward especially as resource persons Malaysia is keen to drive the initiative by hosting the annual APG Typologies Workshop in the next 5 years 	<p>Typologies research</p> <ul style="list-style-type: none"> GOAL 4 - Working cooperatively and supporting implementation to effectively implement AML/CFT measures tailored to risk and context
4	<p>Increase availability of team members for <u>Mutual Evaluation (ME)</u> through <u>provisioning of dedicated officers</u> by the members to support the Secretariat via attachment and remote arrangement</p> <ul style="list-style-type: none"> APG is increasingly required to respond to FATF universal policies and procedures, which has resource and policy implications 12 APG MEs to be completed by 2023 and increasing burden from follow-up report (FUR) and follow-up assessment (FUA) Unforeseen circumstances resulting in the discontinuance of some activities in the short to medium term 	<ul style="list-style-type: none"> Participation of at least 3 jurisdictions in provisioning dedicated officers for the next 2 years 	<p>Mutual evaluations</p> <ul style="list-style-type: none"> GOAL 1 - Effective multilateral organisation to enhance the governance function and capability of the APG in order to ensure effective and transparent business planning and delivery GOAL 2 - Conducting and responding to assessments to identify strengths and weaknesses in members' national measures and programmes

Annual Meeting - COVID-19 pandemic

The 2021 Annual Meeting was held from 27 to 29 July 2021 in virtual format due to related travel restrictions resulting from the COVID-19 pandemic. A number of business activities have been adjusted, postponed or cancelled in 2020-2021 due to the above-mentioned pandemic, and the inability of secretariat staff and delegates to support certain activities or to conduct international travel. However, the APG has continued to deliver outcomes via virtual platforms, pursuant to its Virtual and Hybrid Events Policy.

Annual Forum on Technical Assistance

A virtual TA&T Forum was held in August and September 2021 as an alternative to the in-person annual TA&T Forum. On 3 and 5 August 2021, virtual meetings with Donors and Providers of Technical Assistance (DAPs) took place focused on technical assistance coordination and cooperation in APG Asia member jurisdictions and APG Pacific member jurisdictions, respectively. The TA&T Forum involved 22 virtual individual meetings between members and DAPs. These meetings focused on individual members' AML/CFT needs and potential DAPs assistance including potential remote assistance during the COVID-19 pandemic. The four member jurisdictions who did not convene individual meetings will still be supported by APG TA coordination with DAPs.

Membership Decisions and Outcomes 2020-2021

Governance

Strategic Plan 2020 – 2024: The Strategic Plan 2016 – 2020 expired on 30 June 2020. The GC considered three drafts of the Strategic Plan 2020-2024 throughout 2019-2020, incorporating comments and suggestions received through three consultation rounds with the APG membership. As a result of the cancellation of the 2020 annual meeting due to travel restrictions relating to the COVID-19 pandemic, the membership indicated that the formal adoption of the Strategic Plan should be deferred until proper discussion of the plan can occur at a plenary meeting. The Strategic Plan 2020-2024 was considered and adopted by the membership at the 2021 virtual APG annual meeting.

Terms of Reference 2019: The APG Terms of Reference was amended to create an automatic adoption mechanism for including any changes to the FATF Standards and Methodology.

Financial Performance 2020-2021

The audited APG financial statements for the year 2020-2021 are attached as **Annex B**. The APG ended the FY2020–21 in a stronger than forecast position. Performance during the year is summarised from those statements as follows:

- Income: \$4,341,827²
- Expenses: 3,877,229
- Surplus: 464,598
- Net equity: **\$1,313,529**

Notes to the financial statement explain each of the line items in detail. The APG finished FY2020-21 with a surplus of \$464,598 as opposed to the forecast deficit. This was largely due to the significant underspend in travel-related costs due to restrictions imposed in response to the COVID-19 pandemic.

² From all sources, core and voluntary. Notes 1 and 4 to Annex B explain.

Budget and Business Plan 2021-2022

The core budget for 2021-22 of \$3,305.743 represents an increase of 2.5% on the previous financial year which is less than the forecast 12.7% increase. Initiatives for the coming year are outlined in Part Five. A Business Plan for 2021-22 was also adopted by the membership to reflect the business outlined in the budget.

Mutual evaluation programme

Members adopted the joint FATF/APG mutual evaluations of Japan, Korea and New Zealand, and the APG mutual evaluation report of Tonga. Members also adopted the revised *APG Mutual Evaluation Procedures 2021, Supplementary Mutual Evaluation Procedures during the period of COVID-19 global pandemic* and a revised *APG 3rd Round Mutual Evaluation Schedule*.

The mutual evaluation report of Vietnam will be considered by the membership at an APG special plenary in November 2021. Mutual evaluations of Brunei Darussalam, Lao PDR and the Republic of Marshall Islands, commenced in 2019, were paused in early 2021. The timing of on-site visits for these evaluations are yet to be determined.

FATF Strategic Review

The FATF commenced a Strategic Review of the FATF Global Network assessment processes in June 2019. The review is considering the nature of future AML/CFT assessments and related follow-up activities. The FATF formed its Ad Hoc Group on the Strategic Review (AGSR) which includes the APG. In 2019, the APG formed an Ad Hoc Committee on the FATF Strategic Review to help to facilitate APG members' views and input into the FATF strategic review process. The APG Ad Hoc Committee is chaired by the Malaysian Co-Chair.

APG members noted the work of the Ad Hoc Committee and considered the significant implications to the APG's future assessment work and resources of the APG, that may arise from outcomes of the AGSR in February 2022.

Typologies

APG members adopted the following reports which are available on the APG website:

- *APG Annual Typologies Report 2021*. This report contains a synopsis of the typologies projects undertaken in 2020-21, recent trends on money laundering and terrorist financing, and a number of case studies.
- *Money Laundering Risks & Vulnerabilities Associated With Trans-Pacific Drug Trafficking*;
- *Financing and Facilitation of FTFs in Southeast Asia* (available on the APG secure website).

Implementation and technical assistance issues

The Operations Committee considered ongoing work in the implementation of AML/CFT measures, including a joint project with Alliance for Financial Security-with Information Technology on implementation of digital KYC, including a possible second phase of the project which may extend to outreach and capacity building on applying the FATF Guidance on Digital ID.

The membership considered the *Technical Assistance & Implementation Activities 2021* report which outlines all of the year's technical assistance as well as related activities. A copy of the Pacific AML/CFT Capacity Development (PACD) Programme Annual Report 2020-2021 is at **Annex C**.

APG STRATEGIC PRIORITIES

The APG's strategic priorities are outlined in the *APG Strategic Plan 2020–2024* as four goals, each containing a subset of "strategies" or performance outcomes against which the goals are designed to be measured, and which are outlined in greater detail in annual business plans. These performance outcomes are set against a framework of APG values which, as an organisation, the APG endeavours to incorporate into its operational activities and 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 2020-2021 financial year under each strategic goal.

STRATEGIC GOAL #1 **EFFECTIVE MULTILATERAL ORGANISATION**

CONTINUOUSLY UTILISE AND IMPROVE ON EFFECTIVE GOVERNANCE STRUCTURES, INCLUDING THE MEMBERSHIP, CO-CHAIRS GOVERNANCE COMMITTEE AND SECRETARIAT

Required activities in 2020–2021:

1. Deliver the 2021 Annual Meeting in July 2021.
2. The Governance Committee (GC) 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, membership decisions and directions.
3. APG committees and project groups will deliver programmes as agreed by the membership and consider others suggested by the Governance, Operations and Mutual Evaluation Committees.

Achievements:

1. The 2021 APG annual meeting was held in virtual format in late July 2021 due to the COVID-19 with virtual meetings spread out in the month to accommodate varying time zones.
2. The GC met seven times via virtual platform during the year. Issues included:
 - new policy documents, including amendments to the APG Terms of Reference, virtual meeting policy, amendment to the APG Information and Communications Strategy,
 - updates from the APG ad hoc committee on the FATF strategic review
 - planning for the APG plenary meeting, the FATF special plenary
 - confidentiality of APG communications,
 - Responses to manage challenges arising from COVID-19, and a range of broad governance and specific membership-related matters.
3. The *APG Terms of Reference 2019* were amended out of session on the recommendation of the GC to reflect changes to the FATF standards (Recs 1, 2 and 17).
4. The *Virtual & Hybrid Event Policy 2021* was issued to reflect the emerging circumstances of COVID-19 and the requirement to continue APG business in the environment of global travel restrictions.
5. The *APG Supplementary Mutual Evaluation Procedures for the COVID-19 Pandemic* were issued to allow the APG to continue to conduct mutual evaluations during the pandemic. The *APG 3rd Round ME Procedures* were amended to be in accordance with the FATF Universal Procedures for MEs.

6. The secretariat provided administrative and advisory support and briefing documents to the Co-Chairs, GC and APG committees as per the *APG Terms of Reference 2019* and the terms of reference of each committee. The work of each committee is outlined in other goals below.
7. The APG Ad Hoc Committee on the FATF Strategic Review coordinated APG's extensive contributions to the FATF Strategic Review.
8. The Co-Chairs met bilaterally with the FATF president in May 2021 to discuss strategic global network issues within the context of the FATF's Global Network Coordination Group (GNCG).

USE OPEN, TRANSPARENT AND INCLUSIVE BUSINESS AND FINANCIAL PLANNING

Required activities in 2020-2021:

1. The secretariat will engage with the Co-Chairs and Governance Committee on business disruption, continuance planning (taking into account the health emergency issues associated with COVID-19) and business resumption planning on an on-going basis through the financial year.
2. The secretariat will manage and report on APG revenue and expenditure in accordance with the agreed 2020-21 budget and legal obligations of the host government, Australia.
3. The secretariat will file monthly reconciliation reports of APG income and expenses related to its Special Reserve Bank of Australia account with the Deputy Commissioner of the AFP in accordance with the Hosting obligations of the secretariat
4. 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 2020-21.

Achievements:

5. Continuous business planning was conducted to ensure the continuing operation of APG programmes and activities during the COVID-19 pandemic and business resumption planning.
6. The secretariat managed funds in accordance with the laws and governance frameworks of Australia and the Australian Federal Police as well as internal secretariat policies and regulating agreements with donors of voluntary contributions. Savings were realised in FY 2020-21, primarily in travel expenses. Details of these management of funds can be found in the *Budget Paper 2020-2021*.
7. The secretariat reported on APG revenue and expenditure a continuous basis to the Co-chairs and GC with quarterly budget updates seeking decisions throughout the year for the re-allocation of savings.
8. The secretariat reported to the Australian Co-Chair with monthly financial reconciliation reports.
9. An independent financial audit of funds is due be conducted in August/September 2021 and will be attached to the Annual Report with an audit report in FY 2021-2022.

EFFECTIVELY RESOURCE THE APG AND ITS OPERATIONS AND ENSURE PROPER MANAGEMENT OF APG ASSETS

Required activities in 2020-2021:

1. In addition to budget contributions, members and observers will support operations through voluntary contributions, project support, active working group participation, expert advice or other resources.
2. The secretariat will manage and report on APG assets in the APG Business Report for 2020-21.
3. The secretariat will annually review and revise the formal hosting arrangement with the Australian government to ensure that it continually supports APG operations in a transparent and effective manner and that it provides for accountability and management of secretariat staff.

Achievements

1. APG members Australia, China, Japan, New Zealand, Chinese Taipei and the United States continued to provide voluntary contributions and project support to programmes, including activities such as visits to members, workshop costs, ME preparation as well as costs related to staff establishment. Details of these contributions can be found in the *Budget Paper 2020-2021*.
2. Many members supported APG operations through project support, active working group participation, expert advice and technical assistance programmes and events.
3. Japan provided a new voluntary contribution of AU \$266,533 to fund regional delivery of standards training workshops over a number of years.

STRATEGIC GOAL #2 EFFECTIVELY ORGANISED AND ENGAGED MULTILATERAL ORGANISATION

CONTINUOUSLY UTILISE AND EFFECTIVELY SUPPORT PRIORITY WORK STREAMS WITHIN THE APG OPERATIONS COMMITTEE AND MUTUAL EVALUATION COMMITTEE

Required activities in 2020-2021:

1. The Mutual Evaluation Committee (MEC) will meet five times in the year to consider reports, implementation and training, third round mutual evaluation programme and the third round schedule. The MEC will make recommendations as necessary.
2. The Operations Committee will/may consider and approve new typologies projects and implementation activities in consultation with APG members and observers.
3. The APG will engage with members and key stakeholders within the context of the Operations and ME Committees.

Achievements:

1. The MEC met eight times (virtually) during the year with support from a record number of delegates. Key achievements of the MEC included:
 - a) Considering and endorsing 17 third round follow-up reports
 - b) Considering key issues with the Tonga ME report
 - c) Developing amendments to the APG ME procedures, including supplementary COVID-19 ME procedures
 - d) Developing the ME schedule taking into account COVID-19 restrictions
 - e) Establishing a mechanism to identify and refer horizontal issues, and complex Q & C issues in adopted APG assessments
 - f) contributing to the FATF strategic review
2. The APG Operations Committee met two times through the year and was co-chaired by New Zealand and Samoa.
3. The APG Operations Committee, through the co-chairs:
 - a) supported implementation and typologies work;
 - b) endorsed the Annual Typologies Report; and
 - c) participated in the Typologies Workshop.
4. The APG completed the Trans-Pacific Drug Trafficking Routes and Illicit Financial Flows project, which was led by Tonga and Vanuatu with Tonga maintaining oversight. Funding for the project was provided by the US.

ENGAGE WITH ALL RELEVANT AML/CFT REGIONAL AND INTERNATIONAL STAKEHOLDERS

Required activities in 2020–2021:

1. The APG will continue engagement with FATF, FSRBs, and other relevant bodies on strategically important regional initiatives as well as conferences, seminars, workshops.
2. The secretariat will encourage bilateral and multilateral engagement between members, observers and other jurisdictions and organisations to advance strategic objectives.
3. Continue engagement with existing observer jurisdictions of APG.
4. Identify relevant international organisations for possible observer status.

Achievements:

1. APG strategic objectives were advanced by members, observers and the APG secretariat through continued global engagements in the AML/CFT network.
2. The APG secretariat collaborated with the MONEYVAL, EAG and FATF secretariats on an initiative in the FATF GNCG to enhance mechanisms to consider quality and consistency issues raised by the global network.
3. The APG Ad Hoc Committee on the FATF Strategic Review met six (6) times to consider issues raised by the FATF Ad Hoc Group on the Strategic Review (AGSR) and facilitated the input of APG's experience and perspectives to the FATF Strategic Review.

ACTIVELY PARTICIPATE IN INTERNATIONAL AML/CFT POLICY DEVELOPMENT AND STANDARD-SETTING PROCESSES THROUGH COOPERATION WITH FATF AND INTERNATIONAL PARTNERS

Required activities in 2020–2021:

1. Participate in FATF plenaries and working groups with the express goal of shaping and influencing global AML/CFT policy.
2. Coordinate input to FATF and other bodies' projects, policy development, assessment work and studies of risks, trends and methods.

Achievements:

1. The APG contributed to FATF through written input and (virtual) attendance at meetings, contributing to the FATF's ongoing policy development work including
 - a) attendance at four FATF plenary meetings;
 - b) attendance at FATF working group meetings; and
 - c) providing members' and secretariat comments on a FATF policy papers (working group, plenary and AGSR).
2. The APG participated in and supported the preparation and launch of both the FATF e-learning initiative and the FATF TRAIN online standards training course.
3. The APG secretariat attended the MONEYVAL plenary (virtual) in September 2020 and the EAG plenary (virtual) in November 2020.
4. The APG contributed a project team member to the FATF project 'Mitigating the Unintended Consequences of the FATF standards.' The Operations Committee hosted a forum for members and observers to discuss the project and provide input into the project.

STRATEGIC GOAL #3 CONDUCTING AND RESPONDING TO ASSESSMENTS

COMPLETE THE APG'S THIRD-ROUND MUTUAL EVALUATION PROGRAMME

Required activities in 2020–2021:

1. Complete the mutual evaluation reports of Tonga and Vietnam including face-to-face meetings and the adoption of those ME reports at either a special plenary or the 2021 annual meeting.
2. Complete four other ME reports for the 2021 annual meeting: New Zealand (jointly with FATF), Brunei Darussalam, Laos and the Marshall Islands including pre-ME visits, on-site and face-to-face meetings as required.
3. Commence four (4) mutual evaluations to be adopted at the 2022 annual meeting as follows: Timor-Leste, Nepal, Papua New Guinea [and one joint evaluation with FATF].
4. Further implement third round mutual evaluation schedule.

Achievements:

1. ME face-to-face meetings (virtual) were held to finalise the ME process for:
 - a) New Zealand (November 2020)
 - b) Japan (December 2020)
 - c) Tonga (February 2021)
 - d) Vietnam (June/July 2021)
2. The ME report of Tonga was finalised and distributed to the global network in May 2021.
3. The joint FATF/APG ME of New Zealand was adopted by the FATF in February 2021 and published in April 2021. The joint FATF/APG ME of Japan was adopted by the FATF in June 2021.
4. The APG ME report of Tonga and the FATF/APG MEs of Japan, Korea, and New Zealand were considered and adopted at the July 2021 annual meeting (virtual).
5. The ME of Vietnam was paused for a large part of the year due to COVID-19 challenges. The virtual face-to-face meeting with Vietnam will be re-scheduled in the next financial year.
6. Three APG MEs commenced in mid-2020 were paused in early 2021. These MEs will be resumed once restrictions related to COVID-19 are eased to allow on-site visits to be scheduled:
 - a) Brunei Darussalam;
 - b) Lao PDR; and
 - c) Marshall Islands.
7. A revised APG 3rd round ME schedule which includes an overall one-year delay in the completion of the APG's 3rd round of MEs was adopted in February 2021.
8. The FATF and APG programmes of '5th year' follow-up assessments (FUA) of effectiveness were abandoned reflecting the FATF's review of the 5th year FUA process.

RESPOND TO MUTUAL EVALUATIONS WITH FOLLOW-UP PROCESSES

Required activities in 2020–2021:

1. Amend third round follow-up procedures to monitor members' progress and examine policy and procedures relating to the 5th year follow-up evaluations.
2. Consider and adopt follow-up reports, either through the Mutual Evaluation Committee and Governance Committee out of session or at the 2021 annual meeting.

3. Document cases of insufficient progress for the Mutual Evaluation Committee, Governance Committee and Co-Chairs.
4. Membership to make decisions in cases of insufficient progress by specific members.

Achievements:

1. The APG's ME procedures were adjusted in February 2021 and implemented for ME follow-up, reflecting the continuing experience of out-of-session adoption of follow-up reports. All follow-up reports have been subject to global quality and consistency review in accordance with the universal procedures.
2. 17 follow-up reports were adopted out-of-session following MEC consideration. Three APG follow-up reports were ongoing as of June 2021. Four joint FATF/APG follow-up reports were adopted out-of-session.
3. Twelve follow-up report review teams were formed involving 39 members. 83 recommendations were re-assessed as part of the 12 follow-up reports.
4. No cases of insufficient progress were identified by the MEC in 2020-21.

SEEK ASSESSMENT EXPERTS, CONDUCT TRAINING AND IMPROVE ASSESSMENT PROCEDURES IN ORDER TO EFFECTIVELY DELIVER THE APG'S ASSESSMENT PROGRAMME

Required activities in 2020–2021:

1. Members and observers to provide assessors and reviewers for evaluations including participating in pre-evaluation visits, face-to-face meetings and plenary meetings to adopt reports.
2. Deliver at least one assessor training workshop for mutual evaluations planned in 2020-21 and another dependant on external funding.
3. Amend third round mutual evaluation procedures in harmony with FATF Universal Procedures.

Achievements:

1. Members and observers provided assessors and reviewers across various stages of eight mutual evaluations in 2020-21. These include the MEs that concluded in the year and those that were paused in early 2021.
2. External review and global network quality and consistency processes were applied to all the ME and follow-up reports adopted during the year.
3. China virtually hosted the APG's first virtual assessor training workshop in May 2021, which was attended by 39 participants. The workshop was supported by the MEC Co-Chair from Australia and presenters from China. APG contributed to a virtual FATF assessor training workshop in December 2020. An assessor training workshop for Australian agencies was held in June 2021.
4. APG and FATF, through FATF TRAIN, delivered a regional virtual standards training course in April 2021.
5. ME preparation support assistance was provided to Afghanistan and Nauru through information exchanges and virtual sessions.
6. APG secretariat expanded its quality and consistency capability and processes for all ME reports and follow-up reports.
7. APG's third round ME procedures were amended for consistency with the FATF Universal Procedures in February 2021. The APG's Supplementary COVID-19 ME procedures were adopted in February 2021.

SUPPORT FATF'S ICRG PROCESS AND APG MEMBERS IN ICRG PROCESS

Required activities in 2020–2021:

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

Achievements:

1. The APG provided support to members, including Cambodia, Mongolia, Myanmar, Pakistan and the Philippines, in relation to the ICRG process and observation period.
2. Advice was provided to the Asia-Pacific Joint Group Co-Chairs and to members under ICRG review including on: ICRG process, rules and practice; general comments on legislative, regulatory and administrative measures to address ICRG concerns; technical assistance coordination; implementation planning; and the impact of ICRG processes on APG membership status.
3. The APG provided policy input to FATF on its review of ICRG processes and procedures. This occurred formally through the FATF's Strategic Review, but informally through discussions with the FATF secretariat, Asia Pacific Joint Group and its co-chairs.
4. The APG actively participated in:
 - a) three ICRG meetings during the FATF plenary month (October 2020, February and June 2021);
 - b) four virtual Asia-Pacific Regional Joint Group meetings to support members under ICRG review in September 2020, October 2020 (Mongolia exit onsite), January 2021 and May 2021.

STRATEGIC GOAL #4 WORKING COOPERATIVELY & SUPPORTING IMPLEMENTATION

CONDUCT AND/OR SUPPORT RESEARCH ON EXISTING AND EMERGING AML/CFT RISKS AND CONTEXTUAL ISSUES

Required activities in 2020–2021:

1. Complete the Human Trafficking and People Smuggling Project (Phase 2).
2. The APG will deliver a joint event, either as a standalone workshop or within the Typologies workshop, with the Alliance for Financial Security-with Information Technology (AFS-IT) on the implementation of digital KYC and scope the second phase of the project including outreach and capacity building on applying the FATF Guidance on Digital ID.
3. The APG will work with the Global Center on Cooperative Security on a joint implementation project on the use of financial intelligence related to foreign fighters, returnees, and their facilitation networks in South East Asia.
4. Participate in FATF and other FSRB typologies projects if relevant to APG business.

Achievements:

1. Due to COVID, the final workshop of the Human Trafficking and People Smuggling Project (Phase 2) did not proceed and the program will be considered finalised.

2. The APG Typologies Workshop was held virtually on 2-5 February including 325 participants from 36 members and observers and private sector delegates. The workshop included streams on Digital KYC (in collaboration with the Alliance for Financial Stability with Information Technology (AFS-IT)) and Financial Profiles of Foreign Terrorist Fighters (in collaboration with Global Center on Cooperative Security).
3. The APG hosted a Private Sector Roundtable to gather insights and feedback from the private sector on Financial Profiles of Foreign Terrorist Fighters (FTF).
4. The APG secretariat worked with the Global Center on Cooperative Security over the course of 2020-2021 to finalise the typology report on Financing and Facilitation of Foreign Terrorist Fighters and Returnees in Southeast Asia. This report is expected to be adopted in July 2021 at the APG Annual Meeting.
5. The APG participated in the FATF RTMG project on Illicit Arms Trafficking and Terrorist Financing.

IDENTIFY DOMESTIC, REGIONAL AND GLOBAL ISSUES THAT MAY AFFECT IMPLEMENTATION OF THE FATF STANDARDS AND ASSESS MEMBERS' ASSISTANCE NEEDS AND OPPORTUNITIES TO IMPROVE INTERNATIONAL COOPERATION

Required activities in 2020-2021:

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.
2. Continue to identify other domestic and regional technical assistance and implementation issues.

Achievements:

1. The APG identified domestic and regional implementation issues through the APG's technical assistance coordination processes and encouraged assistance in response to identified needs. COVID-19 did have a significant impact on the TA planning and deliverables.
2. In partnership with Malaysia, APG initiated a DNFBP Supervisors' Platform that will allow APG members to continuously share DNFBPs supervision expertise and experience, by addressing common challenges and gaps on AML/CFT measures, as well as providing DNFBP supervisors the opportunity for ongoing engagement with international counterparts. This is in line with the APG Co-Chairs' Priorities for 2020-22 on enhancing DNFBP supervision.
3. In partnership with Malaysia, APG held a series of DNFBP Supervision webinars on risk-based supervision of DNFBP sectors, assessment of the effectiveness of measures taken, and cooperation with the DNFBP sectors in combating ML and TF.

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

Required activities in 2020-2021:

1. Support work by FATF and other global partners to share experience and implementation support resources on topics including risk assessments, international cooperation, investigating and prosecuting ML, terrorist financing, proliferation financing, illicit financial flows from wildlife smuggling and risk-based supervision of financial and non-financial sectors.
2. Deliver strategic implementation planning support pre- and post-mutual evaluations.
3. Support members to build AML/CFT capacity and mechanisms consistent with the FATF standards, including through technical assistance visits, workshops and desk-based assistance.

Achievements:

1. In light of staff shortages and delays in recruitment (partly caused by the COVID-19 situation), the implementation workshop of the Research and Implementation Team was paused over the year.
2. The first two webinars in the APG Malaysia Regional Webinar Series (virtual) on DNFBP Supervision were held on 28 April 2021 and 16 June 2021. The webinar 'DNFBP Regulation: FATF International Standards and Implementation' on 28 April 2021 (virtual) was attended by delegates from 29 APG members and 4 APG observers. The webinar 'Risk Assessments and DNFBPs: Regulatory and Supervisory Strategies to Address Risk' on 16 June 2021 was attended by 30 APG members and 7 APG observers.

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

Required activities in 2020-2021:

1. Deliver the Annual Technical Assistance and Training (TA) Forum in 2021.
2. Collect information and analyse gaps in members' AML/CFT systems.
3. Coordinate and support assistance provided by the APG donors and providers (DAP) Group.
4. Conduct virtual meetings to coordinate technical assistance in sub-regional groups.
5. Deliver technical assistance and training programmes funded under voluntary grants yes pursuant to specific implementation plans.
6. Deliver Pacific technical assistance and training in accordance with the five-year New Zealand funding programme by completing scoping visits and coordinating activities identified in implementation plan.

Achievements:

1. The annual TA forum (virtual) was held in August -September 2021. The forum include two DAP meetings focused on Pacific and Asia AML/CFT TA provision and coordination and 26 meetings between an individual APG member and the DAP Group focused on their TA needs.
2. Prior to the 2021 TA forum, the secretariat distributed information on members' needs and their ongoing TA activities to the DAP group. The secretariat analysed information received from members in addition to ME reports, ICRG action plans, follow-up reports in order to provide DAP Group members with information on members' context, TA needs and implementation gaps.
3. Following the TA Forum, the secretariat shared a report on TA commitments and outcomes with DAP Group members with respect to each of the 26 members who receive technical assistance.
4. The secretariat regularly assisted DAP Group members, as necessary, with introductions and coordination, providing background information on TA activities and needs, supporting bilateral and regional TA, and advised on FATF Standards, ME processes and the FATF ICRG process. This covered by Asia and Pacific members.
5. A Technical Assistance & Implementation Activities 2021 report was considered and adopted by members at the 2021 annual meeting, which outlines all of the year's TA and related activities.
6. Activities under the New Zealand funded Pacific AML/CFT Capacity Development Programme (PACD) are outlined in detail in the PACD Programme 2020-2021 Annual Report (**Annex C**).
7. The Pacific cell:
 - a) represented the APG membership at the Pacific Islands Law Officers' Network (PILON) prosecuting corruption webinar;
 - b) delivered a presentation at the regional team leaders meeting of the Pacific Transnational Crime Network via Zoom; and
 - c) moderated sessions during the Asian Development Bank, ANZ and Australian Transaction Reports and Analysis Centre (AUSTRAC) Pacific AML/CFT Webinar Series.

8. To ensure active cooperation and coordination on Pacific TA activities, the secretariat disseminated four quarterly updates to ensure Pacific members, DAP Group members and other stakeholders are kept up-to-date with PACD activities and upcoming opportunities for collaboration; and maintained up-to-date TA implementation plans for each Pacific APG member.
9. The Pacific cell reviewed the ME report of Tonga and the follow-up reports of Samoa, Palau, Solomon Islands, Fiji, Cook Islands and Vanuatu.
10. PACD technical assistance projects for 2020-21 included:
 - Nauru AML/CFT legislative drafting project (on-going);
 - Fiji non-profit organisation sector review project and practical resource to support Pacific members to take a risk-based approach to regulation, monitoring and supervision of NPOs (on-going);
 - Model provisions for targeted financial sanctions related to terrorism and terrorist financing project in partnership with Pacific Islands Forum secretariat (on-going);
 - De-risking Toolkit project in partnership with Financial Services Volunteer Core (on-going);
 - Solomon Islands in-country law enforcement training/mentoring (postponed due to COVID travel restrictions);
 - Gap analysis of Tuvalu's compliance with international AML/CFT standards and develop a national AML/CFT policy project;
 - Remote introductory training courses on financial investigations of higher-risk predicate crimes, ML investigation and asset confiscation for Nauru, Tonga, Solomon Islands and Samoa.



**Sione Finau Sisifa, Solicitor General of Tonga.
Head of the Tonga delegation during the discussion of
Tonga's Mutual Evaluation Report, July 2021**

SUMMARY OF BUDGET OUTCOMES FOR 2020–2021

A core budget for 2020–21 of \$3,305,473 was approved and adopted at the 2021 annual meeting. Consistent with previous years, there are some minor differences between the final audited figures and those preliminary figures presented to the membership. These relate primarily to the final allocation of insurance premiums and the APG finished the year with a surplus and accumulated equity of almost \$20,000 higher than the figures discussed at the 2021 annual meeting. Below is an overview of the APG finances in the year 2020–21. 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 \$12,319. As in previous years, members noted that the core budget would not, of itself, enable the APG to complete the work outlined in the 2020–21 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of ‘non-core budget’ funding totalling \$2,526,241 should be made available in 2020–21 to meet the costs of the APG’s agreed work programme. Total revenue from all sources was budgeted at \$5,751,309. Total proposed expenditure from all streams of funding (core and non-core), including reserves, was \$6,081,974. The APG therefore budgeted for a deficit of \$330,655.

The budget outcomes for the period 1 July 2020 to 30 June 2021, based on the audited financial reports (**Annex B**) are as follows:

- | | |
|-----------------------------------------|---------------------------|
| • Total equity at <u>1 July 2020</u> : | \$848,931 |
| • total income all sources: | 4,341,827 |
| • total expenditure all sources: | 3,877,229 |
| • net operating (surplus) | 464,598 |
| • total equity at <u>30 June 2021</u> : | <u>\$1,313,529</u> |

The travel restrictions imposed in response to the COVID-19 pandemic caused a significant underspend in the forecast expenditure of both core and non-core funding in FY2020-21.

Voluntary financial support 2020–2021

Untied Funding

In 2020-21 Australia paid a voluntary contribution of \$55,135 for salaries which was not utilised to reduce expenditure which otherwise would have come from the core budget. This contribution has been used to offset salary expenses in 2021-22.

Project funding

Six members provided project funding, each tied to particular projects and realised as revenue as expenditure is made, in FY2020–21: Australia, China, Japan, New Zealand, Chinese Taipei and the United States. These additional funds included both budgeted project funding (included in the *Budget Paper 2020–21*), and new project funding not included in last year’s budget paper. Due to ongoing travel restrictions related to the COVID-19 pandemic, a significant underspend of voluntary funding occurred in FY2020-21.

Australia: In February 2020, Australia provided AU\$526,000 over three years to provide technical assistance to Afghanistan ahead of their mutual evaluation. No funds were realised in FY2020-21

China made a voluntary contribution of US\$200,000 to support an additional policy officer in the APG Secretariat for two years. AU\$25,111 of this amount was realised in FY2020-21 and a further AU\$112,795 is expected to be realised as revenue in FY2021-22. In December 2018, China provided a grant of US\$130,000

over three years (2019-2021) to support the APG's ICRG programme and support specific Pacific APG members' attendance at APG annual events. China also agreed to roll over the balance (\$30,035) of the 2016-18 voluntary contribution to support specific Pacific members into this 2019-2021 programme. None of this amount was realised in FY2020-21. In November 2017 China provided a grant of US\$130,000 over four years (2018-19 to 2020-21) to support the APG's 3rd round mutual evaluation (ME) programme. None of the budgeted \$74,582 was spent in FY2020-21.

United States: In October 2013, the US 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. \$16,185 was realised as revenue in 2019-20, with the remaining \$1,618 to be returned to the US as this project has been finalised. In August 2016, the US provided a further grant of US\$75,000 (AU\$98,555) to support Pacific members enhance AML/CFT investigations capacity and address deficiencies. None of this amount was realised as revenue in 2020-21. The remaining \$30,238 is expected to be spent in 2021-22, pending further discussions with the US..

Chinese Taipei: In April 2019, Chinese Taipei agreed to provide a grant of \$75,000 per year over two years (March 2019 to March 2021) for priority Pacific Island members and observers. The remaining balance (\$39,160) of the previous voluntary contribution for 2016-18 was allocated for expenditure on the APGML website redevelopment. No funds were realised in FY2020-21 with the remaining balance expected to be realised in FY2021-22.

New project funding

New Zealand: New Zealand paid a project contribution of \$75,000 in addition to the voluntary funding provided in 2019-20, which primarily supports experts travelling from New Zealand to APG events to benefit members, but may also be used for other purposes. None of this amount was utilized in 2020-21. The remaining \$216,766 is budgeted for use in 2021-22.

Japan: In April 2020, Japan provided AU\$266,533 to the APG to support training on the FATF standards. No funds were realised in FY2020-21 as training was conducted virtually with no additional expenditure required.

PACD programme funding

New Zealand agreed in June 2017, through the Ministry of Foreign Affairs and Trade, to support economic stability in APG Pacific Island members through the PACD programme. Total value of the programme is NZD 3,600,000 over five years. In June 2021, the PACD programme was extended to a sixth year and will now finish in 2023. In 2020-2021 a total of AU\$603,788 was spent on: (i) three dedicated staff positions, (ii) delivery of technical assistance and training projects to APG Pacific Members, and (iii) administrative costs. Additional detail is outlined in the *PACD Programme 2020-2021 Annual Report (Annex C)*.

In-kind support

Australia: Australia provides yearly in-kind support (accommodation, ICT services, finance, human resources, security, legal etc.). In FY2020-21 the value of this in-kind support was \$663,082.

Acknowledgement of support

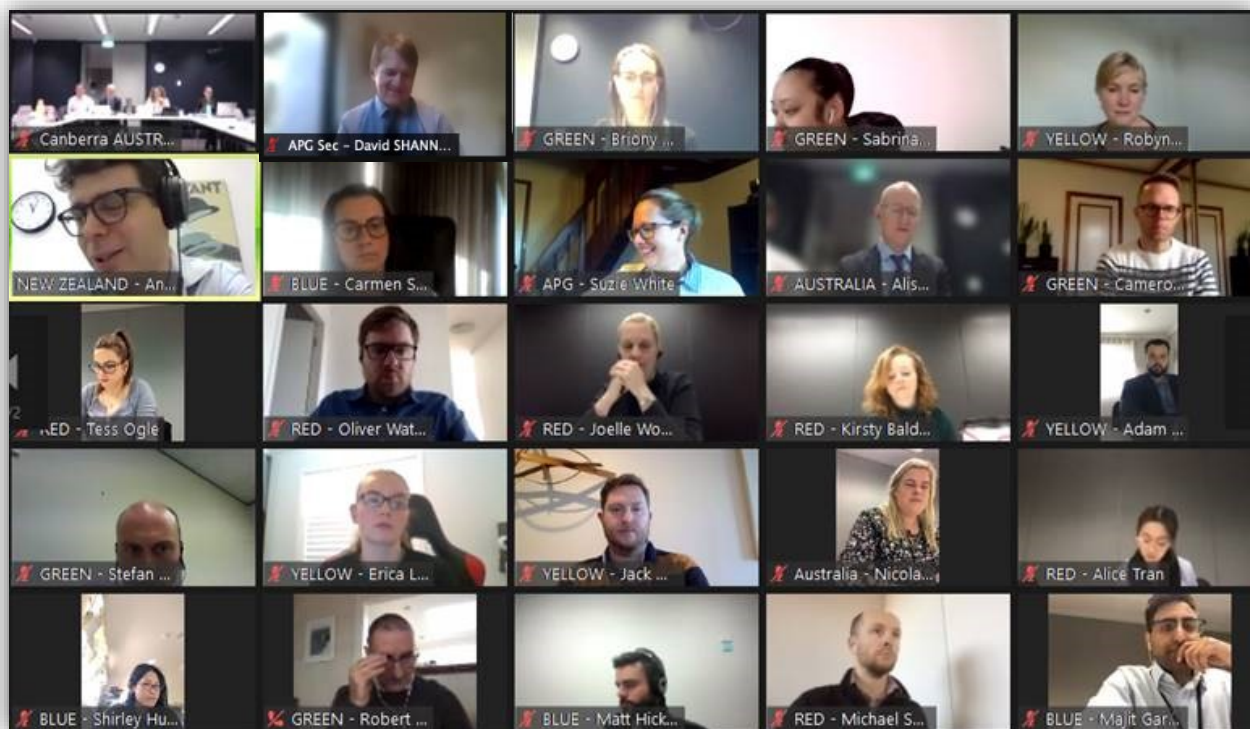
On behalf of the APG members and Co-Chairs, the secretariat thanks Australia, China, Japan, New Zealand, Chinese Taipei, and the United States for their support of APG activities in 2020-21.

Budget for 2021-2022

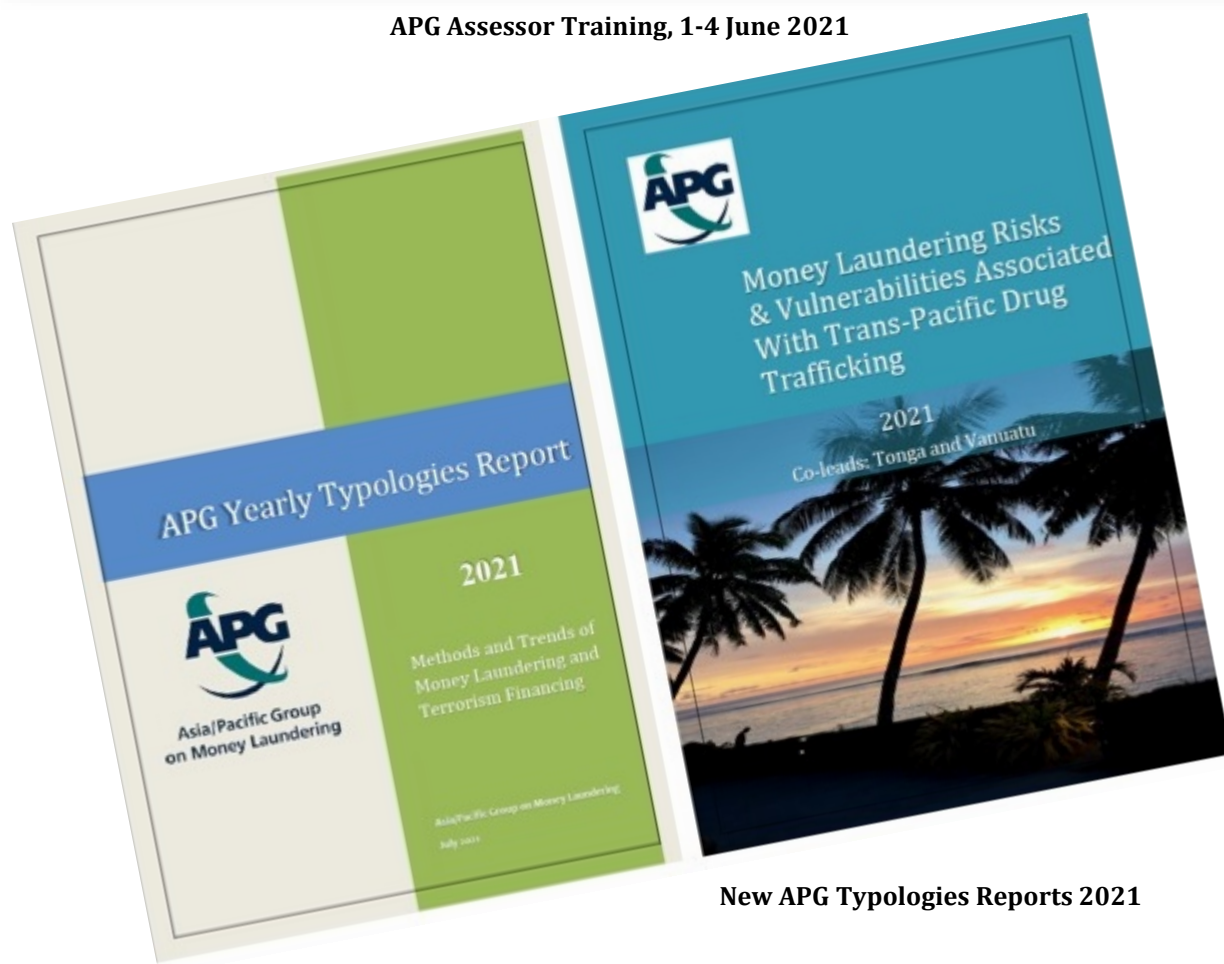
The APG's agreed 2021-22 budget outlines the anticipated income and expenditure to support the agreed business plan adopted by the membership in 2021. The membership agreed to a 2.5% budget increase over 2021-22 for membership contributions in 2021-22. This is significantly less than the forecast of 12.7% due primarily to savings made in relation to travel expenses in 2020-21. Income for the year from both membership contributions and voluntary donations is projected to be \$5,674,472. Non-core expenditure from voluntary donations, reserves and in-kind support will be approximately \$2,866,098. Total expenditure from all sources

in this year is projected at approximately **\$6,171,571**.

The business plan for the year is costed against these figures as an estimate of income and expenditure. Next year's activities are outlined in the next Part of this report.



APG Assessor Training, 1-4 June 2021



New APG Typologies Reports 2021

PRINCIPAL TASKS 2021–22

The APG's key tasks for 2021–22 (some of which are dependent on external funding) are as follows:

Key meetings

The following key meetings will occur in 2021–22:

- APG Annual Typologies Workshop, 9–11 November 2021;
- APG Special Plenary, 18 November 2021;
- 24th APG annual meeting and annual forum on technical assistance and training;
- APG governance committee will meet at least five times in the year as follows: September 2021; November/December 2021; February/March 2022; May/June 2022; and in July/August 2022.

Membership visits

One membership-related visit 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, if required.

Participation in global AML/CFT network

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

- three FATF plenary meetings;
- three ICRG meetings (during plenary meetings);
- working group meetings in the FATF (including the AGSR); and
- meetings of the Asia-Pacific Joint Group (of the ICRG).

Information from the FATF and other AML/CFT bodies will be communicated to members when received. 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 2020–2024*.

Third round mutual evaluations

The APG will:

- Continue to finalise the MEs of Brunei Darussalam, Lao PDR and Republic of Marshall Islands delayed because of global travel restrictions relating to COVID-19 in 2021;
- Continue the third round of mutual evaluations, including assessor/reviewer and pre-mutual evaluation training;
- Prepare an updated mutual evaluation schedule;
- Continue to support the Mutual Evaluation Committee;
- Deliver at least one assessor training workshop;
- Undertake four (4) mutual evaluations (including one joint evaluation) with reports to be considered at the 2023 annual meeting;
- Review and prepare analysis reports of members under APG third round follow-up; and
- Continue to contribute to preparation of updated assessment methodology training materials.

Implementation, Technical Assistance and ICRG Activities

The APG will provide priority assistance and support for members involved in the FATF's International Co-operation Review Group (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 with external donor support and will continue to assist members to develop sustainable strategies to meet mutual evaluation report recommendations and implement the updated Strategic Implementation Planning Framework to respond to recommendations in reports.

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

The APG will continue to collaborate with the Alliance for Financial Security-with Information Technology (AFS-IT) to deliver a Digital KYC typologies project to support the implementation of Digital KYC, to provide outreach, and to engage in capacity building to apply the FATF Guidance on Digital ID.

A number of regional AML/CFT technical assistance projects will be considered in collaboration with Donors and Providers (DAP) Group members for legal, financial, FIU and law enforcement sectors including TA provided virtually due to COVID-19 restrictions. The APG will continue to support greater cooperation with regional bodies across Asia and the Pacific.

The APG will work with priority members and DAP Group members to deliver:

- Technical assistance to address recommended actions in MERs and FURs and joint group action plans;
- Technical assistance related to member needs and emerging issues such as VASPs;
- Programmes to build AML/CFT capacity among AML/CFT supervisors and regulators and
- Regional and targeted virtual programmes (during COVID-19 restrictions) to support members related to prioritised shared challenges across the membership and specific member needs.

The APG will implement the PACD programme in accordance with the 2021-2022 PACD Business Plan.

Typologies research

The APG will continue to support the typologies framework, organise and convene typologies events, and closely collaborate with the FATF's Risk, Trends and Methods Group and the typologies work of other FSRBs directly relevant to APG business. In addition, the APG will seek approval for three typologies projects in 2021-22:

- Laundering the proceeds of illegal, unreported and unregulated fishing;
- Implementation of Recommendation 8 to mitigate impacts on the non-profit organisation sector;
- Laundering the proceeds of tax crimes.

The APG will also work on the support of regional training initiatives and collaborate with the FATF and other strategic partners including other FSRBs directly relevant to APG business.

The 2021 annual typologies workshop will be hosted by Malaysia, in November 2021.

APG resources

The financial resources required to achieve these programmes and plans for 2021-22 extend beyond members' core contributions to include additional financial resources, as well as human and technical resources. Many TA 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.

APG Activities and Conferences 2020-2021 (all virtual)

Associate Member Activities	Member Activities	Conferences, Workshops, Seminars
<ul style="list-style-type: none"> FATF Plenary and working group meetings: <ul style="list-style-type: none"> 8-23 October 2020 11-25 February 2021 14-25 June 2021 FATF ICRG Asia/Pacific Joint Group meetings: <ul style="list-style-type: none"> 14-18 September 2020; 11-15 January 2021 10-20 May 2021 FATF Special Plenary, 19 April 2021 FATF ICRG Asia/Pacific Joint Group – Mongolia onsite (hybrid / virtual), 1-2 October 2020 FATF AGSR meetings: <ul style="list-style-type: none"> 7 July 2020 6 October 2020 1 & 7 December 2020 12 & 13 February 2021 12 & 13 January 2021 23 & 24 March, 2021 31 May & 1 June, 2021 Moneyval plenary, September 2020 EAG plenary, November 2020 	<ul style="list-style-type: none"> APG Annual Typologies Workshop, 2-5 February 2021 Governance Committee – seven meetings through 2020-21 The APG Ad Hoc Committee on the FATF Strategic Review - six meetings through 2020-21 Operations Committee – two meetings through 2020-21 Mutual Evaluation Committee – eight meetings through 2020-21 Mutual evaluation F2F meetings : <ul style="list-style-type: none"> New Zealand – 23-27 November 2020 Japan – 7-11 December 2020 Tonga – 16-18 February 2021 Vietnam – 29 June – 1 July 2021 APG/FATF Regional Standards Training Course 26-30 April 2021 Assessor training workshops : <ul style="list-style-type: none"> FATF workshop - December 2020 APG Regional Workshop (hosted by China) 13-21 May 2021 Workshop for Australian agencies, 27 May - 4 June 2021 ME preparation events : <ul style="list-style-type: none"> Laos Pre-ME workshop, 31 August – 3 September 2020 Afghanistan pre-ME assistance, 3 April 2021 On-going regular Zoom meetings with Nauru including weekly meetings in June 2021 	<ul style="list-style-type: none"> APG Typologies - Private Sector Roundtable on Foreign Terrorist Fighters 27 April 2021 APG Regional Webinar on DNFBP Supervision DNFBP Regulation: FATF International Standards and Implementation, 28 April 2021 APG Regional Webinar on DNFBP Supervision: Risk Assessments and DNFBPs: Regulatory and Supervisory Strategies to Address Risk, 16 June 2021 APEC Conference on Beneficial Ownership 19-20 October 2020 ICNL Webinar NGOs, November 2020 ADB / AUSTRAC / ANZ - Pacific AML/CFT Webinar Series on Financial Crimes Compliance, 7-11 December 2020 ECOFEL Regional Workshop on Cooperation and Information Sharing, 12 April 2021 EU Global AML/CFT Facility, E-Training on FATF Rec 8, 1-5 February 2021 Oceania Customs Organisation, Criminal Business Disruption Workshop, 4-6 May 2021 GCTF Conference on international AML/CT cooperation, 26 May 2021 Malaysia (BNM)/APG Technical Seminar on Public-Private Partnerships, in collaboration with Malaysia (MyFINet), Australia (Fintel Alliance) and RUSI, 7 July 2021 GCTF Conference, Chinese Taipei, 26 May 2021 ACAMS Australasia Conference 'Identify, Disrupt and Protect: Combatting Crime with Technology and Intelligence,' 21, 22 June 2021, Sydney

ANNEX B

2020-2021 APG Special Purpose Financial Statements

Asia/Pacific Group on Money Laundering

**Special Purpose Financial Statements
for the year ended 30 June 2021**

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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 2021 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

13 September 2021

Statement of comprehensive income

for the year ended 30 June 2021

		2021	2020
	Notes	\$	\$
INCOME			
Contributions from members	1.1	3,241,017	3,225,068
Other contributions	1.2	508,902	858,550
Total revenue		3,749,919	4,083,618
Gains			
Resources received free of charge from the AFP		663,082	622,782
Total gains		663,082	622,782
Total income		4,413,001	4,706,399
EXPENSES			
Employee benefits	2.1	3,077,539	3,090,667
Supplier expenses	2.2	794,333	840,997
Travel expenses	2.3	7,516	467,208
Total expenses		3,879,388	4,398,872
Surplus		533,613	307,527

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

Statement of financial position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Financial assets			
Cash and cash equivalents		4,522,318	4,063,880
Trade and other receivables	3	184,582	99,746
Total financial assets		4,706,900	4,163,626
Total assets		4,706,900	4,163,626
LIABILITIES			
Payables¹			
Supplier payables		32,748	38,853
Unearned income	4	2,180,826	2,293,060
Salaries and wages		48,699	38,294
Superannuation		7,838	6,277
FBT		2,812	2,653
Total payables		2,272,923	2,379,137
Provisions			
Leave provisions ²		1,023,089	907,213
Total provisions		1,023,089	907,213
Total liabilities		3,296,012	3,286,350
Net assets		1,410,888	877,275
EQUITY			
Retained surplus		1,410,888	877,275
Total equity		1,410,888	877,275

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

¹ All supplier payables are expected to be settled within 7 days (2020: 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 yields on the 10-year government bond rate.

Statement of changes in equity

for the year ended 30 June 2021

	2021	2020
	\$	\$
Retained surplus		
Opening balance	877,275	569,748
Comprehensive income		
Surplus for the period	533,613	307,527
Total comprehensive income	533,613	307,527
Closing balance	1,410,888	877,275

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

Cash flow statement

for the year ended 30 June 2021

	2021	2020
	\$	\$
Operating activities		
<i>Cash received:</i>		
Contributions and other receipts	3,552,849	4,846,833
Net GST received from ATO	18,813	13,457
Total cash received	3,571,662	4,860,290
<i>Cash used:</i>		
Employees	2,949,697	3,069,891
Suppliers and other payments	163,526	756,037
Total cash used	3,113,223	3,825,928
Net cash from operating activities	458,439	1,034,362
Net increase in cash held	458,439	1,034,362
Cash and cash equivalents at the beginning of the reporting period	4,063,879	3,029,517
Cash and cash equivalents at the end of the reporting period	4,522,318	4,063,879

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 2021 and has prepared this special purpose financial report for the members of the APG. This special purpose financial report has been prepared for distribution to the members to fulfil the Executive Secretary's financial reporting requirements under the APG Terms of Reference.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention.

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 executor contracts are not recognised unless required by an Accounting Standard. Assets and liabilities that are unrecognised are reported as commitments. There are no operating or capital commitments payable at 30 June 2021 (2020: nil operating or capital commitments).

Contingent liabilities and assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. The APG does not have any contingencies as at 30 June 2021 (30 June 2020: 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.

Impact of COVID-19 pandemic on the financial statements

Since mid-February 2020, the COVID-19 pandemic has led to global financial uncertainty. Management has assessed the impact on the financial statements including the potential for impairment of assets such as receivables. The COVID-19 pandemic has not had a significant impact on the transactions and balances in the financial statements, other than a reduction in travel costs due to Government imposed travel restrictions.

Overview (cont.)

New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No new or revised standards and interpretations that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect on the APG's financial statements.

Future Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date stated in the standard.

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.

Taxation

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

Events after the reporting period

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

Note 1: Income

Note 1.1: Contributions from members

	2021	2020
	\$	\$
Afghanistan	12,319	12,319
Australia	214,865	214,865
Bangladesh	22,707	22,707
Bhutan	12,718	12,319
Brunei Darussalam	12,319	12,319
Cambodia	12,319	12,319
Canada	238,802	238,802
China	378,976	378,976
Chinese Taipei	85,250	85,250
Cook Islands	12,319	12,319
Fiji	12,319	12,319
Hong Kong, China	76,052	76,052
India	257,203	257,203
Indonesia	110,480	110,480
Japan	465,748	465,748
Korea	194,904	194,904
Lao PDR	12,319	12,319
Macau, China	12,319	12,319
Malaysia	47,083	47,083
Maldives	12,319	12,319
Marshall Islands	12,319	12,319
Mongolia	12,319	12,319
Myanmar	12,319	12,319
Nauru	24,638	12,319
Nepal	12,319	12,319
New Zealand	62,637	62,637
Niue	12,319	12,319
Pakistan	36,261	33,029
Palau	12,319	12,319
Papua New Guinea	12,319	12,319
Philippines	38,048	38,048
Samoa	12,319	12,319
Singapore	90,222	90,222
Solomon Islands	12,319	12,319
Sri Lanka	12,319	12,319
Thailand	54,283	54,283
Timor-Leste	12,319	12,319
Tonga	12,319	12,319
United States	546,048	546,048
Vanuatu	12,319	12,319
Vietnam	25,394	25,394
Total contributions from members	3,241,017	3,225,068

Note 1: Income (cont.)

Note 1.2: Other contributions

	2021	2020
	\$	\$
Voluntary Contribution - Australia	55,135	55,135
Project Contribution - China	25,111	90,262
Project Contribution - Chinese Taipei	-	26,814
Project Contribution - NZ Ministry of Foreign Affairs and Trade	428,657	637,186
Project Contribution - NZ Ministry of Justice	-	7,094
Project Contribution - US State Department	-	30,425
Project Contribution via reimbursement - New Zealand	-	11,634
Total other contributions	508,902	858,550

Accounting Policy

Contributions

Contributions from members are annual contributions from APG members to fund the ongoing activities of the APG. They are recognised as income on receipt. This treatment of income is consistent with AASB 1058 *Income of Not-for-Profit Entities*.

Voluntary contributions are received from members in accordance with funding agreements which establish the purpose of the activities, proposed budgets, monitoring and evaluation plans. Revenue from voluntary contributions are recognised as revenue over time when performance obligations are met. This treatment of revenue is consistent with AASB 15 *Revenue from Contracts with Customers*.

Project contributions are additional allocations attributed to particular projects or activity as specified by the donor. Project contributions are recognised over time when performance obligations are met. This treatment of revenue is consistent with AASB 15 *Revenue from Contracts with Customers*.

Note 2: Expenses

Note 2.1: Employee benefits

	2021	2020
	\$	\$
Wages and salaries	2,243,660	2,261,087
Superannuation:		
Defined contribution plans	294,661	301,786
Defined benefit plans	110,908	111,595
Leave and other entitlements	416,902	405,183
Other employee expenses	11,408	11,016
Total employee benefits	3,077,539	3,090,667

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.

Note 2: Expenses (cont.)

Accounting Policy (cont.)

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 2019. 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

	2021	2020
	\$	\$
Goods and services		
Consultants and contractors ¹	268,167	296,151
Audit fees	10,000	16,000
Staff and recruitment	565	21,509
Conference costs	25,229	26,478
Communications and IT	9,217	15,587
General and office	6,832	4,860
Building and accommodation ¹	49,641	57,445
Office space ¹	382,543	340,552
Grants expense	-	11,581
Other expenses	4,274	14,043
Total goods and services	756,470	804,206
Other supplier expenses		
Workers compensation expenses	37,863	36,791
Total other supplier expenses	37,863	36,791
Total supplier expenses¹	794,333	840,997

¹ Supplier expenses includes \$663,082 (2020: \$622,782) of resources received free of charge from the AFP comprising consultants and contractors (2021: \$233,042; 2020: \$226,772), building and accommodation (2021: \$47,496; 2020: \$55,457) and office space (2021: \$382,544; 2020: \$340,553).

Note 2.3: Travel expenses

Airfares	5,150	185,275
Accommodation	1,614	165,487
Other travel expenses	752	116,446
Total travel expenses	7,516	467,208

Note 2: Expenses (cont.)

Note 2.4: New Zealand Ministry of Foreign Affairs and Trade (MFAT) expenses

	MFAT	All Other APG	Total
	\$	\$	\$
Breakdown of expenses			
Employee	370,611	2,706,928	3,077,539
Supplier	58,274	736,059	794,333
Travel	-	7,516	7,516
Total	428,884	3,450,503	3,879,388

In 2017, the New Zealand government provided voluntary funding over five years to support a programme of technical assistance and training in the Pacific. This includes the establishment of three additional staff (referred to as the "Pacific Cell") in the APG secretariat. This funding forms part of the APG's accounts and is reflected in these financial statements. However, for accountability reasons, and to ensure that this funding does not affect other APG resourcing from member contributions, day to day management of this funding is kept separate from other APG funds. It is reported on separately here for transparency.

Note 3: Trade and other receivables

	2021	2020
	\$	\$
Member contributions and other receivables	182,872	90,858
Other debtors	-	8,593
GST receivable from the Australian Taxation Office	1,710	295
Total trade and other receivables¹	184,582	99,746

¹ This amount includes membership contributions from two members which have not been received as at 30 June 2021.

Accounting Policy

Credit terms for goods and services are 30 days (2020: 30 days). Receivables are held for the purpose of collecting contractual cash flows and measured at amortised cost using the effective interest method adjusted for any loss allowance.

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses.

Note 4: Unearned income

	2021	2020
	\$	\$
Member and project contributions paid in advance		
Project contribution - US State Department	30,238	30,238
Project contribution - China	494,603	519,713
Project contribution - Chinese Taipei	162,346	162,346
Project contribution - NZ Ministry of Foreign Affairs and Trade	482,722	911,379
Project contribution - NZ Ministry of Justice	216,766	141,766
Project contribution - US State Department	1,618	1,618
Project contribution - Australian Department of Foreign Affairs and Trade	526,000	526,000
Project contribution - Japan	266,533	-
Total unearned income	2,180,826	2,293,060

ANNEX C

Pacific AML/CFT Capacity Development Programme Annual Report 2020 - 2021

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ABBREVIATIONS & ACRONYMS

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AFP	Australian Federal Police
AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism
APG	Asia/Pacific Group on Money Laundering
ASEAN	Association of South East Asia Nations
AUSTRAC	Australian Transaction Reports and Analysis Centre
COVID-19	Coronavirus disease of 2019
DAP	Donors and Providers of AML/CFT technical assistance
DIA	Department of Internal Affairs New Zealand
DNFBPs	Designated Non-Financial Businesses and Professions
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FSVC	Financial Services Volunteer Corps
GIFCS	Group of International Finance Centre Supervisors
ICT	Information and communication technology
ICRG	FATF International Cooperation and Review Group
IDB	Islamic Development Bank
IMF	International Monetary Fund
LEA	Law Enforcement Agency
MFAT	Ministry of Foreign Affairs and Trade
ML	Money laundering
ME	Mutual Evaluation
MER	Mutual Evaluation Report
NCC	National Coordination Committee
NPO	Non-profit organisation
NZ	New Zealand
NZD	New Zealand dollar
OCO	Oceania Customs Organisation
PACD	Pacific Anti-Money Laundering and Combating the Financing of Terrorism Capacity Development
PFTAC	Pacific Financial Technical Assistance Centre
PICP	Pacific Islands Chiefs of Police
PIFS	Pacific Islands Forum Secretariat
PILON	Pacific Islands Law Officer's Network
PNG	Papua New Guinea
SIP	Strategic Implementation Planning
TA	Technical assistance
TA&T	Technical assistance and training
TF	Terrorist financing
UNODC	United Nations Office on Drugs and Crime
UN CTED	United Nations Counter-Terrorism Committee Executive Directorate
WCO	World Customs Organisation

OVERVIEW

In 2017, the APG received a funding grant from New Zealand's MFAT for a five-year PACD programme, to be implemented from 2017-2022. In June 2021, the PACD programme was extended to a sixth year and will now finish in 2023¹. The funding provided for the establishment of a dedicated Pacific TA cell² within the APG secretariat to:

- Provide and coordinate the provision of support, training, and resources to Pacific APG members to address illicit financial flows and improve implementation of AML/CFT standards across the Pacific region;
- Provide this support across all areas of the AML/CFT system, including legislative compliance and implementation; and
- Work closely with donors and providers across the region to coordinate assistance to Pacific members and leverage additional support to that provided by MFAT.

The PACD programme is focused on providing targeted and coordinated jurisdiction-specific in-country TA that goes beyond regional training or workshops, to all APG Pacific members, to meet the following outcomes:

- Pacific members are more compliant with international AML/CFT standards, which improves confidence in their economies;
- Pacific regulators and supervisors have greater capacity to implement AML/CFT regulations; and
- Pacific LEAs have greater capacity to investigate and prosecute financial crime.

The Pacific TA programme is managed separately from the APG core activities and budgetary arrangements³, but utilises existing APG networks and TA coordination mechanisms. This includes Pacific members and observers, as well as other APG members and observers, which participate in the APG DAP Group (see Table 1).

Table 1: List of APG Pacific Members and Observers and Members of the APG DAP Group

APG Pacific Members	Members of the APG DAP Group			APG Pacific Observers
Cook Islands Fiji Marshall Islands Nauru Niue Palau PNG Samoa Solomon Islands Tonga Vanuatu	ADB/OECD Anti-Corruption Initiative for Asia-Pacific AFI APEC secretariat ARIN-AP ASEAN secretariat ADB Australia Canada China Commonwealth secretariat	Egmont Group of FIUs FSVC France Germany GIFCS IMF Interpol IDB Japan Korea Malaysia New Zealand OCO PICP	PIFS PILON PFTAC Russian Federation Chinese Taipei United Kingdom United Nations UN CTED UNODC United States World Bank WCO	Kiribati Federated States of Micronesia Tuvalu

¹ See *PACD Programme Variation No. One*

² The term 'Pacific TA cell' or shorter 'Pacific cell' in this report refers to the APG secretariat staff members funded under the New Zealand programme dedicated to delivering the programmes reported herein.

³ See *Report Against the Business Plan 2020-2021* and *Budget and Business Plan 2021-2022* for details of APG 2019-2020 Governance and Operations. These documents are available to APG members and observers from the APG website.

This 2020-2021 Annual Report provides information on the fourth year of funding under the PACD programme and is divided into the following sections:

- **Part One** reports the progress against the strategic priorities of the PACD Programme and required activities as outlined in the *PACD Business Plan 2020-2021*;
- **Part Two** reports against the costed work plan for 2020-2021;
- **Part Three** reports progress against short and medium term outcomes of the PACD Results Management Table;
- **Annex 1** provides a detailed report of 2020-2021 PACD expenditure; and
- **Annex 2** provides an overview of PACD programme risk management processes.

PART ONE: REPORT AGAINST STRATEGIC PRIORITIES

The PACD programme is organised around the four goals in PACD Strategic Plan, which are aligned with the wider APG strategic goals in the APG Strategic Plan.

The *PACD Business Plan 2020-2021* sets out required activities for 2020-2021 under each strategic goal and is consistent with its strategies.

The following section is a summary of the performance highlights of the PACD programme for the 2020-2021 financial year under each strategic goal and consistent with the *PACD Business Plan 2020-2021*.

Pacific AML/CFT TA&T operating environment and programme adaptation

The operating environment of the PACD programme in 2021-2022 has been defined by: (i) all APG international travel⁴ being suspended, (ii) all Pacific APG members' borders being closed to non-essential travel, and (iii) fluctuating prioritisation of AML/CFT issues and reforms due to COVID-19⁵ and shifting timeframes for APG membership obligations (mainly scheduling of mutual evaluations)⁶.

Before the COVID-19 pandemic, remote TA delivery was not the primary delivery mode for AML/CFT TA&T across the Pacific. Remote TA delivery was not envisioned when the PACD programme was established including in the setting of programme indicators, and it is unlikely that in-person TA will be the primary delivery mode for the remainder of the PACD Programme. However, remote TA delivery does create a number of opportunities, including:

- Ease of experts' engagement with APG Pacific members and associated reduction in project costs – travel related costs have traditionally been a significant proportion of PACD expenditure.
- Ability for TA to reach a more diverse range of officials; in some cases remote trainings can more easily target working-level officials new to AML/CFT, and better enable workshop re-attendance.
- Ability to deliver workshops more flexibly, be more modular, and not be defined by a maximum length of four consecutive days between 9am and 5pm. In addition, webinars and other virtual events can support formal workshops.

The combination of the above opportunities and the success of the remote law enforcement training project (see detail under Strategic Goal 4), demonstrates remote delivery is one of the tools that can support PACD programme Outcomes. The Pacific Cell has commenced three large projects that will be the foundation of AML/CFT legislation drafting, AML/CFT supervision, and law enforcement assistance for the remaining two years of the grant (see relevant Strategic Goals for details of these projects). The activities of these projects will be delivered remotely in 2021-2022. In the final year of the programme, we hope to be delivering all PACD projects under a hybrid model of both in-person and remote delivery aligned with the type of assistance and the recipient APG member.

⁴ APG travel includes all APG Secretariat staff, APG member representatives, and external consultants

⁵ Including health sector response and/or changing budgetary allocation of funds/resources

⁶ Due to the COVID-19 pandemic, the ME of the Marshall Islands has been paused since February 2021. The timing of upcoming MEs of Nauru, Niue and Papua New Guinea depends on the timing of the APG's three ongoing evaluations (the Marshall Islands, Lao and Brunei). In addition, the timing of Pacific members' APG 4th round MEs is yet to be confirmed but the round will commence in 2024 with Vanuatu and Samoa likely to be the first Pacific members assessed in this round

STRATEGIC GOAL #1

BE AN EFFECTIVE TECHNICAL ASSISTANCE CELL SUPPORTING IMPLEMENTATION OF THE FINANCIAL ACTION TASKFORCE (FATF) STANDARDS AND THE WORK OF THE GLOBAL AML/CFT NETWORK IN THE PACIFIC

STRATEGY:

- **RESOURCE THE PACIFIC TA CELL WITH APPROPRIATELY QUALIFIED STAFF TO ENSURE THE DELIVERY OF EXPECTED OUTCOMES AND PROPER MANAGEMENT OF NZ FUNDS**
-

Required activities:

- Effectively manage the Pacific TA cell.

Activities:

- The APG's Pacific TA Cell at 30 June 2021 consists of the following NZ-funded staff members:
 - Shannon Rutherford, Deputy Director;
 - Sabhana Devi, Policy Officer; and
 - Sue Maggiore, Policy Support Officer.
- The overall management of the cell is the responsibility of the Director TA (APG core-funded position with part funding attributed⁷ to the PACD programme).
- The Pacific Cell is managed in accordance with Australian Federal Police employment standards, including COVID-19 protocols, which have allowed team members to work remotely when required with access to ICT and other systems. Over the last year, the Pacific Cell has worked from home approximately 50% of the time.
- On-the-job training and mentoring opportunities have been regularly provided to Pacific TA Cell staff to ensure they can confidently perform their roles. All Pacific TA Cell staff have completed their mandatory AFP internal training. Sabhana Devi and Sue Maggiore completed the FATF's online Introductory Course and the week-long virtual FATF Standards Training Course in April 2021. Sabhana Devi also completed the week-long virtual APG Assessor Training Course in June 2021. Shannon Rutherford is currently completing the AFP's Executive Coach Certification Programme.
- All Pacific TA Cell staff have performance development agreements consistent with the AFP's Performance Management Framework. All staff members achieved a satisfactory level of performance on their performance reviews in June 2021.
- PACD funds are managed in accordance with *Public Governance, Performance and Accountability Act 2013* and AFP Commissioner's Financial Instructions. All PACD finances are administered using AFP systems, which include comprehensive internal controls and external scrutiny.

⁷ A policy on allocating employee costs between the New Zealand funded Pacific project and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

STRATEGY:

- **ENSURE EFFECTIVE COORDINATION AND GOVERNANCE STRUCTURES ARE IN PLACE, INCLUDING WITHIN THE APG SECRETARIAT AND WITH MFAT, PACIFIC ISLAND JURISDICTIONS, REGIONAL ORGANISATIONS, AND OTHER DONORS AND TA PROVIDERS**
-

Required activities:

- Engage in remote consultation with Pacific members, DAP Group members, regional organisations and other stakeholders.
- Keep Pacific members, DAP Group members and other stakeholders up-to-date with activities of the PACD programme and upcoming opportunities for collaboration.

Activities:

- To ensure effective coordination and cooperation with regional organisations and other DAPs, the Pacific Cell undertook the following key activities:
 - Participation in the Pacific Islands Law Officers' Network (PILON) prosecuting corruption webinar in November 2020;
 - Participation at the regional team leaders meeting of the Pacific Transnational Crime Network via Zoom in November 2020;
 - Moderated sessions during the Asian Development Bank, ANZ, and Australian Transaction Reports and Analysis Centre (AUSTRAC) Pacific AML/CFT Webinar Series in December 2020; and
 - Participation in the Oceania Customs Organisation Criminal Business Disruption Workshop via Zoom in June 2021.
- To ensure active consultation with DAP Group members, the Pacific Cell:
 - Participated in the 2021 Annual Technical Assistance and Training (TA&T) Forum, held remotely in August 2021. The Pacific TA Cell sought updates from; (i) DAP Group members on planned and delivered TA in the Pacific, and (ii) Pacific members on their TA needs and 2021-2022 TA priorities. The Deputy Director chaired meetings between individual Pacific APG members and the DAP Group focused on their TA needs. Meetings were held for all APG members except Samoa and Niue⁸.
 - Organised regular teleconferences or face-to-face meetings with individual DAPs (on an as-needed basis) to discuss delivery, progress and coordination of specific TA activities to Pacific members. For this reporting period, the Pacific Cell has been in regular contact with several DAPs including, but not limited to AUSTRAC, IMF, and OCO.
- The Pacific Cell disseminated four quarterly updates via email to keep Pacific members, DAP Group members and other stakeholders up-to-date with PACD activities.

⁸ Samoa and Niue both elected not to have an Individual Meeting.

STRATEGIC GOAL #2

NATIONAL AML/CFT REGIMES ARE STRENGTHENED

STRATEGY:

- **ENGAGE STAKEHOLDERS TO GARNER POLITICAL COMMITMENT FOR ENHANCING AML/CFT SYSTEMS**
 - **ENSURE AML/CFT MEASURES ARE UNDERTAKEN ON THE BASIS OF STRONG POLICY DISCUSSIONS AND PLANNING, INCLUDING UNDERSTANDING RISK**
 - **SUPPORT PACIFIC MUTUAL EVALUATIONS AND FOLLOW-UP ASSESSMENTS**
 - **SUPPORT PACIFIC ISLAND JURISDICTIONS IN ENGAGING PRODUCTIVELY WITH THE GLOBAL AML/CFT COMMUNITY, INCLUDING BENEFITING FROM ASSOCIATED ACTIVITIES.**
 - **PROVIDE LEGISLATIVE DRAFTING ASSISTANCE TO BRING LEGISLATION INTO GREATER COMPLIANCE WITH FATF STANDARDS**
-

Required activities:

- Maintain up-to-date TA Implementation Plans/Overviews for each Pacific member.
- Provide desk-based and remote assistance on Pacific mutual evaluation (ME) and follow-up reports (FUR).
- Assist Pacific members to identify and assess their ML/TF risks and implement, through national AML/CFT strategies/policies, co-ordinated risk-based approaches to combating identified risks.
- Deliver remote TA programmes of work for AML/CFT legislative drafting assistance to Pacific members.

Activities:

- TA Implementation Plans/Overviews were updated on an as-required basis throughout the year and based on APG Pacific members' input for 2021 TA&T Forum in August 2021. Pacific TA Implementation Plans/Overviews are available to all DAPs as a resource to support their TA planning and activities in the Pacific.
- The Pacific Cell reviewed two complete drafts of the Tonga MER and proposed changes to the assessment team to reflect Tonga's risk and context, and proposed recommended actions to support sustainable development of Tonga's AML/CFT regime.
- The Pacific Cell reviewed and/or drafted the follow-up reports of Samoa, Palau, Solomon Islands, Fiji, Cook Islands, and/or Vanuatu.
- PACD funds were used to support salary costs of one APG secretariat staff member's participation in the Marshall Islands ME. Due to COVID-19, the ME has been paused since February 2021.
- The Pacific Cell has been providing remote ME-related support to Nauru on an as required basis including regular Zoom meetings, increasing to weekly in the month of June 2021. Nauru's ME is scheduled to be held within 2021-2023 but the timing of the ME commencement dependent on the APG's three on-going evaluations (Marshall Islands, Lao and Brunei), which are all currently paused.
- Work is ongoing on the project to assess terrorist financing risks in Fiji's non-profit organisation (NPO) sector, and enhance Fiji's compliance with FATF Recommendation 8. To date, an in-country visit to Fiji has been completed and initial drafts of some materials were developed. While draft materials are being developed remotely by the consultant, the completion of the project is

dependent on at least one more in-country visit or at a minimum a series of Zoom meetings with relevant competent authorities. These elements of the project were unable to be scheduled in 2020-2021.

- As part of NPO project, the consultant will also develop a broader practical resource for all APG Pacific members on taking a risk-based approach to the regulation, monitoring and supervision of the NPO sector as required by the FATF methodology. Drafts of this document were disseminated to key stakeholders and APG Pacific members, and it is scheduled to be finalised in September 2021. Once completed the APG will offer support for implementation in interested jurisdictions.
- A consultant was engaged in January 2020 to assist the Solomon Islands to develop a national AML/CFT strategy based on its ML/TF risks following the adoption of its 2019 MER. The national AML/CFT strategy project was completed in November 2020.
- A consultant was engaged to develop a national policy to prioritise AML/CFT reforms in Tuvalu. The details of this project are included under Strategic Goal #3.
- The project to assist Nauru to review and amend its AML/CFT system is continuing. Under Phase 1 of the project, a consultant was engaged to conduct a gap analysis of Nauru's legislation and to review draft legislation. The Pacific cell has engaged a law firm (see below) to complete Phase 2 of the project, which will include drafting a new AML/CFT Bill, amendments to the Proceeds of Crime Act and other pieces of legislation that include AML/CFT related elements. Work under Phase 2 is ongoing.
- A law firm has been engaged to deliver remote AML/CFT legislation drafting support⁹ over the remaining two years of the grant (this project will be referred to as Pillar Project AML/CFT Legislation Drafting in this report). The team of AML/CFT experts and legislative drafters is currently supporting Phase 2 of the Nauru project but will provide support to other APG members in early 2022 (see 2021-2022 PACD Business Plan for additional information on this project).

⁹ Legislative drafting support may include: (i) gap analysis of compliance with FATF Recommendations and development of a legislative drafting plan, (ii) drafting new laws or other enforceable means, (iii) drafting amendments to current laws and other enforceable means, and (iv) reviewing draft amendments to laws and enforceable means, and (v) other activities to enable (i) to (iv) to be completed.

STRATEGIC GOAL #3

AML/CFT REGULATION IS IMPROVED AND ENFORCED

STRATEGY:

- PROVIDE ASSISTANCE TO BRING REGULATORY FRAMEWORKS INTO GREATER COMPLIANCE WITH FATF STANDARDS
 - PROVIDE TAILORED PROGRAMMES AND MENTORING TO ASSIST FINANCIAL SUPERVISORS/REGULATORS TO IMPROVE CAPACITY IN ENFORCING AML/CFT MEASURES AND REGULATING FINANCIAL ACTIVITY
-

Required activities:

- Deliver remote TA programmes to strengthen Pacific members' compliance with FATF standards on preventive measures.
- Deliver remote TA programmes to address de-risking issues affecting Pacific members.
- Deliver TA programmes to enhance AML/CFT risk-based supervision of financial institutions.
- Deliver TA programmes to enhance AML/CFT risk-based supervision of designated DNFBPs.

Activities:

- A consultant was engaged to conduct a gap analysis of Tuvalu's compliance with international AML/CFT standards and develop a national policy to prioritise AML/CFT reforms¹⁰. While this project will cover all FATF Recommendations, a significant portion of the work will focus on assisting Tuvalu to strengthen its preventative measures as well as FIU reforms. Due to general project delays, the gap analysis was completed in August 2021 with the national policy expected to be completed by October 2021.
- Phase 2 of the Nauru AML/CFT legislation drafting project is continuing, which aims to enhance Nauru's compliance with FATF standards on preventive measures (see strategic goal 2).
- The Pacific Cell is contributing to APG secretariat involvement in the FATF project on *Mitigating the Unintended Consequences of the FATF Standards*. This project is focused on better understanding and implementation of measures to minimise the unintended consequences of the FATF Standards associated with de-risking, financial exclusion, undue targeting of non-profit organisations and curtailment of human rights. While all four issues involve the Pacific, the first two are particularly significant for Pacific members. The *Mitigating the Unintended Consequences of the FATF Standards: Phase 1 Stocktake Report* was adopted at the FATF Plenary in June 2021. A paper on options for mitigating unintended consequences will be considered by the FATF Plenary in October 2021. It is expected that this work will continue beyond October 2021 given the complexity of the issues involved.
- PACD funds have been allocated to develop a Pacific de-risking toolkit. The Financial Services Volunteer Corps (FSVC) is leading the project in collaboration with the APG. The aim of the toolkit is to support APG Pacific members to implement AML/CFT measures to assist in mitigating de-risking. Due to COVID-19, the Experts Meeting on the toolkit was cancelled, and unfortunately the project has not been able to be progressed in 2021-2022. The project team will assess any impact of the FATF project on *Mitigating the Unintended Consequences of the FATF Standards* and move forward with the project in 2021-2022.

¹⁰ While Tuvalu is not an APG member, MFAT approved use of PACD programme funds to support this project via email in October 2020. This activity will support Tuvalu's intention to apply for full membership of the APG.

- In line with the APG Co-Chairs' Priorities for 2020-22 on enhancing DNFBP supervision, a webinar series was initiated in April 2021 (with a second webinar deliver in June 2021) to address topics related to risk-based supervision in the DNFBP sectors assessment of the effectiveness of measures taken, and cooperation with the DNFBP sectors in combating ML and TF. These topics are highly relevant in the Pacific given their small size and capability gaps. The program will continue until July 2022 and will include topics related to low risk and simplified measures which reflect the Pacific context.
- A consultant has been engaged to deliver AML/CFT supervision support over the remaining two years of the grant (this project will be referred to as Pillar Project AML/CFT Supervision in this report). The project aims to strengthen APG Pacific members' capability to undertake AML/CFT supervision of financial institutions and DNFBPs through delivery of: (i) three introductory-level workshops on the general elements of AML/CFT supervision, (ii) three intermediate-level workshops on AML/CFT supervision of banks, (iii) three intermediate-level workshops on AML/CFT supervision of remittance providers, and (iii) two intermediate-level workshops on AML/CFT supervision on off-shore sector entities. In addition, the consultant will also provide 22 days of desk-based mentoring on AML/CFT supervision issues on an as required basis. The activities under these projects will be delivered remotely but can also be delivered under a hybrid model when travel resumes to specific APG Pacific members. The first workshop will be delivered before December 2021.

STRATEGIC GOAL #4

INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF

STRATEGY:

- **PROVIDE PROGRAMMES/MENTORING TO ENSURE LAW ENFORCEMENT AGENCIES HAVE THE CAPACITY AND CAPABILITY TO DETECT AND INVESTIGATE ML/TF**
 - **STRENGTHEN MECHANISMS FOR RECOVERY AND REPATRIATION OF PROCEEDS AND ASSETS CONNECTED TO CRIMINAL ACTIVITY**
 - **PROVIDE TAILORED PROGRAMMES AND MENTORING TO ENSURE ML/TF IS PROSECUTED**
 - **PROVIDE ANTI-CORRUPTION MENTORING TO IMPROVE CAPACITY FOR USE OF FINANCIAL INVESTIGATIONS IN COMBATING THE KEY REGIONAL RISK OF CORRUPTION**
-

Required activities:

- Deliver TA programmes to enhance Pacific members' use of financial intelligence in ML and predicate crime cases, and asset confiscation.
- Deliver remote TA programmes to enhance LEAs' and/or prosecutors' capacity to conduct financial investigations in ML and higher-risk predicate crime cases and recover assets.
- Deliver thematic law enforcement desk-based mentoring to Pacific members.

Activities:

- The Pacific cell engaged a consultant to deliver four remote training courses on financial investigations of higher-risk predicate crimes, ML investigation, and asset confiscation. The training course was delivered to law enforcement, FIU staff, and other competent authorities in Nauru (March 2021) and Tonga (June 2021). Workshops originally planned for late 2020-2021 were postponed until 2021-2022. A workshop is scheduled for the Marshall Islands in September 2021 and Samoa in November 2021.
- The Pacific Cell is engaging a consultant/s to deliver law enforcement support over the remaining two years of the grant (this project will be referred to as Pillar Project Law Enforcement in this report). The project aims to enhance Pacific APG members' capacity to conduct financial investigations in ML and higher-risk predicate crime cases and recover assets. The project includes delivery of: (i) four introductory-level training courses on financial investigation of higher-risk predicate crimes, ML investigations, and asset recovery, and (ii) four intermediate-level training courses on conducting parallel financial investigations including obtaining and analysing financial evidence. The consultant/s will also provide 22 days of desk-based mentoring on AML/CFT law enforcement issues on an as required basis. The activities under these projects will be delivered remotely but can also be delivered under a hybrid model when travel resumes to specific APG Pacific members. The first workshop is scheduled for delivery before December 2021.
- A consultant was engaged in July 2020 to provide technical assistance to the Royal Solomon Islands Police Force on financial investigations and asset recovery including conducting a workshop in the Solomon Islands and mentoring (both remote and in-country). Due to COVID-19 the workshop and mentoring have been cancelled.

PART TWO: REPORT AGAINST THE COSTED WORK PLAN FOR 2020-2021¹¹

The following section outlines 2020-2021 expenditure against the costed work plan in the *PACD Business Plan 2020-2021*.

SUMMARY OF 2020-2021 EXPENDITURE AND EXPLANATION FOR VARIANCE

Output 1 - Pacific TA Cell established within the APG Secretariat

Expenditure against Output 1 was NZD 394,267 and relates to employee expenses of the three full-time Pacific Cell staff and salary attribution costs relating to core APG staff undertaking tasks for the PACD programme¹². Table 2 shows an underspend of NZD 22,733 primarily resulting from Pacific Cell staff costs being less than originally budgeted in the Grant Agreement because the Policy Officer position was vacant for just over three months. Salary attribution costs were very close to budget. See Annex 1 for additional detail.

Output 2 - Technical assistance and training

Expenditure against Output 2 was NZD 60,934 (see Table 2) with the details of individual activity expenditure included in Annex 1. The underspend of NZD 267,066 primarily results from the following two factors:

- Project delivery delays and cancellations estimated at a total value approximately NZD 124,800; and
- The Pacific Cell has focused its resources on establishing the three Pillar Projects discussed above in detail. While there have been no activities or expenditure against these projects this financial year, the estimated total financial commitment of all three projects over the remaining two years of the grant is approximately NZD 470,000¹³.

Output 3 - Administrative costs

Expenditure against Output 3 was NZD 1,061 (see Table 2) with the details of expenditure included in Annex 1. The underspend of NZD 47,939 is a result from less than expected expenditure on non-salary related administrative costs of the Pacific TA Cell¹⁴, particularly the financial audit expense.

¹¹ Detailed accounting of funds spent in 2020-2021 is provided in Annex 1 of this report

¹² A policy on allocating employee costs between the New Zealand funded Pacific project and APG core budget has been developed to detail the attribution of salary costs when non-Pacific TA staff are required to augment the work of the Pacific Cell and deliver grant outcomes in a timely manner.

¹³ Total current commitments for the remaining two years of the grant are approximately NZD462,877 (see Annex 1 for details).

¹⁴ It was originally envisioned that the cost of an annual financial audit would be approximately NZD 19,000. However, PACD programme funds are audited annually in combination with the APG's financial audit at no cost to the PACD programme. In addition, accommodation, ICT services, human resources, finance, and legal services are provided at no expense under the Australian government's hosting arrangement with the APG Secretariat.

Table 2: Expenditure (NZD) 2020-2021¹⁵

Output	2020-2021 Budget	2020-2021 Expenditure	Variance
1 - Pacific TA Cell	417,000	394,267¹⁶	22,733
2 - Technical Assistance and Training	328,000	60,934¹⁷	267,066
<i>Strategic Goal 1</i>	<i>30,000</i>	<i>0</i>	<i>30,000</i>
<i>Strategic Goal 2</i>	<i>95,000</i>	<i>32,182</i>	<i>62,818</i>
<i>Strategic Goal 3</i>	<i>101,500</i>	<i>5,187</i>	<i>96,313</i>
<i>Strategic Goal 4</i>	<i>101,500</i>	<i>23,565</i>	<i>77,935</i>
3 - Administrative costs	49,000	1,061	47,939
TOTAL	794,000	456,262	337,738

INTENDED USE OF GRANT UNDERSPEND

As displayed in Table 2, the total underspend for 2020-2021 is NZD 337,738 with a total grant underspend at 30 June 2021 of NZD 792,482¹⁸. As agreed in June 2021, under Variation No. One, the grant underspend will be used to fund a sixth year of the PACD programme.

The costed 2021-2022 work plan is included in the *PACD 2021-2022 Business Plan* using the budget agreed during negotiations on Variation No. One.

¹⁵ Detailed accounting of funds spent in 2020-2021 is provided in Annex 1 of this report

¹⁶ In addition to this expenditure, Pacific Cell staff long services accrual for 2020-2021 was approximately NZD 9,100.

¹⁷ Total current commitments for the remaining two years of the grant are approximately NZD 462,877 (see Annex 1 for details).

¹⁸ Against the budget set out in the Grant Agreement

PART THREE: REPORT AGAINST OUTCOMES OF THE PACD RESULTS MANAGEMENT TABLE

As discussed in Part One, the 2020-2021 operating environment of the PACD programme has been challenging including that no in-person TA has been delivered for the last 18 months of the programme and APG Pacific members' prioritisation of AML/CFT issues and reforms is fluctuating due to COVID-19 (including health sector response and/or budgetary allocation of funds/resources) and shifting timeframes for APG membership obligations (mainly scheduling of mutual evaluations). Progress against Short-term and Medium-term Outcomes reflects these challenges.

SHORT-TERM OUTCOMES

RESULT 1: IMPROVED POLITICAL COMMITMENT AND DRIVE TO ENHANCING AML/CFT SYSTEMS. The following indicators show that there has been some increase in political commitment and drive to enhance AML/CFT regimes over the last four years of the PACD programme, mainly related to Pacific members' commitment to making changes in accordance with their national AML/CFT policies. However, it is important to note that in 2020-2021 many APG Pacific members faced challenges balancing COVID-19 related priorities (including health sector response and/or budgetary allocation of funds/resources) with other government priorities, including AML/CFT.

Indicator: APG Pacific members have a functioning AML/CFT coordination mechanism		
Target	Progress to date	Baseline
All Pacific members have an AML/CFT coordination mechanism with high-level representation that meets at least twice a year.	8 Pacific members have a functioning AML/CFT coordination mechanism	8 Pacific members have a functioning AML/CFT coordination mechanism

Upon commencement of the PACD programme, eight Pacific members had an AML/CFT coordination mechanism with high-level representation that meets at least twice a year. As mentioned above, it has been challenging for coordination mechanisms and technical working groups to meet in 2020-2021 due to COVID-19. There has not been an increase in progress on this indicator—while Republic of Marshall Island coordination mechanism has been meeting to discuss mutual evaluation issues, this progress is offset but an assumption that Palau's coordination mechanism did not meet twice in 2020-2021 due to COVID-19 and staffing challenges/changes in the FIU. Nauru established a coordination mechanism in year 1 of the programme, but it only meets once a year. Niue has no formal AML/CFT coordination mechanism.

Indicator: APG Pacific members have enhanced commitment to issue new or amended AML/CFT related laws, policy statements and/or procedures.		
Target	Progress to date	Baseline
All APG Pacific members have a risk-based national AML/CFT policy/strategy.	6 Pacific members have a risk-based national AML/CFT policy/strategy.	1 Pacific members have a risk-based national AML/CFT policy/strategy.

Upon commencement of the PACD programme, only Samoa had a risk-based national AML/CFT policy or strategy in place. This has increased to six Pacific members. Both Solomon Islands and Nauru have draft strategies that are awaiting approval.

RESULT 2: ENHANCED EXPOSURE TO AND INVOLVEMENT OF APG PACIFIC MEMBERS IN THE GLOBAL AML/CFT ENVIRONMENT. The following indicators show that APG Pacific members' involvement in the global AML/CFT environment has increased and is meeting the PACD programme targets. In 2020-2021 due to the COVID-19 most AML/CFT related events were virtual.

Indicator: APG Pacific members participate in APG, APG-supported, and other relevant regional events.		
Targets	Progress to date	Baseline
All Pacific members attended at least two APG/APG-supported events	All Pacific members participate in at least two APG/APG-supported events	7 Pacific members attended at least two APG/APG-supported events
All Pacific members attended at least two events of other regional organisations	All Pacific members participate in at least two events of other regional organisations	All Pacific members attended at least two events of other regional organisations

The 2020 APG annual meeting was cancelled due to COVID-19 with critical operational and governance decisions made through the APG's Governance Committee. However, Pacific members have actively engaged in APG or APG-supported virtual events in 2020-2021. While virtual events have challenges, participation can be significantly easier and cheaper, particularly from more remote APG Pacific member jurisdictions. From our discussions with other regional organisations, participation in their virtual events has also been successful.

Indicator: APG Pacific members are actively involved in mutual evaluations and APG follow-up reports as assessors or reviewers.		
Target	Progress to date	Baseline
Two delegates from Pacific members are involved as assessors or reviewers on APG MEs or Follow-Up Reports each year.	On Average, 5 Pacific delegates were assessors or reviewers in each year of the programme	1 Pacific delegate was a reviewer

APG has exceeded this target every year since the start of the programme. In 2020-2021 there were 5 Pacific delegates on the Tonga and RMI MEs both of which were impacted by COVID-19 (see Section One).

RESULT 3: AML/CFT LEGISLATION COMPLIANT WITH FATF STANDARDS. The following indicator shows Pacific members are increasing their compliance with key FATF Recommendations.

Indicator: APG Pacific members have improved compliance with FATF Recommendations.		
Target	Progress to date	Baseline
50% (6) of Pacific members are LC/C with at least 10 Key FATF Recommendations	27% (3) of Pacific members are LC/C with at least 10 Key FATF Recommendations	9% (1) of Pacific members are LC/C with at least 10 Key FATF Recommendations

At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations (R.3, R.5, R.10, R.11, R.20, R.1, R.4, R.6, R.26, R.29, R.36, R.37, and R.40). Now Fiji and Vanuatu's are LC/C with at least 10 Key FATF Recommendations. A further three Pacific members are making good progress on this indicator and are currently rated LC or C on nine of the 13 key FATF Recommendations. While there has been no change in indicator in 2020-2021, the current AML/CFT legislation drafting project with Nauru aims to enhance Nauru's compliance with these Recommendations, as does the IMF's projects with Tonga, Solomon Islands, and Samoa.

RESULT 4: SUPERVISORS/REGULATORS HAVE IMPROVED CAPACITY TO ENFORCE AND REGULATE AML/CFT SYSTEMS. The indicators below show steady improvement of APG Pacific members in developing risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs, and beginning to undertake risk-sensitive supervision banks.

Indicator: APG Pacific members have improved risk-sensitive frameworks for AML/CFT supervision of financial institutions and DNFBPs.		
Targets	Progress to date	Baseline
75% (8) of Pacific members have risk-sensitive framework AML/CFT supervision of financial institutions and DNFBPs	55% (6) of Pacific members have risk-sensitive framework AML/CFT supervision	9% (1) of Pacific members have risk-sensitive framework AML/CFT supervision
75% (8) of Pacific members have standard operating procedures and/or manuals for risk-sensitive AML/CFT supervision of financial institutions and DNFBPs	55% (6) of Pacific members have SOPs for risk-sensitive AML/CFT supervision	9% (1) of Pacific members have SOPs for risk-sensitive AML/CFT supervision
75% (8) of Pacific members are holding regular meetings/awareness raising workshops with private sector entities	≤73% (8) of Pacific members are holding AML/CFT awareness raising activities for private sector entities	36% (4) of Pacific members are holding AML/CFT awareness raising activities for private sector entities

At the start of the PACD programme, one Pacific member had a risk-sensitive framework and SOPs for AML/CFT supervision of financial institutions and DNFBPs. At the four-year mark of the programme, this has increased to six members. The IMF's projects with Solomon Islands and Samoa will progress these metrics further, and 2021-2022 workshops under the Pillar Project AML/CFT Supervision will support effective AML/CFT supervision (see details of this project under Strategic Goal 3 above). Regarding awareness-raising activities, due to challenges associated with COVID-19, we assume no improvement against this metric occurred in 2020-2021.

Indicator: APG Pacific members have improved risk-sensitive AML/CFT supervision of banks.			
Target		Progress to date	Baseline
Consistent with the make-up and risks of their financial sector, Pacific jurisdictions are conducting risk-sensitive AML/CFT supervision of banks	Larger financial Sectors*	2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of banks	1 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of banks
	Medium financial Sectors*	2 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of banks	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of banks
	Smaller financial Sectors*	No Pacific members are conducting risk-sensitive AML/CFT supervision of banks	No Pacific members are conducting risk-sensitive AML/CFT supervision of banks

* Groupings for this measure are based on 2019 GDP (<https://unstats.un.org/unsd/snaama/CountryProfile>). Larger financial sectors are those with GDP above USD 1000 million (Fiji, PNG and Solomon Islands); medium financial sectors are those with GDP between USD 1000 million and USD 300 million (Cook Islands, Samoa, Tonga and Vanuatu); and smaller financial sectors are those with GDP below USD 300 million and with a limited number of financial institutions (Marshall Islands, Nauru, Niue and Palau).

There has been no change in this indicator for 2020-2021. The above figure shows some progress by larger and medium-size financial sector APG Pacific members on conducting risk-based AML/CFT supervision of banks. Furthermore, Pacific members not conducting risk-based supervision of banks are conducting rule-based AML/CFT supervision. Smaller financial sector APG Pacific members are not conducting risk-sensitive supervision, with only Palau conducting rule-based AML/CFT supervision of banks. However, it is important to note that both Nauru and Niue only have one (foreign) bank each.

RESULT 5: IMPROVED ML INVESTIGATIONS CAPACITY OF LEAs. The following indicators show that while APG Pacific members have made some progress in their capacity to undertake financial investigation of higher-risk predicate crimes, greater support is needed to develop stronger frameworks to conduct money laundering investigations and to confiscate assets.

Indicator: APG Pacific members have improved frameworks for financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.		
Targets	Progress to date	Baseline
75% (8) of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation in higher-risk predicate crimes	27% (3) of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation	9% (1) of Pacific members have a policy/strategy to pursue ML investigations and asset confiscation
75% (8) of Pacific members have policies/procedures for FIU analysis and are disseminating STRs	90% (10) of Pacific members are disseminating STRs and 64% (7) have policies/procedures for FIU analysis and .	64% (7) of Pacific members have policies/procedures for FIU analysis and are disseminating STRs
75% (8) of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation	9% (1) of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation	9% (1) of Pacific members have SOPs for financial investigations, ML investigations, and asset confiscation

There has been minimal change in this indicator in 2020-2021. Over the life of the programme, there has been some increase in the number of Pacific members with policies/strategies to pursue ML investigations and asset confiscation. Regarding FIU disseminations, most Pacific FIUs are disseminating financial intelligence, but approximately 30% of those FIUs do not have formal SOPs/procedures. Once travel resumes, AUSTRA's Project Taipan will support upgrading the FIU systems of six Pacific jurisdictions (Fiji, Tonga, Samoa, Solomon Islands, Nauru, and Vanuatu). SOPs for financial investigations, ML investigations, and asset confiscation remains a significant challenge across the Pacific.

Indicator: APG Pacific members have demonstrated capacity and capability to conduct financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases.			
Target		Progress to date	Baseline
Consistent with their ML risk profile, Pacific Members are conducting financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases	Higher-risk Pacific members*	All Pacific members are conducting financial investigations	All Pacific members are conducting financial investigations
	Medium-risk Pacific members*	2 of 3 Pacific members are conducting financial investigations	1 of 3 Pacific members are conducting financial investigations
	Lower-risk Pacific Members*	3 of 4 Pacific members are conducting financial investigations	1 of 4 Pacific members are conducting financial investigations

* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

All higher-risk Pacific members are conducting financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases. The majority of medium and lower risk Pacific members are now conducting some form of financial investigation. 2021-2022 workshops under the Pillar Project Law Enforcement (see details of this project under Strategic Goal 4 above) aim to enhance the scope and sophistication of financial investigations conducted by APG Pacific members.

MEDIUM-TERM OUTCOMES

RESULT 1: STRENGTHENED NATIONAL AML/CFT REGIMES. The following indicators show Pacific members are increasing their technical compliance with FATF Recommendations, and in particular are improving their understanding of ML/TF risks.

Indicator: APG Pacific members have improved technical compliance with FATF Recommendations.		
Targets	Progress to date	Baseline
75% (8) of Pacific members are LC/C with at least 10 Key Recommendations	27% (3) of Pacific members are LC/C with at least 10 Key Recommendations	9% (1) of Pacific members are LC/C with at least 10 Key Recommendations
75% (8) of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations	In 2020-2021 no Pacific members requested technical compliance re-ratings.	27% (3) of Pacific members are making continued progress to address technical compliance deficiencies on other FATF Recommendations

This indicator builds on a similar short-term indicator. At the start of the PACD programme, one Pacific member was rated largely compliant or compliant on at least 10 of the 13 key FATF Recommendations. Now, three Pacific members are LC/C with at least 10 Key FATF Recommendations. While no Pacific members requested technical compliance re-ratings in 2020-2021 due mainly to challenges associated with COVID-19, the current AML/CFT legislation drafting project with Nauru aims to enhance Nauru's compliance with the FATF Recommendations, as does the IMF's projects with Tonga, Solomon Islands, and Samoa.

Indicator: APG Pacific members have improved understanding of their ML/TF		
Target	Progress to date	Baseline
All Pacific members have up-to-date ML/TF risk information	10 Pacific members have up-to-date ML/TF risk information	4 Pacific members have up-to-date ML/TF risk information

10 Pacific members currently have a up-to date risk assessment including that Tonga updated its NRA in 2020-2021 and Samoa is currently updating its 2014 NRA.

RESULT 2: FINANCIAL AND NON-FINANCIAL SECTORS ARE SUPERVISED AND REGULATED. The indicator below builds on the similar short-term indicator for risk-sensitive AML/CFT supervision, by looking more broadly at supervision of reporting entities other than just banks. As the results show, while there has been some progress in conducting risk-sensitive supervision of non-bank financial institutions, few Pacific members are undertaking risk-sensitive supervision of DNFBPs. This finding is consistent with findings from APG Pacific members' mutual evaluation reports.

Indicator: APG Pacific members have improved risk-sensitive AML/CFT supervision of non-bank financial institutions and DNFBPs.			
Target		Progress to date	Baseline
Consistent with the make-up and risks of their financial sector, Pacific jurisdictions are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions and DNFBPs	Larger financial Sectors*	2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	1 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		2 of 3 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions
	Medium financial Sectors*	2 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions
	Smaller financial Sectors*	No Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of non-bank financial institutions
		No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs institutions

* Groupings for this measure are based on 2019 GDP (<https://unstats.un.org/unsd/snaama/CountryProfile>). Larger financial sectors are those with GDP above USD 1000 million (Fiji, PNG and Solomon Islands); medium financial sectors are those with GDP between USD 1000 million and USD 300 million (Cook Islands, Samoa, Tonga and Vanuatu); and smaller financial sectors are those with GDP below USD 300 million and with a limited number of financial institutions (Marshall Islands, Nauru, Niue and Palau).

There has been no change in this indicator in 2020-2021. The above figure shows some progress by larger and medium-size financial sector Pacific members on conducting risk-based AML/CFT supervision of non-bank financial institutions. Although some other Pacific members are conducting AML/CFT supervision of some non-bank financial institutions, it is not risk-based. Smaller financial sector Pacific members are not yet conducting risk-sensitive supervision of non-bank financial institutions; however, the majority of financial activity in these jurisdictions is conducted through their banks.

Furthermore, only three Pacific members are conducting risk-based AML/CFT supervision of some DNFBPs. The slower progress is due to the DNFBP sectors of many Pacific members being very small, under developed and lower ML/TF risk, resulting in it being considered as lower priority to address. 2021-2022 workshops under the Pillar Project AML/CFT Supervision (see details of this project under Strategic Goal 3 above) aim to strengthen APG Pacific members' capability to undertake AML/CFT supervision of financial institutions and DNFBPs.

RESULT 3: INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF. The following law enforcement related indicators show that while most Pacific members are disseminating financial intelligence to LEAs at reasonable rates relative to their risks, there are relatively low levels of ML investigations being conducted and very few cases proceed to prosecution. This finding is consistent with findings from APG Pacific members' mutual evaluation reports.

Indicator: APG Pacific members have enhanced capacity and capability to investigate and prosecute legal and natural persons of ML			
Target		Progress to date	Baseline
Consistent with their risks and context, higher risk Pacific Members have an annual increase in: 1. the number of FIU disseminations leading to ML/predicate investigations; 2. # of ML investigations; and 3. # of ML prosecutions	Higher-risk Pacific members*	On average, higher risk Pacific members carrier out: > 50 disseminations leading to ~15 investigations of ML/other crimes ~5 ML Investigations ≤5 ML prosecutions	On average, higher risk Pacific members carrier out: 52 disseminations leading to 20 investigations of ML/other crimes 17 ML Investigations 4 ML prosecutions
	Medium-risk Pacific members*	On average, medium risk Pacific members carrier out: <25 disseminations leading to <10 investigations of ML/other crimes. 0 ML Investigations 0 ML prosecutions	On average, medium risk Pacific members carrier out: 11 disseminations leading to 1.6 investigations of ML/other crimes 0 ML Investigations 0 ML prosecutions
	Lower-risk Pacific Members*	On average, lower risk Pacific members carrier out: ≤5 disseminations leading to ≤2 investigations of ML/other crimes. 0 ML Investigations 0 ML prosecutions	On average, lower risk Pacific members carrier out: 2 disseminations leading to 0 investigations of ML/other crimes 0 ML Investigations 0 ML prosecutions

* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk.

Overall results for this indicator show limited improvement. There is significant variation in the performance of Pacific members both year to year and between higher and lower risk members. Consistent annual increases in the number of disseminations, ML investigations or ML prosecutions have not been achieved by any member. In 2020-2021, there has been a general decrease in all metrics. The Pacific Cell believes this is due to COVID-19, including that for some APG Pacific members law enforcement resources have been devoted to enforcing the jurisdiction's COVID-19 health sector response. In general, all higher-risk Pacific members have higher rates of financial intelligence dissemination to LEAs, as well as higher rates of investigations and some prosecutions, which is in line with general expectations. However, some members in this group are performing much more effectively than others. There is little to no difference between medium and low-risk Pacific in terms of ML investigations and prosecutions. This shows that ML training is needed across the APG Pacific membership. The Pillar Project Law Enforcement (see details of this project under Strategic Goal 4 above) will provide introductory and intermediate level ML investigation training over the remaining two years of the grant.

Indicator: APG Pacific members have an enhanced capacity and capability to detect and investigate terrorist financing		
Target	Progress to date	Baseline
75% (8) of Pacific members have policies/procedures for TF investigations, consistent with their risk and context	27% (3) of Pacific members have policies/procedures for TF investigations consistent with their risk and context	0 Pacific members have policies/procedures for TF investigations, consistent with their risk and context

There has been no change in this indicator in 2020-2021. Three Pacific members have policies/procedures for conducting TF investigations.

RESULT 4: IMPROVED CONFISCATION AND FORFEITURE REGIMES. The following indicator shows that the rates of confiscation across Pacific members are low. This area needs greater technical assistance focus including that several APG Pacific members raised technical assistance needs related to asset confiscation in their 2021 Individual Meetings as part of the 2021 APG Annual Forum on TA&T.

Indicator: APG Pacific members have improved capacity and capability to undertake proceeds of crime confiscation actions.			
Target		Progress to date	Baseline
Consistent with their risks and context, higher risk Pacific Members have an annual increase in asset confiscation actions in ML/predicate crime cases.	Higher-risk Pacific members*	On average, higher risk Pacific members carried out around 4 confiscation actions per year in ML/predicate crime cases	On average, higher risk Pacific members carried out 2 confiscation actions per year in ML/predicate crime cases
	Medium-risk Pacific members*	On average, medium risk Pacific members carried out around 3 confiscation actions per year in ML/predicate crime cases	On average, medium risk Pacific members carried out 2 confiscation actions per year in ML/predicate crime cases
	Lower-risk Pacific Members*	On average, lower risk Pacific members don't carry out any confiscation actions in ML/predicate crime cases	On average, lower risk Pacific members carried out 0 confiscation actions per year in ML/predicate crime cases

* For the purpose of this measure, Fiji, Papua New Guinea, Solomon Islands and Vanuatu are considered to be relatively higher-risk based on the general perception of value of criminal offending in these jurisdictions. Cook Islands, Samoa and Tonga are considered to be medium-risk, while Marshall Islands, Nauru, Niue and Palau are considered to be lower-risk. This Indicator also includes a target of an annual increase in the number of FIU disseminations leading to asset confiscation actions; however, there was insufficient data available and this target is not included in the above figure.

There has been no change in this indicator in 2020-2021. There is significant variation in the performance of Pacific members both year to year and between higher and lower risk members. A consistent annual increases in the number of asset confiscation actions taken in ML or predicate crime cases has not been achieved by any member. The general trend that emerges from the data is a minor overall increase (on average) in confiscation actions undertaken by higher-risk and medium-risk Pacific members since the beginning of the programme, which is positive. However, confiscation rates generally remain low across the Pacific.

ANNEX 1: DETAILED ACCOUNTING OF EXPENSES 2020-2021

Outputs	TOTAL (NZD)
1 - Pacific TA Cell	394,267¹⁹
<i>Permanent Pacific Cell Staff costs</i>	341,923
<i>Salary Attribution Costs</i>	52,344
2 - Technical Assistance and Training	60,934
Strategic Goal 1	0 ²⁰
Strategic Goal 2	32,182²¹
<i>Consultant costs – NPO project, Fiji</i>	8,777
<i>Consultant costs – Legislative drafting project, Nauru (Phase 1)</i>	21,277
<i>Consultant costs – National Strategy project, Solomon Islands</i>	2,128
Strategic Goal 3	5,187²²
<i>Consultant cost – Gap analysis & National Strategy, Tuvalu</i>	5,187
Strategic Goal 4	23,565²³
<i>Remote LEA training and workshop costs – Nauru (April 2021)</i>	10,884
<i>Remote LEA training and workshop costs – Tonga (June 2021)</i>	12,681
3 - Administrative costs	1,061
<i>PACD Training and other ICT costs</i>	1,061
TOTAL	456,262

¹⁹ In addition to this expenditure, Pacific Cell staff long services accrual for 2020-2021 was approximately NZD 9,100.

²⁰ Expenses normally relate to Pacific TA cell travel for TA coordination activities not directly related to projects or activities under strategic goals 2 to 4. Due to COVID-19 related travel restrictions, there was not expenditure.

²¹ In addition to this expenditure, the PACD programme has approximately NZD 164,628 in commitments in commitments over the remaining two years of the grant related to activities under Strategic Goal 2.

²² In addition to this expenditure, the PACD programme has approximately NZD 285,839 in commitments over the remaining two years of the grant related to activities under Strategic Goal 3.

²³ In addition to this expenditure, the PACD programme has approximately NZD 12,410 in current commitments for 2021-2021 activities under Strategic Goal 4, and the Pillar Project Law Enforcement is estimated at approximately NZD 106,000 over the remaining two years of the grant.

ANNEX 2: RISK MANAGEMENT

Risk Description	Likelihood	Consequence	Risk Rating	Proposed Risk Management	Responsibility	Notes
Changes in Pacific TA Cell staff	Possible	Moderate	Medium	<p>Utilise existing APG secretariat or AFP resources to transfer across to the Pacific TA cell or to act in the Pacific TA cell until permanent staff can be recruited.</p> <p>Seek seconded staff from the host organisation or APG members to fill the positions.</p>	APG	On several occasions within the last few years the PACD programme has filled the Policy Officer role with persons already employed within the AFP.
Due to COVID-19 including related health sector response or budgetary allocation of funds/resources, APG Pacific member unwilling to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.	Possible	Major	High	<p>Align PACD programme with other related national priorities of Pacific members, particularly economic recovery.</p> <p>Align of PACD programme activities with APG membership process (e.g., mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g., FATF ICRG process).</p>	APG	N/A

Due to COVID-19 (including related health sector response or budgetary allocation of funds/resources) or other reasons, Pacific member postpone/rejects individual TA activity.	Likely	Minor	Medium	<p>Involve Pacific member in identification, design, development and planning for TA including (i) seeking in principle support for TA project plans, (ii) modifying projects to be delivered remotely and in accordance with Pacific Members health sector response to COVID and technical capabilities, (ii) link projects to other related national priorities, particularly economic recovery.</p> <p>Flexibly respond to Pacific members changing priorities and/or challenges organising remote delivery workshops by allowing additional time to arrange workshops and delaying delivery, where required.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>	<p>Over the last year and a half, due to COVID-19, the Pacific Cell has (ii) modified several projects to facilitate remote delivery, and (ii) postponed/cancelled a number of workshops until a time where they can be safely delivered.</p> <p>The increase in general uncertainty caused by the COVID-19 pandemic combined with the additional logistical burden of organising remote TA (see below for a discussion of this issue) means some remote TA activities have also been delayed or postponed. To assist with overcoming this challenge, the three Pillar Projects have been developed to provide Pacific APG members with a schedule of workshops for the remaining two years of the grant and jurisdiction-specific workshops can be changed to a secondary jurisdiction that also requires the support.</p> <p>One of the key learnings from remote delivery workshops to date is the administrative burden on the</p>
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						targeted jurisdiction can be higher than for a normal workshop. Normally, the Pacific Cell would engage with a hotel directly and manage all training facilities, catering, and payments. For remote workshops delivered to date, participations have attended in a single in-house training venue with external catering. All in-country arrangements have had to be organised by the jurisdiction, normally the FIU, and funded by the Pacific Cell.
Loss of political will (for reasons not related to COVID-19 - see above for discussion regarding COVID-19) in Pacific member to undertake any AML/CFT reforms and total rejection of TA under the PACD programme.	Unlikely	Major	High	Align of PACD programme activities with APG membership process (e.g., mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related process (e.g., FATF ICRG process). Align PACD programme activities with other related national priorities of Pacific members.	APG	N/A

Annual expenditure less or more than original Costed Outputs in Grant Agreement	Possible	Moderate	Medium	<p>Appropriately manage delivery of TA activities and projects in accordance with the PACD's annual business plans and budget including reducing or adding activities or co-funding activities (with other APG members and observers) where appropriate, and utilise existing APG secretariat resources to undertake new TA projects or activities.</p> <p>Seek NZ approval to relocate unspent funds to other programme Outputs; roll unspent funds into next final year; or modify the terms of the grant.</p>	APG	<p>As noted above, the total grant underspend at 30 June 2021 is NZD 792,482. The key drivers of the underspend are:</p> <ul style="list-style-type: none"> • Year 1 (2017-2018) expenditure was 53% under budget. This underspend was due to delays in recruiting the Policy Officer and Policy Support Officer for the Cell and a resulting lower capacity to deliver TA activities. • Underspend for Output 3 is ~87% of the total budget to date. This is due to funding from the APG Core budget and Australia (through the APG's hosting arrangement with the AFP) to support PACD management and implementation arrangements. • Impact of COVID-19 in Year 3 and Year 4 of the grant. Year 4 (2020-2021) expenditure was 43% under budget (see above). Year 3 (2019-2020) expenditure was 8% under budget²⁴ (See <i>PACD Annual Report 2019-2020</i>).
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						Total unspent funds at 30 June 2021 have been rolled into the remaining two years of the grant in accordance with the <i>PACD Programme Variation No. One</i> . The budget for 2021-2022 is set out in <i>PACD 2021-2022 Business Plan</i> .
Overall costs of project increase or decrease	Minor	Major	High	<p>Appropriately manage PACD programme funds (including currency exchange) in accordance with Australian Government standards and AFP's internal policies and procedures including undertaking an annual financial audit of PACD expenditure (as part of the APG's annual audit).</p> <p>Appropriately manage annual delivery of TA activities and projects in accordance with the PACD's annual business plans (see above).</p> <p>Where appropriate, unspent funds may be returned to NZ at the end of the project.</p>	APG	As the majority of funds are expended in AUD and the Grant Agreement and funds payments are in NZD, the PACD programme is impacted by currency exchange.

²⁴ Against the original budget outlined in the Grant Agreement

Pacific member rejects individual TA activity for reasons not related to COVID-19 (see above for discussion regarding COVID-19)	Possible	Minor	Medium	<p>Ongoing involvement of Pacific members in identification, design and development of Pacific Members' individual implementation plans, and any regional TA activities including through the APG Annual TA&T Forum.</p> <p>Involve Pacific member in identification, design, development and planning for TA including seeking in principle support for TA project plans.</p> <p>Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.</p>	APG	While no Pacific Member has totally rejected TA, several projects originally planned for 2019-2020 and 2020-2021 have been postponed due to Pacific jurisdictions ability to receive the TA and changing TA priorities.
Not achieving short and/or medium-term outcomes	Unlikely	Major	High	Monitor progress against short and medium term outcomes and in combination with Pacific members implementation plans, appropriately allocate PACD programme resources including Pacific TA cell staff and TA activity funds.	APG	

Availability of experts (including consultants) to undertake or support TA activities.	Possible	Moderate	Medium	<p>Inform DAP Group members of upcoming PACD programme activity and priorities as early as possible including through quarterly updates.</p> <p>Appropriately plan annual TA activities including involvement of DAP Group members in activity planning as early as possible.</p> <p>Continue to increase the Pacific TA Cell's database of AML/CFT experts.</p> <p>Contract experts to more flexible and longer agreements, which facilitate delivery different types and levels of assistance to multiple APG Pacific Members.</p> <p>If required, reschedule activity based on expert's availability; source other experts; reduce the number of experts for the activity.</p>	APG	<p>One of the aims of the three Pillar Projects is to contract and lock-in experts to deliver AML/CFT TA activities for the remaining two years of the grant.</p> <p>For AML/FT legislation drafting support, the team of AML/CFT experts and legislation drafters from Lexbridge Laws will provide AML/CFT legislation drafting support to APG Pacific members for the remainder of the grant. Where required, the Pacific Cell will seek support from the DAP Group for expert technical input on specific projects.</p> <p>For AML/CFT supervision support, Waterstone PTY LTD will deliver:</p> <ul style="list-style-type: none"> • three introductory-level workshops on general elements of AML/CFT supervision; • three intermediate-level workshops on AML/CFT supervision of banks; • three intermediate-level workshops on AML/CFT
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						<p>supervision of remittance providers,</p> <ul style="list-style-type: none"> • two intermediate-level workshops on AML/CFT supervision of off-shore sector entities; and • 22 days of desk-based mentoring on AML/CFT supervision issues on an as required basis. <p>Where required the Pacific Cell will seek support from the DAP Group for expert technical input on elements of the workshops.</p> <p>For law enforcement focused support, consultant/s will deliver:</p> <ul style="list-style-type: none"> • four introductory-level training courses on financial investigation of higher-risk predicate crimes, ML investigations, and asset recovery, • four intermediate-level training courses on conducting parallel financing investigations including obtaining and analysing financial evidence; and
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						<ul style="list-style-type: none"> 22 days of desk-based mentoring on AML/CFT law enforcement issues on an as required basis. <p>Where required the Pacific Cell will seek support from the DAP Group for expert technical input on elements of the workshops.</p>
Conflict of interest between the APG Secretariat's role in TA and mutual evaluations	Unlikely	Minor	Low	To avoid potential conflicts of interest between any support the APG Secretariat provides to APG members and the APG assessment process, only the APG plenary has the authority to adopt an MER; and the assessment team (not including any APG Secretariat staff members) is, collectively, responsible for the production of an independent report (containing analysis, findings and recommendations) concerning the member's compliance with the FATF standards, in terms of both TC and effectiveness. As outlined in the FATF and APG Mutual Evaluation Procedures, the APG Secretariat's role is not to assess the APG member. It is to provide support for the assessment team and the assessed country and ensure the methodology is appropriately applied with Pacific members.	APG.	With the inclusion of MEs in the PACD programme in early 2020 (see <i>PACD Business Plan 2018-2019 – updated</i>) Pacific Cell staff and PACD funds have been used to support ME related activities.



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2020-2021 Annual Report of Asia/Pacific Group on Money Laundering

In this report: A summary of major APG business programmes completed and the objectives achieved for the financial year 1 July 2020 to 30 June 2021 including audited financial statements.