



ANNUAL REPORT

Asia/Pacific Group
on Money Laundering

2021-2022



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: APG delegates during Annual Meeting 2022 (Kuala Lumpur, Malaysia).

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

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APG Co-CHAIRS' FOREWORD

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 2021 to 30 June 2022.



**Deputy Commissioner
Ian McCartney**

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 of RSM Australia, dated 12 September 2022 is attached to this report.

This year marked the 25th anniversary of the APG. The APG has grown from strength to strength since its establishment in 1997, and the outcomes achieved over the last 25 years position the APG and the region to more effectively defeat efforts by criminals and terrorists to subvert the integrity of the international financial system.

The 2022 APG Annual Meeting hosted by the Malaysian Government in Kuala Lumpur, was the first face-to-face meeting of delegates since the start of the COVID-19 pandemic. Over the last year, the APG has also conducted a number of virtual events and training programmes, including the 2021 APG annual typologies workshop, mutual evaluation preparation meetings and an assessor training workshop. These activities and many others are outlined in this report.



**Associate Assistant Deputy
Minister Julien Brazeau**

This year marked the end of the co-chairing of the APG by Malaysia, represented by Deputy Governor Marzunisham Omar. Deputy Governor Omar chaired the APG over a period of time in which COVID-related travel restrictions had a direct impact on all APG jurisdictions. Despite those challenges, he was able to lead a number of important projects and achieve significant outcomes for the membership including enhancing DNFBP supervision; increasing expertise and use of data analytics by authorities; promoting best practices in public-private partnerships; and expanding typologies research. Canada assumed the co-chairing role with Australia for 2022-2024. Canada is represented by Associate Assistant Deputy Minister, Julien Brazeau, of Canada's Department of Finance

in Ottawa, and will host the 2023 Annual Meeting in Vancouver, British Columbia. Canada's Co-Chairs' priorities for 2022-2024 will build on Deputy Governor Omar's 2020-2022 priorities and will focus on beneficial ownership, grand corruption, combatting terrorism financing and increasing expertise and use of data analytics by authorities and digital transformation of AML/CFT, as well as providing mutual evaluation support to the APG.

We would like to extend our thanks to all APG members and observers who made 2021-2022 a successful year for the APG despite the continuing challenges associated with pandemic-related travel restrictions in some members.

Deputy Commissioner Ian McCartney
APG Co-Chair
Australia
13 December 2022

Associate Assistant Deputy Minister Julien Brazeau
APG Co-Chair
Canada
13 December 2022

APG ORGANISATIONAL STRUCTURE 2021–2022

1. The APG has 41 member jurisdictions as follows:

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

2. The APG has seven observer jurisdictions and 33 observer organisations (including FATF-style regional bodies, or 'FSRBs'). APG observers are as follows:

APG Observers			
Jurisdictions	Organisations		FSRBs
1. France	1. Alliance for Financial Inclusion	14. Interpol	1. CFATF
2. Germany	2. APEC secretariat	15. Islamic Development Bank	2. EAG
3. Democratic People's Republic of Korea	3. ARIN-AP	16. Oceania Customs Organisation	3. ESAAMLG
4. Kiribati	4. ASEAN Secretariat	17. Pacific Islands Chiefs of Police	4. FATF
5. Federated States of Micronesia	5. Asian Development Bank (ADB)	18. Pacific Islands Forum Secretariat	5. GABAC
6. Tuvalu	6. ADB/OECD Anti-Corruption Initiative	19. Pacific Islands Legal Officers' Network	6. GAFILAT
7. United Kingdom	7. Commonwealth Secretariat	20. Pacific Financial Technical Assistance Centre	7. GIABA
	8. Egmont Group of FIUs	21. United Nations (UN)	8. MENAFATF
	9. European Commission	22. UN Office on Drugs and Crime	9. MONEYVAL
	10. Financial Services Volunteer Corps	23. World Bank	
	11. Global Center for Cooperative Security	24. World Customs Organisation	
	12. Group of International Finance Centre Supervisors		
	13. International Monetary Fund		

APG Co-Chairs

3. The APG has two Co-Chairs: one Chair is a permanent position, and the other is rotated among APG members every two years. The Co-Chairs are responsible for chairing meetings and providing strategic advice and direction to the membership.
4. **Co-Chair, Australia:** The permanent Co-Chair is Australia and is represented by Deputy Commissioner Ian McCartney of the Australian Federal Police. Deputy Commissioner McCartney has significant experience in national and international economic and organised crime investigations. In 2014, Deputy Commissioner McCartney 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.

5. **Co-Chair, Canada:** The rotating Co-Chair position is held by Canada (2022-2024) and is represented by Associate Assistant Deputy Minister Julien Brazeau of the Department of Finance Canada. He leads the Department's work on financial crimes and security, amongst a number of financial sector policy related files. In addition to roles in the private sector as Partner with Deloitte Canada's Financial Services group and as counsel with one of Canada's leading corporate law firms, Julien has previously held a number of roles within the Government of Canada including Director General, Financial Services Division, where he led the Department of Finance's work on financial sector innovation and modernization. Julien has also served as Associate Deputy Commissioner, Competition Bureau where he led the Bureau's competition policy and advocacy efforts.

Previous Rotating Co-Chairs

6. Since the APG's establishment in 1997 there have been 12 previous 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 2022 - 2024

7. At the Annual Meeting in July 2022, the APG membership endorsed a set of 'Co-Chairs' Priorities.' The Co-Chairs' Priorities are included in the table.

Priorities	Deliverables
Beneficial ownership: <ul style="list-style-type: none"> Mutual evaluations have highlighted the challenges many FATF and APG members are having in meeting the FATF's standards on beneficial ownership transparency. Providing a platform for jurisdictions to learn from each other could help with the implementation of these standards. Revisions to R. 24 were endorsed by the FATF in March 2022 leading to opportunities for training. 	<ul style="list-style-type: none"> Technical seminar where participants will learn about the changes to the FATF standards and guidance and hear from a range of FATF members on their experiences in the implementation of a beneficial ownership registry.
Grand corruption: <ul style="list-style-type: none"> Grand corruption is largely conceived of occurring when political elites steal large sums of public funds or otherwise power for personal or political advantage. This large-scale, high-level corruption is an international challenge, existing within and enabled by a transnational system of kleptocracy. Grand corruption can hinder the implementation of international anti-corruption obligations and enforcement of related domestic laws, seriously impede the effective implementation of the FATF Standards and threaten financial integrity, contribute to a culture of impunity and cause serious and widespread harm to individuals and societies. 	<ul style="list-style-type: none"> Technical seminar where participants will learn about the issue of grand corruption, the FATF's standard on international cooperation and how it can help to fight grand corruption, as well as presentations on asset recovery regime(s) and the G20 Anti-Corruption Working Group commitments.

<ul style="list-style-type: none"> • The intrinsic link between money laundering and grand corruption is well recognized, including by FATF ministers in the April 2022 Declaration, as is the role for successfully leveraging the FATF standards to prevent and combat corruption. 	
<p>Combating terrorism financing:</p> <ul style="list-style-type: none"> • Terrorism threats continue to evolve, from large terrorist organizations, to returning terrorist fighters and right-wing extremists. • According to the United Nations Office of Counter-Terrorism, effective efforts to counter the financing of terrorism need to rely more on financial intelligence sharing between countries and enhanced coordination between the public (such as financial regulators) and private sector. 	<ul style="list-style-type: none"> • Webinar from FINTRAC on a FIU's role in combatting terrorism financing and a general overview of priority terrorist financing-related trends/issues.
<p>Digital transformation / data analytics:</p> <ul style="list-style-type: none"> • Increase expertise and use of data analytics by authorities and focus on digital transformation of AML/CFT is a priority for the 2020 – 2022 co-chair term. Canada intends to continue to advance work in this area. 	<ul style="list-style-type: none"> • Continuation of webinars on developments in the field of data analytics. • Pilot a bilateral assistance program where APG members reach out and receive targeted training from experts in the field of data analytics.

2022 Annual Meeting

8. The 2022 Annual Meeting was held in Kuala Lumpur, Malaysia from 24 to 28 July 2022 in hybrid format during the co-chairing of Malaysia. Malaysia's Minister of Finance, Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz opened the meeting. The president of the Financial Action Task Force, Mr Raja Kumar of Singapore, also attended in his first official capacity as president and spoke about the strength of the global AML/CFT network and the important role of the APG in that network.
9. A number of APG delegates were assisted in attending the meeting by sponsorship funding provided by China, New Zealand and Chinese Taipei. Over 400 delegates attended the meeting.
10. This year marked the 25th anniversary of the APG.

Membership Issues

11. The APG membership made two membership related decisions during the 2022 the annual meeting: Afghanistan's membership status was changed to inactive status and the Russian Federation's observer status was terminated.
12. The Global Center for Cooperative Security was also admitted as an observer in June 2022.

Governance

13. This meeting marked the final annual meeting chaired by Malaysia, represented by Deputy Governor Marzunisham Omar. Deputy Governor Omar chaired the APG over a period of time in which COVID-related travel restrictions had a direct impact on most APG jurisdictions. Despite those challenges, he was able to lead a number of important projects and achieve significant outcomes for the membership including enhancing DNFBP supervision; increasing expertise and use of data analytics by authorities; promoting best practices in public-private partnerships; and expanding typologies research.
14. During the meeting the membership agreed to a number of important governance related matters in July 2022, including
 - The establishment of an ad hoc project team to examine resource needs for the APG as the new fourth round of mutual evaluations nears commencements in 2025.
 - Changes to the VTC reporting policy to remove the requirement to collect information from the global network on VTC schemes that are not complex and do not breach AML/CFT measures.
15. Canada assumed the co-chairing role with Australia at the close of the annual meeting. Canada is represented by Associate Assistant Deputy Minister, Julien Brazeau, of Canada's Department of Finance in Ottawa. Next year's annual meeting will be held in Vancouver, British Columbia.

Financial

16. The APG ended the FY 2021–22 in a strong position. Performance during the year is summarised from the financial statements as follows:
 - Income: \$5,023,948¹
 - Expenses: \$4,516,988
 - Surplus: \$506,960
 - Net equity: **\$1,917,848**

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

17. Notes to the financial statements (Annex B) explain each of the line items in detail. The APG finished FY 2021-22 with a surplus of \$506,960. An independent review report for compliance with accounting principles is also contained at Annex B.
18. The core budget for the coming year, 2022-23, was approved for the amount of \$3,610,632. The Governance Committee agreed to use the previous year's savings in travel expenses to offset membership fee increases in 2022-23. Initiatives for the coming year are outlined in Part Five of this report.

Mutual Evaluation and Follow-Up Reports

19. No mutual evaluation reports were adopted in 2022. The mutual evaluations of Brunei Darussalam, Lao PDR and the Republic of Marshall Islands commenced in 2019 and were formally postponed in early 2021 due to COVID-19 travel restrictions. The mutual evaluations of Brunei Darussalam and Lao PDR have resumed, with onsite visits scheduled for late 2022. Members adopted and published five follow-up reports (FURs) with re-ratings: Cambodia, Mongolia, Myanmar, Pakistan and the Philippines. Two of these FURs (Cambodia and Myanmar) were adopted at the annual meeting, while the remainder were adopted using the out-of-session adoption process. Members also adopted eleven FURs without re-ratings: Bangladesh; Bhutan; Chinese Taipei; Fiji; Macao, China; Palau; Samoa; Solomon Islands; Sri Lanka; Thailand and Vanuatu.
20. The APG continues to work with the FATF to prepare for the APG's 4th Round commencing 2025 and agreed to establish a project team to prepare schedule options for the round to be discussed at the 2023 Annual Meeting.

Typologies

21. The Annual Typologies Report 2022, adopted in July 2022, contains a synopsis of the typologies projects undertaken in 2021-22, recent trends in money laundering and terrorist financing, and a number of case studies. The report includes a chapter on the illicit financial flows from money laundering associated with proceeds of illegal, unreported and unregulated fishing.
22. Other current typologies projects include:
 - Money laundering associated with tax crimes;
 - Implementation of FATF Recommendation 8 and Immediate Outcome 10 on mitigating TF risks among non-profit organisations; and
 - Illicit financial flows generated from illegal fishing (a distinct project from the material in the above typologies report).

Technical Assistance

23. The 2022 TA&T Forum was held in hybrid format during and following the 2022 Annual Meeting. On 25 July, hybrid 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. On 27 July, two separate hybrid sub-regional meetings with DAPs and APG member jurisdictions took place focused on the identification and discussion of sub-regional AML/CFT issues and needs for APG South East Asia jurisdictions and APG Pacific jurisdictions, respectively. The TA&T Forum involved 25 individual meetings between members and DAPs. These meetings focused on individual members' AML/CFT needs and potential assistance from DAPs.

Pacific Technical Assistance

24. A separately funded Pacific technical assistance programme was reported to the membership. The multi-year programme is funded by the government of New Zealand (Ministry of Foreign Affairs and Trade). A copy of the Pacific AML/CFT Capacity Development (PACD) Programme Annual Report 2021-2022 is at **Annex C**.

APG STRATEGIC PRIORITIES

25. The APG's four strategic priorities are outlined in the APG's Strategic Plan 2020–2024 each containing a subset of strategies or performance outcomes against which the goals are measured. These performance outcomes are set against a framework of APG values which the APG membership endeavours to incorporate into its operational activities and reflect in its dealings with other international and inter-governmental organisations, including FSRBs.
26. Below is a summary of APG's performance highlights for the 2021-2022 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 2021-2022:

1. Deliver 2022 Annual Meeting.
2. The Governance Committee 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. Approximately 100 delegates from 36 member and observer jurisdictions and four international organisations attended the 2021 APG Special Plenary meeting, held virtually on 18 November 2021 to adopt the Vietnam mutual evaluation report.
2. Approximately 400 delegates attended the 2022 Annual Meeting, hosted in a hybrid format by Malaysia, in July 2022.
3. The Governance Committee met four times during the year (including during the 2022 Annual Meeting) to consider the following:
 - a) Financial planning, budget updates and budget adjustments;
 - b) Status of Afghanistan as a member, and the Russian Federation as an observer;
 - c) Considering the observer application of the Global Center on Cooperative Security;
 - d) Monitoring, and evaluating the implementation of the Co-Chairs' Priorities for 2020-2022;
 - e) Amending the VTC Reporting Policy 2014;
 - f) Considering reports from the APG Ad Hoc Committee on the FATF Strategic Review;
 - g) Planning significant meetings including the typologies workshop, the special plenary meeting and the annual meeting; and
 - h) Responding to challenges arising from COVID-19, and a range of broad governance and specific membership-related matters including ME-schedule postponements for members.

4. The Secretariat provided administrative and advisory support and briefing documents to the Co-Chairs, Governance Committee and APG committees as per the APG Terms of Reference 2019 and the terms of reference of each committee.
5. The APG Ad Hoc Committee on the FATF Strategic Review coordinated APG's contributions to the FATF Strategic Review.

USE OPEN, TRANSPARENT AND INCLUSIVE BUSINESS AND FINANCIAL PLANNING

Required activities in 2021-2022:

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 ongoing basis through the financial year.
2. The Secretariat will manage and report on APG revenue and expenditure in accordance with the agreed 2021-22 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 APG end-of-year financial statements and file an independent report to be attached to the APG's Annual Report 2021-22.

Achievements:

1. Continuous business planning was conducted to ensure the efficient and cost-effective operation of APG programmes and activities during the COVID-19 pandemic and business resumption planning.
2. The Secretariat managed funds in accordance with the laws and governance frameworks of its host agency, the Australian Federal Police, as well as internal Secretariat policies and arrangements with donors of voluntary contributions.
3. Savings were realised in FY 2021-22, primarily in travel expenses.
4. The Secretariat reported on APG revenue and expenditure on a continuous basis to the Co-Chairs and Governance Committee with quarterly budget updates seeking decisions throughout the year for the re-allocation of savings.
5. The Secretariat reported to the Australian Co-Chair with monthly financial reconciliation reports.
6. An independent financial review of funds is due was conducted subsequent to the 2022 Annual Meeting and attached to this report.

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

Required activities in 2021-2022:

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 2021-22.
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. APG members can find details of these contributions in the Budget Paper 2021-2022.
2. Malaysia provided a seconded officer to the Secretariat in the year, adding capacity to the APG ME programme, policy work and other work streams including FATF and Global network commitments.
3. Chinese Taipei provided an additional new voluntary contribution of AU \$205,500 to support APG members in addressing strategic deficiencies over a number of years.
4. Many members supported APG operations through project support, active working group participation, expert advice and technical assistance programmes and events. This included hosting and supporting virtual events:
 - a) Malaysia hosted a number of virtual events and webinars throughout the year;
 - b) Australia hosted the November 2022 special plenary.
5. APG non-staff and non-financial assets are acquired and managed through the Secretariat's host agency but accountable to the membership. The APG asset register contains a list of IT and other assets purchased with APG funds. This register is audited regularly by the Secretariat through internal audit processes; in the financial year 2021-22 there were no irregularities or unaccounted for assets.
6. The hosting arrangement with the APG's Australian agency was reviewed in the financial year for required changes to reflect changing administrative practices and/or new legal obligations imposed from the Australian. A few minor changes were made.

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 2021-2022:

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, co-chaired by Australia and Macao, China, met seven times virtually and once in a hybrid format with active support from a large number of delegates. Actions arising included the following:
 - a) Endorsement seventeen (17) 3rd round follow-up reports;
 - b) Consideration of the Vietnam ME report;
 - c) Amendments to ME procedures;
 - d) Implementation of the Mutual Evaluation Supplementary Procedures for the COVID-19 Pandemic;

- e) Changes to the ME schedule taking into account COVID-19 restrictions;
 - f) Implementation of a mechanism to better identify and manage horizontal issues, and complex quality and consistency issues with ME reports and follow-up reports;
 - g) Horizontal reviews of FATF Recommendations 3 and 39;
 - h) Contributions to the FATF Strategic Review; and
 - i) Preparations for the APG's 4th round of mutual evaluations.
2. The Operations Committee, co-chaired by New Zealand and Samoa, met two times in the year. This committee:
 - a) Approved three new typologies projects, namely:
 - Money laundering associated with tax crimes;
 - Illicit financial flows generated from illegal fishing; and
 - Implementation of Recommendation 8 and Immediate Outcome 10 on mitigating TF risks among non-profit organisations.
 - b) Endorsed the 2022 annual typologies report; and
 - c) Commenced planning the yearly typologies workshop.
 3. The APG engaged with the private sector on its typologies projects.
 4. Five virtual presentations were delivered across the region in the year at public events (commercial and university).

ENGAGE WITH ALL RELEVANT AML/CFT REGIONAL AND INTERNATIONAL STAKEHOLDERS

Required activities in 2021–2022:

1. The APG will continue to engage 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. The APG collaborated with the GIABA to support its regional initiatives on counter-proliferation financing, including planning and delivery of a GIABA regional training event.
2. APG expert reviewers participated in the mutual evaluation reports of Dominica (CFATF), Kenya (ESAAMLG) and Liberia (GIABA).
3. The APG engaged with regional bodies, including both observers and non-observers, to support APG events and projects including typologies and technical assistance projects. Organisations included:
 - Royal United Services Institute (RUSI);
 - OECD's Task Force on Tax Crimes and Other Crimes (TFTC);
 - Pacific Islands Forum Fisheries Agency (FFA); and
 - Pacific Islands Tax Administrators Association (PITAA).
4. The APG Ad Hoc Committee on the FATF Strategic Review met four times to consider issues raised by the FATF Ad Hoc Group on the Strategic Review (AGSR) and provided input in the FATF review.

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

Required activities in 2021–2022:

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 attended FATF plenaries and working groups as follows:
 - a) Three FATF plenary meetings;
 - b) FATF ministerial meeting;
 - c) Plenary scheduled working groups and intersessional working group meetings of the FATF AGSR. FATF PDG on R 24 and FATF PDG (and sub-group) on R 25;
 - d) Contributed to FATF project teams; and
 - e) Provided members' and Secretariat comments on FATF policy papers (working group, plenary and AGSR).
2. APG contributed proposals to enhance the strategic vision and inclusiveness of the FATF Global Network through the GNCG.
3. The Secretariat contributed a project team member of the FATF PDG project on R.25 on trusts.

STRATEGIC GOAL #3 CONDUCTING AND RESPONDING TO ASSESSMENTS

COMPLETE THE APG'S THIRD-ROUND MUTUAL EVALUATION PROGRAMME

Required activities in 2021–2022:

1. Continue the planning and completion of the following mutual evaluations: Brunei Darussalam; Lao PDR; Marshall Islands; Vietnam.
2. Three mutual evaluations will commence in the year (subject to any travel restrictions due to COVID-19) with reports to be adopted in July 2023: Nauru; Nepal; and Timor-Leste.
3. Further implement the third round mutual evaluation schedule.

Achievements:

1. The Vietnam MER was adopted by the APG in November 2021 and published in February 2022 following global quality and consistency review.
2. Pre-ME preparation support was provided to Nauru, Nepal and Timor-Leste.
3. Two of the three APG MEs, paused since mid-2020 due to COVID-19 travel restrictions were resumed in 2022 with on-site visits scheduled for late 2022:
 - a) Brunei Darussalam.
 - b) Lao PDR.

4. Assessment teams and reviewers for Brunei and Lao PDR were confirmed.
5. The Nepal ME commenced in May 2022 with the on-site visit to Nepal scheduled for late 2022.
6. The Nauru ME was postponed to 2023/24 due to their COVID-19 situation and upcoming election. Assessment teams and reviewers were confirmed for both the Nauru and Nepal ME teams.
7. The Marshall Islands ME was rescheduled to 2023/24 due to the travel restrictions still in place in the country.
8. The joint FATF/APG ME of India was postponed (again) until late 2023.
9. A revised APG Third Round ME schedule, including a one-year delay in the completion of the APG's Third round, was adopted at the 2022 Annual Meeting.

RESPOND TO MUTUAL EVALUATIONS WITH FOLLOW-UP PROCESSES

Required activities in 2021–2022:

1. Follow-up process will continue through the Mutual Evaluations Committee for all non-FATF members assessed in the APG Third Round of MEs.
2. Support enhanced quality and consistency reviews of mutual evaluations and follow-up reports.

Achievements:

1. All APG follow-up reports were subject to internal quality and consistency review and all follow-up reports with re-ratings were subject to global quality and consistency reviews in accordance with the FATF's Universal Procedures.
2. 17 follow-up reports were adopted out-of-session. Five APG follow-up reports were ongoing as of June 2022. Six joint FATF/APG follow-up reports were adopted by APG members.
3. 12 follow-up review teams were formed involving 39 members. The review teams re-assessed 83 recommendations in these reports.
4. APG continued to implement its expanded quality and consistency programme for all ME reports and follow-up reports. Two consistency issues were identified by the MEC. These were subject to information exchanges with the FATF and preparation of non-binding practice notes.
5. The MEC continued to monitor possible cases of insufficient progress with follow-up in 2021-22.

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

Required activities in 2021–2022:

1. Deliver one or more assessor training workshops for assessors and follow-up reviewers.
2. Deliver standards training workshops for potential assessors and officials preparing for or responding to a mutual evaluation.
3. Conduct pre-mutual evaluation training for members yet to be assessed.
4. Support post-mutual evaluation strategic implementation planning for Tonga and Vietnam.

Achievements:

1. Members and observers provided assessors and reviewers across various stages of the six mutual evaluations in 2021-22. These include the Vietnam ME, concluded this year, and those that were paused in early 2021 as well as those MEs that commenced in mid-2022.

2. External review and global network quality and consistency processes were applied to all MERs and follow-up reports adopted in the year.
3. An APG assessor training workshop was held in December 2021. The course was attended by 42 participants and was supported by the MEC Co-Chairs and a presenter from New Zealand.
4. APG and FATF, through FATF TRAIN, delivered two virtual standards training course (STC), one in October 2021 and another in April 2022.
5. APG contributed to the FATF TRAIN STC Train-the-Trainer course in December 2021.
6. ME preparation support assistance was provided to Nauru, Nepal, Timor-Leste and Niue through virtual sessions.
7. Post-ME strategic implementation planning support was provided to Vietnam from December 2021 – February 2022. Targeted strategic implementation planning support to Tonga remains postponed due to COVID-19.

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

Required activities in 2021–2022:

1. Provide priority assistance and support for members involved in the ICRG process.
2. Participation at Asia-Pacific Joint Group (A/P JG) meetings and ICRG meetings.
3. Deliver targeted information briefings, information and interpretative materials, implementation assistance and coordination of technical assistance and training.
4. Conduct ICRG-related assistance visits to members under ICRG review with external donor support.

Achievements:

1. The APG provided support to Cambodia, Myanmar, Pakistan, the Philippines and Vietnam, in relation to the ICRG process and observation period.
2. The Secretariat provided advice to the A/P JG Co-Chairs and to members under ICRG review on:
 - a) ICRG processes, rules and practices;
 - b) General comments on legislative, regulatory and administrative measures to address ICRG concerns;
 - c) Technical assistance coordination;
 - d) Implementation planning; and
 - e) The impact of ICRG processes on APG membership status.
3. The APG provided policy input to FATF's AGSR 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, A/P JG and its Co-Chairs.
4. The APG actively participated in:
 - a) Three ICRG meetings (October 2021, February 2022 and June 2022).
 - b) Three A/P JG meetings (September 2021, January 2022 and May 2022).
5. The Secretariat hosted the May 2022 A/P JG meetings in Sydney in hybrid format with support from Australia.

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 2021–2022:

1. Deliver the annual Typologies Workshop in collaboration with Malaysia in the later part of 2021.
2. Commence new typologies projects in consultation with the Operations Committee as resources permit.
3. Support initiatives by the FATF's RTMG and typologies-related work from members and observers where possible.

Achievements:

1. Over 190 delegates participated in the 2021 Typologies Workshop held from 9-11 November 2021. The workshop was co-hosted by Bank Negara Malaysia and focused on proliferation financing risk assessments and the use of public private partnerships in combating ML/TF and PF.
2. In October 2021, the membership approved three typologies projects:
 - a) Money laundering associated with tax crimes;
 - b) Illicit financial flows generated from illegal fishing; and
 - c) Implementation of FATF Recommendation 8 and Immediate Outcome 10 on mitigating TF risks among non-profit organisations.
3. The three projects have commenced. Regular meetings of the project teams for each project ensured participation of the members and observers progress of this work. Roundtables in the margins of the 2022 APG Annual Meeting involved detailed discussions from delegates on the tax crimes and illegal fishing projects.
4. The APG participated in three FATF RTMG meetings and contributed to a number of RTMG projects.

**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 2021–2022:

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. APG members identified implementation issues through the APG's technical assistance coordination mechanisms and encouraged assistance in response to identified needs. COVID-19 did have a significant impact on the TA planning and deliverables.
2. In line with Co-Chairs' Priorities for 2020-22 on enhancing supervision of designated non-financial businesses and professions (DNFBPs) Malaysia introduced a DNFBP supervisors' platform to support

members to share DNFBPs supervision expertise and experience and to facilitate engagement between international counterparts (see below for more detail)

3. Technical seminars on VA/VASPs and beneficial ownership standards were held at the 2022 Annual Meeting.

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

Required activities in 2021–2022:

1. The Secretariat will work closely with the APG Co-Chairs and DAP Group members to support a number of the priorities for 2020-2022, either by providing guidance, sharing expertise or by conducting technical assistance projects in line with those priorities.
2. Assist members to develop sustainable strategies to meet mutual evaluation report recommendations including implementing the Strategic Implementation Planning Framework.

Achievements:

1. APG held three webinars hosted by Bank Negara Malaysia:
 - a) October 2021: a webinar focused on how jurisdictions with varying scale and risk exposure of DNFBP sectors apply proportionate, risk-based supervisory practices, to effectively mitigate and manage the ML/TF/PF risks;
 - b) April 2022: a webinar focused on specific sectors including corporate service providers and public accountants, lawyers, real estate agents and dealers in precious metals/stones; and
 - c) June 2022: a webinar addressed regulation and supervision planning issues for DNFBP sectors.
2. APG held workshops for members and observers on implementing the FATF standards in relation to virtual assets and virtual asset service providers (VASPs), including at the 2022 APG Annual Meeting.
3. APG held a Data Analytics Webinar in October 2021, which explored the foundations of data analytics, its use in financial intelligence, AML/CFT and the future of data analytics.
4. Post-ME strategic implementation planning support was provided to Vietnam from December 2021 – February 2022. While Tonga's ME was adopted in 2021, strategic implementation planning support remains postponed due to COVID-19.

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

Required activities in 2021–2022:

1. Coordinate and support assistance provided by the APG DAP Group including delivering the Annual Technical Assistance and Training (TA) Forum in 2022 and collecting, analysing and sharing information on the needs and delivery of TA.
2. A number of regional AML/CFT technical assistance projects will be considered in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors.
3. The Secretariat will collaborate with priority members and DAP Group members to deliver regional programmes:
 - a) To build capacity to improve assessments of risk and strategic risk mitigation responses;
 - b) To build capacity of AML/CFT supervisors and regulators, in particular in relation to international cooperation between AML/CFT supervisors;

- c) To build capacity among law enforcement and prosecutors focusing on policy responses to proceeds of crime and TF, including improved international cooperation; and
 - d) To combat 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.
4. The Secretariat will implement the Pacific AML/CFT Capacity Development (PACD) programme funded by New Zealand.

Achievements:

1. The 2022 TA forum was held in hybrid format the week of the 25 July 2022 in Kuala Lumpur (KL), Malaysia and virtually following the 2022 Annual Meeting from August to September 2022. The forum included:
 - a) Two meetings in which DAP Group members shared details of AML/CFT related assistance to members and discuss common opportunities and challenges for Pacific and Asia technical assistance, respectively;
 - b) Two sub-regional meeting where DAP Group and other members identified and discussed TA needs in the Pacific and South East Asia respectively; and
 - c) 25 meetings between the DAP Group and individual members that focused on member's TA needs.
2. The Secretariat distributed information on members' assistance needs and their ongoing TA activities to the DAP Group prior to the 2022 TA forum including information received from members in addition to ME reports, ICRG action plans, follow-up reports.
3. The Secretariat distributed information on TA commitments and outcomes with DAP Group members with respect to each of the 25 members who receive technical assistance.
4. The Secretariat regularly assisted DAP Group members with background information on TA activities and needs, supporting bilateral and regional TA, and advised on FATF Standards, ME processes and the FATF ICRG process.

Pacific Activities:

5. The Secretariat coordinated TA and cooperation through regular meetings with relevant stakeholders on Pacific AML/CFT issues, and disseminated an AML/CFT newsletter to Pacific members, DAP Group members and other stakeholders to continually inform them of PACD activities and upcoming opportunities.
6. The Secretariat provided ME-related support to Nauru, Fiji, Palau and Vanuatu.
7. The Secretariat coordinated an external review of the PACD Programme by Ernst and Young.
8. Key PACD technical assistance projects for 2021-22 included:
 - a) Nauru AML/CFT legislative drafting project (on-going) – development of a new AML Act and amendments to Nauru's Proceeds of Crime Act;
 - b) A Gap analysis of Tuvalu's compliance with international AML/CFT standards and develop a national AML/CFT policy project;
 - c) APG delivered four workshops in November 2021, March 2022, April 2022 and June 2022 as part of the AML/CFT supervision project (2022-23) to strengthen APG Pacific members' capability to undertake AML/CFT supervision of financial institutions and DNFBPs; and
 - d) APG delivered two workshops for Marshall Islands LEAs in September 2021 and Samoa LEAs in May 2022 focused on training on financial investigations of higher-risk predicate crimes, ML investigation and asset confiscation.

SUMMARY OF BUDGET OUTCOMES FOR 2021-2022

1. A core budget for 2021-22 of \$3,305,743 was approved and adopted at the 2021 Annual Meeting. Below is an overview of the APG finances in the year 2021-22. All figures are in Australian dollars.
2. 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 \$12,627. As in previous years, members noted that the core budget would not, of itself, enable the APG to complete the work outlined in the 2021-22 Business Plan. Members agreed, therefore, that voluntary contributions, continued use of accumulated assets (reserves) and various streams of 'non-core budget' funding totalling \$2,611,143 should be made available in 2021-22 to meet the costs of the APG's agreed work programme. Total revenue from all sources was budgeted at \$5,916,616. Total proposed expenditure from all streams of funding (core and non-core), including reserves, was \$6,413,715. The APG therefore budgeted for a deficit of \$497,099.
3. The budget outcomes for the period 1 July 2021 to 30 June 2022, based on the audited financial reports (**Annex B**) are as follows:
 - Total equity at 1 July 2021: **\$1,410,888**
 - total income all sources: \$5,023,948
 - total expenditure all sources: \$4,516,988
 - net operating (surplus) \$506,960
 - total equity at 30 June 2022: **\$1,917,848**
4. 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 FY2021-22.

Voluntary financial support 2021-2022

Untied Funding

5. In 2021-22 Australia paid a voluntary contribution of \$76,086 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 2022-23.

Project funding

6. Six members provided project funding, each tied to particular projects and realised as revenue as expenditure is made, in FY2021-22: Australia, China, Japan, New Zealand, Chinese Taipei and the United States. These additional funds included both budgeted project funding (included in the *Budget Paper 2021-22*), 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 FY2021-22, with additional activities planned for 2022-23 to utilise this underspend.
7. 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 FY2021-22.
8. China made a voluntary contribution of US\$200,000 to support an additional policy officer in the Secretariat for two years. AU\$108,726 of this amount was realised in FY2021-22 and a further AU\$114,791 is expected to be realised as revenue in FY2022-23. 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 FY2021-22. 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 FY2021-22 and the funding has been extended to 2022-23.

9. Japan: In April 2020, Japan provided AU\$266,533 to the APG to support training on the FATF standards. No funds were realised in FY2021-22 as training was conducted virtually with no additional expenditure required.
10. New Zealand: New Zealand has made voluntary contributions to support experts travelling from New Zealand to APG events to benefit members, and other agreed activities. None of this funding was utilized in 2022-22. The remaining \$266,766 is budgeted for use in 2022-23 and beyond.
11. 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. \$1,618 of this funding remains and advice is being sought on returning these funds 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 2021-22. The remaining \$30,238 is expected to be spent in 2022-23, pending further discussions with the US.
12. 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. This funding has been extended due to the inability to utilise funds for their intended purpose as a result of travel restrictions. 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 FY2021-22 with the remaining balance expected to be realised in FY2022-23.

New project funding

13. Chinese Taipei: In November 2021, Chinese Taipei agreed to provide AU\$205,500 over three years to support the work of the Secretariat in addressing strategic deficiencies related to AML/CFT. Two instalments of \$68,500 were received in November 2021 and June 2022 but no funds were realised in 2021-22.

PACD programme funding

14. 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 2021-2022 a total of AU\$752,288 was spent on: (i) 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 2021-2022 Annual Report (Annex C).

In-kind support

15. Australia: Australia provides yearly in-kind support (accommodation, ICT services, finance, human resources, security, legal etc.). In FY2021-22, the value of this in-kind support was attributed at \$719,846.

Acknowledgement of support

16. The Co-Chairs and the Secretariat on behalf of all APG members thank Australia, China, Japan, New Zealand, Chinese Taipei, and the United States for their significant and on-going financial support of APG activities in 2021-22 which has contributed to ensuring that the APG remains a high-performing FSRB.

Budget for 2022–2023

17. The APG's agreed 2022-23 budget outlines the anticipated income and expenditure to support the agreed business plan adopted by the membership in 2022. The membership agreed to a 9.23% budget increase over 2021-22 for membership contributions in 2022-23. Income for the year from both membership contributions and voluntary donations is projected to be \$5,957,963. Non-core expenditure from voluntary donations, reserves and in-kind support will be approximately \$2,347,331. Total expenditure from all sources in this year is projected at approximately **\$6,512,169**.
18. 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.

PRINCIPAL TASKS 2022–23

1. The APG's key tasks for 2022–23 agreed by the membership at the 2022 annual meeting (some of which are dependent on external funding) are as follows:

Key meetings

2. The following key meetings will occur in 2022–23:
 - 2023 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 2022; November/December 2022; February/March 2023; May/June 2023; and in July/August 2023.

Membership visits

3. 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

4. As an associate member of the FATF, the APG will participate in:
 - three FATF plenary meetings;
 - three ICRG meetings (during plenary meetings);
 - working group meetings in the FATF; and
 - meetings of the FATF's Asia/Pacific Joint Group (A/P JG).
5. Information from the global network will be disseminated to members. The Secretariat will provide communication, information and liaison assistance to the A/P JG in further support of APG members in accordance with the APG Strategic Plan 2020–2024.

Mutual Evaluations

6. The APG will:
 - Complete the mutual evaluations of Brunei Darussalam, Lao PDR and Nepal;
 - Continue the mutual evaluations of the Marshall Islands, Nauru, Timor-Leste, Papua New Guinea and India (FATF-led joint FATF/APG/EAG assessment);
 - Continue the mutual evaluation follow-up process for all non-FATF members assessed in the third round of MEs; and
 - Support enhanced quality and consistency reviews of mutual evaluations and follow-up reports including contributions to FATF and FSRB reports.

ME Training and Other Support

7. In relation to the APG Third Round, the APG will:
 - Deliver an assessor training workshop;
 - Deliver standards training workshops for potential assessors and officials preparing for or responding to a mutual evaluation; and
 - Conduct pre-mutual evaluation training for members yet to be assessed.
8. In relation to the APG Fourth Round, the APG will:

- Provide briefings and awareness raising to members on the upcoming APG Fourth round of MEs;
- Conduct a scoping study of training needs ahead of the commencement of the APG's Fourth round; and
- Develop draft strategic planning assistance modules for members to prepare for the next round.

ME Policy and Schedule

9. In relation to the APG Third Round, the APG will:

- Prepare an updated Third Round ME schedule (as needed) for adoption; and
- Prepare amended ME procedures (as needed) through the ME Committee for final approval by the membership to take account of changes to the FATF Universal Procedures and identified improvements identified by the membership.

10. In relation to the APG Fourth Round, the APG will:

- Contribute to FATF projects to develop amendments to the FATF Universal Procedures for Assessments and to the FATF assessment methodology;
- Prepare a draft APG Fourth Round ME schedule for adoption;
- Prepare preliminary APG ME Procedures for the APG Fourth round to take account of changes to the FATF Universal Procedures and identified improvements identified by the membership; and
- Prepare resourcing models (assessors, reviewers, Secretariat staffing) to support the delivery of the next APG round to share with members at the 2023 Annual Meeting.

Implementation, Technical Assistance and ICRG Activities

11. The APG will:

- Provide priority assistance and support for members involved in the ICRG process, including participation at A/P JG meetings, ICRG meetings, information briefings, supply of information and interpretative materials, implementation assistance and coordination of technical assistance and training;
- Conduct ICRG-related assistance visits to members under ICRG review with external donor support;
- Assist members to develop sustainable strategies to meet MER recommendations including implementing the Strategic Implementation Planning Framework;
- Continue to coordinate and support technical assistance and training, including supporting the APG DAP Group, deliver the annual TA Forum in 2023 and collect, analyse and share information on the needs and delivery of TA through the DAP Group and other processes;
- Consider a number of regional AML/CFT technical assistance projects, in collaboration with DAP Group members for legal, financial, FIU and law enforcement sectors;
- Support existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat, and will continue efforts to support greater cooperation with South-Asian regional bodies;
- Work closely with the APG Co-Chairs and DAP Group members to support a number of the priorities for 2022-2023, either by providing guidance, sharing expertise or by conducting technical assistance projects in line with those priorities;
- Collaborate with priority members and DAP Group members to deliver regional programmes to build capacity to improve:
 - a. Assessments of risk and strategic responses to risk mitigation.
 - b. International cooperation between AML/CFT supervisors.
 - c. Law enforcement and prosecutors capabilities, focusing on policy responses to proceeds of crime and TF, including improved international cooperation.
 - d. Combatting PF, including working with global and regional bodies to identify and address challenges to effective implementation of the global standards to combat PF.
- Implement the Pacific AML/CFT Capacity Development programme funded by New Zealand.

Typologies

12. The APG will:

- Deliver the annual Typologies Workshop in late 2023. The workshop will consider the reports of separate projects.
- Complete three typologies projects through the Operations Committee, focusing on:
 - a. Illicit financial flows from illegal fishing;
 - b. Money laundering associated with tax crimes; and
 - c. Implementation of FATF Recommendation 8 and Immediate Outcome 10 on mitigating TF risks among non-profit organisations.
- Support initiatives by the FATF's RTMG and typologies-related work from members and observers where possible.

APG resources

13. The financial resources required to achieve these programmes and plans for 2022–23 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.
14. At the 2022 Annual Meeting, the membership noted the longer-term resourcing needs of the APG and agreed to increase the Secretariat establishment by two staff members, commencing 2023-24 and to establish a Resource Needs Project Team to examine staffing needs beyond 2023. This project team will report to the Governance Committee throughout the year and present options at the 2023 Annual Meeting.

APG Activities and Conferences 2021-2022 (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"> ○ 11-21 October 2021 ○ 1-4 March 2022 ○ 6-17 June 2022 • FATF ICRG Asia/Pacific Joint Group meetings: <ul style="list-style-type: none"> ○ 3-9 May 2022 • FATF AGSR meetings: <ul style="list-style-type: none"> ○ 21-23 September 2021 ○ 22-25 November 2021 ○ 25-26 January 2022 • GIABA regional workshop on proliferation financing, 21-22 March 2022 	<ul style="list-style-type: none"> • APG Annual Typologies Workshop, 9-11 November 2021 • APG Special Plenary, 18 November 2021 • Governance Committee – five meetings through 2021-22 • The APG Ad Hoc Committee on the FATF Strategic Review - five meetings through 2021-22 • Operations Committee – two meetings through 2021-22 • Mutual Evaluation Committee – eight meetings through 2021-22 • Mutual evaluation F2F meetings: <ul style="list-style-type: none"> ○ Vietnam – 29 June – 1 July 2021 • APG/FATF Regional Standards Training Courses: <ul style="list-style-type: none"> ○ 25 - 29 October 2021 ○ 25-29 April 2022 • Assessor training workshops: <ul style="list-style-type: none"> ○ APG Assessor Training Workshop, 25 November – 3 December 2021 • ME preparation events: <ul style="list-style-type: none"> ○ Nepal pre ME workshops 15 September and 14 December 2021 ○ Timor-Leste pre-ME training, 22 November 2021 ○ Timor-Leste pre-ME workshop, 26 & 28 April 2022 ○ Indonesia ME preparation workshop, 23-25 May 2022 	<ul style="list-style-type: none"> • Technical Seminar on Public-Private Partnership (PPP), 7 July 2021 • Shaping Global Collaboration, The New Security Matrix and Emerging Trends in Money Laundering, 29 September 2021 • APG Data Analytics Webinar, 5-7 October 2021 • APG Regional Webinar on DNFBP Supervision: Risk-Based Supervision of DNFBPs, 27 October 2021 • APG Training Series: Introduction to VA/VASPs and relevant FATF Standards, 2 November 2021 • ACAMS AML & Anti-Financial Crime Symposium, 14-15 November 2021 • Regional Masterclass Series on Counterterrorism in South and Southeast Asia, 17 November 2021 • Pacific AML/CFT Supervision Fundamentals Workshop, 24 November – 3 December 2021 • APG Training Series: ML/TF Risk Assessment and Risk-Based Approach, 7 December 2021 • UNODC 'Support to Sri Lanka on Counter-Terrorism', 9-10 December 2021 • APG Regional Webinar on DNFBP Supervision - Risk-Based Supervision of DNFBPs: Jurisdictions' Application of Risk-Based Approach on Specific DNFBP Sectors, 13 April 2022 • ACAMS 13th Annual AML & Anti-Financial Crime Conference, 23-24 April 2022 • APG Training Series: Frameworks and Preventative Measures, 24 May 2022 • APG Regional Webinar on DNFBP Supervision - Risk-Based Supervision of DNFBPs: Way forward in AML/CFT Regulation and Supervision of DNFBPs, 22 June 2022

ANNEX B

2021-2022 APG Review of Special Purpose Financial Report and Financial Statements

Asia/Pacific Group on Money Laundering

**Special Purpose Financial Statements
for the year ended 30 June 2022**

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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 2022 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

12 September 2022

Statement of comprehensive income

for the year ended 30 June 2022

	Notes	2022 \$	2021 \$
INCOME			
Contributions from members	1.1	3,303,343	3,241,017
Other contributions	1.2	1,000,759	508,902
Total revenue		4,304,102	3,749,919
Gains			
Resources received free of charge from the AFP		719,846	663,082
Total gains		719,846	663,082
Total income		5,023,948	4,413,001
EXPENSES			
Employee benefits	2.1	3,081,452	3,077,539
Depreciation and amortisation		48	-
Supplier expenses	2.2	1,344,108	794,333
Travel expenses	2.3	91,380	7,516
Total expenses		4,516,988	3,879,388
Surplus		506,960	533,613

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

Statement of financial position

as at 30 June 2022

	Notes	2022 \$	2021 \$
ASSETS			
Financial assets			
Cash and cash equivalents		4,829,420	4,522,318
Trade and other receivables	3	293,894	184,582
Total financial assets		5,123,314	4,706,900
Non-financial assets			
Property, plant and equipment		2,240	-
Total non-financial assets		2,240	-
Total assets		5,125,554	4,706,900
LIABILITIES			
Payables¹			
Supplier payables		87,470	32,748
Unearned income	4	2,007,438	2,180,826
Salaries and wages		58,486	48,699
Superannuation		9,881	7,838
FBT		2,201	2,812
Total payables		2,165,476	2,272,923
Provisions			
Leave provisions ²		1,042,230	1,023,089
Total provisions		1,042,230	1,023,089
Total liabilities		3,207,706	3,296,012
Net assets		1,917,848	1,410,888
EQUITY			
Retained surplus		1,917,848	1,410,888
Total equity		1,917,848	1,410,888

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

¹ All supplier payables are expected to be settled within 7 days (2021: 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 2022

	2022	2021
	\$	\$
Retained surplus		
Opening balance	1,410,888	877,275
Comprehensive income		
Surplus for the period	506,960	533,613
Total comprehensive income	506,960	533,613
Closing balance	1,917,848	1,410,888

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

Cash flow statement

for the year ended 30 June 2022

	2022	2021
	\$	\$
Operating activities		
<i>Cash received:</i>		
Contributions and other receipts	4,021,401	3,552,849
Net GST received from ATO	33,799	18,813
Total cash received	4,055,200	3,571,662
<i>Cash used:</i>		
Employees	3,050,479	2,949,697
Suppliers and other payments	695,331	163,526
Total cash used	3,745,810	3,113,223
Net cash from operating activities	309,390	458,439
Investing activities		
<i>Cash used:</i>		
Purchase of property, plant and equipment	2,288	-
Total cash used	2,288	-
Net cash used by investing activities	(2,288)	-
Net increase in cash held	307,102	458,439
Cash and cash equivalents at the beginning of the reporting period	4,522,318	4,063,879
Cash and cash equivalents at the end of the reporting period	4,829,420	4,522,318

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 2022 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 2022 (2021: 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 2022 (30 June 2021: 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

	2022	2021
	\$	\$
Note 1.1: Contributions from members		
Afghanistan	12,627	12,319
Australia	193,915	214,865
Bangladesh	26,375	22,707
Bhutan	12,228	12,718
Brunei Darussalam	12,627	12,319
Cambodia	12,627	12,319
Canada	222,150	238,802
China	390,046	378,976
Chinese Taipei	61,239	85,250
Cook Islands	12,637	12,319
Fiji	12,627	12,319
Hong Kong, China	75,485	76,052
India	293,415	257,203
Indonesia	117,337	110,480
Japan	475,988	465,748
Korea	197,741	194,904
Lao PDR	12,627	12,319
Macau, China	68,026	12,319
Malaysia	45,533	47,083
Maldives	12,627	12,319
Marshall Islands	12,627	12,319
Mongolia	12,644	12,319
Myanmar	12,878	12,319
Nauru	14,100	24,638
Nepal	12,627	12,319
New Zealand	55,948	62,637
Niue	12,627	12,319
Pakistan	32,253	36,261
Palau	12,627	12,319
Papua New Guinea	12,627	12,319
Philippines	38,705	38,048
Samoa	12,627	12,319
Singapore	86,219	90,222
Solomon Islands	12,627	12,319
Sri Lanka	12,627	12,319
Thailand	57,568	54,283
Timor-Leste	12,627	12,319
Tonga	12,627	12,319
United States	558,624	546,048
Vanuatu	12,627	12,319
Vietnam	27,630	25,394
Total contributions from members	3,303,343	3,241,017

Note 1: Income (cont.)

	2022	2021
	\$	\$
Note 1.2: Other contributions		
Voluntary Contribution - Australia	76,086	55,135
Project Contribution - China	108,726	25,111
Project Contribution - Chinese Taipei	68,500	-
Project Contribution - NZ Ministry of Foreign Affairs and Trade	747,447	428,657
Total other contributions	1,000,759	508,902

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

	2022	2021
	\$	\$
Note 2.1: Employee benefits		
Wages and salaries	2,234,336	2,243,660
Superannuation:		
Defined contribution plans	300,929	294,661
Defined benefit plans	118,625	110,908
Leave and other entitlements	419,370	416,902
Other employee expenses	8,192	11,408
Total employee benefits	3,081,452	3,077,539

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 2022. 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

	2022	2021
Goods and services	\$	\$
Consultants and contractors ¹	425,696	268,167
Audit fees	10,000	10,000
Legal fees	170,104	-
Staff and recruitment	3,860	565
Conference costs	139,411	25,229
Communications and IT	8,794	9,217
General and office	3,132	6,832
Building and accommodation ¹	31,824	49,641
Office space ¹	487,171	382,543
Other expenses	21,305	4,274
Total goods and services	1,301,297	756,470
Other supplier expenses		
Workers compensation expenses	42,811	37,863
Total other supplier expenses	42,811	37,863
Total supplier expenses¹	1,344,108	794,333

¹ Supplier expenses include \$719,846 (2021:\$663,082) of resources received free of charge from the AFP comprising consultants and contractors \$204,014 (2021: \$233,042), building and accommodation \$28,661 (2021: \$47,496) and office space \$487,171 (2021: \$382,544).

Note 2.3: Travel expenses

Airfares	77,218	5,150
Accommodation	2,735	1,614
Other travel expenses	11,427	752
Total travel expenses	91,380	7,516

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	331,939	2,749,513	3,081,452
Supplier	409,733	934,375	1,344,108
Travel	10,616	80,764	91,380
Total	752,288	3,764,652	4,516,940

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

	2022	2021
	\$	\$
Member contributions and other receivables	282,077	182,872
GST receivable from the Australian Taxation Office	11,817	1,710
Total trade and other receivables¹	293,894	184,582

¹ This amount includes membership contributions from nine members which have not been received in full as at 30 June 2022.

Accounting Policy

Credit terms for goods and services are 30 days (2021: 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

	2022	2021
	\$	\$
Member and project contributions paid in advance		
Project contribution - US State Department	30,238	30,238
Project contribution - China	385,876	494,603
Project contribution - Chinese Taipei	230,846	162,346
Project contribution - NZ Ministry of Foreign Affairs and Trade	299,560	482,722
Project contribution - NZ Ministry of Justice	266,766	216,766
Project contribution - US State Department	1,619	1,618
Project contribution - Australian Department of Foreign Affairs and Trade	526,000	526,000
Project contribution - Japan	266,533	266,533
Total unearned income	2,007,438	2,180,826

ANNEX C

Pacific AML/CFT Capacity Development Programme Annual Report 2021 - 2022



ANNUAL REPORT

Pacific AML/CFT

Capacity Development Programme

2021-2022

Asia/Pacific Group on Money Laundering



The Asia/Pacific Group on Money Laundering is an inter-governmental organisation, consisting of 41 member jurisdictions, focused on ensuring that its members effectively implement the international standards against money laundering, terrorist financing, and proliferation financing related to weapons of mass destruction.

APG members and observers are committed to the effective implementation and enforcement of those international standards, in particular the Financial Action Task Force Recommendations.

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

This document 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.

Cover image: Tonga - courtesy of APG Secretariat

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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 Asian 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 Officers' Network
PTCCC	Pacific Transnational Crime Coordination Centre
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
UNDP	United National Development Programme
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 TA 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, to all APG Pacific members (see Table 1), that goes beyond regional training or workshops 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 PACD programme is managed separately from the APG core activities and budgetary arrangements³, but leverages existing APG networks and utilises TA coordination mechanisms. This includes Pacific members and observers, as well as other APG members and observers, including institutional 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	ADB/OECD Anti-Corruption Initiative for Asia-Pacific	Egmont Group of FIUs	PIFS	Kiribati
Fiji		FSVC	PILON	Federated States of Micronesia
Marshall Islands	AFI	France	PFTAC	Tuvalu
Nauru	APEC secretariat	Germany	Chinese Taipei	
Niue	ARIN-AP	GIFCS	United Kingdom	
Palau	ASEAN secretariat	IMF	United Nations	
PNG	ADB	Interpol	UN CTED	
Samoa	Australia	IDB Japan	UNODC	
Solomon Islands	Canada	Korea	United States	
Tonga	China	Malaysia	World Bank	
Vanuatu	Commonwealth secretariat	New Zealand	WCO	
		OCO		
		PICP		

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 *Business Plan Report 2021-2022* and *Annual Budget and Business Plan 2022-2023* for details of APG 2021-2022 Governance and Operations. These documents are available to APG members and observers from the APG website.

This 2021-2022 Annual Report provides information on the fifth year of funding under the PACD programme and is divided into the following sections:

- **Part One** reports on the progress against the strategic priorities of the PACD Programme and required activities as outlined in the *PACD Business Plan 2021-2022*;
- **Part Two** reports against the costed work plan for 2021-2022 as outlined in the *PACD Business Plan 2021-2022*;
- **Part Three** reports progress against short and medium term outcomes of the PACD Results Management Table;
- **Annex 1** provides a detailed report of 2021-2022 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 2021-2022* sets out required activities for 2021-2022 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 2021-2022 financial year under each strategic goal and consistent with the *PACD Business Plan 2021-2022*.

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

The 2021-2022 operating environment of the PACD programme continued to be impacted by the COVID-19 pandemic including: (i) APG international travel⁴ was suspended for most of the year with the APG secretariat's first international travel taking place in late May 2022, (ii) some Pacific APG members' borders starting to reopen to non-essential travel in early 2022, and (iii) fluctuating prioritisation of AML/CFT issues and reforms, due to the COVID-19 Pandemic⁵ and shifting timeframes for APG membership obligations (mainly scheduling of MEs)⁶.

The Pacific Cell has continued to respond flexibly to this environment including through the delivery of Pillar Projects and other trainings that focused on activities better suited to remote AML/CFT TA while allowing the Pacific Cell to respond more easily to changes in AML/CFT prioritisation of APG Pacific members.

As the borders in the region continue to reopen and international travel returns, the Pacific Cell will focus on balancing in-person and virtual TA delivery. This is discussed in more detail in the *PACD Business Plan 2022-2023*.

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

Strategies:

1. *Resource the Pacific TA Cell with appropriately qualified staff to ensure the delivery of expected outcomes and proper management of NZ funds.*
2. *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:

- Effectively manage the Pacific TA cell.

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 it is currently schedule to restart in early/mid 2023. The timing of Nauru ME onsite visit was recently moved from October/November 2022 to March 2023, the Papua New Guinea ME will start in 2023/24, and the Niue ME is now scheduled for 2024/2025. In addition, the timing of Pacific members' APG 4th round MEs is yet to be confirmed but the round will commence in 2025 with Vanuatu and Samoa likely to be the first Pacific members assessed in this round.

Activities:

- The APG's Pacific TA Cell at 30 June 2022 consists of the following NZ-funded staff members:
 - Shannon Rutherford, Deputy Director;
 - Sue Maggiore, Acting Policy Officer; and
 - Policy Support Officer (Vacant).
- 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 Policy Support role of the Pacific Cell has been vacant since February 2022 while the recruitment process for the Policy Officer role is underway. The recruitment process for the Policy Officer was completed as at September 2022. The Policy Support role will remain vacant in 2022-2023 with existing APG secretariat resources unitised to deliver PACD activities in accordance with salary attribution policy.
- 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 where required by state or AFP health and safety protocols.
- 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 trainings.
- 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 2022.
- 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.

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 continues to:
 - Organise regular Zoom meetings with individual DAPs (on an as-needed basis) to discuss coordination, delivery, and progress of TA activities to Pacific members. For this reporting period, the Pacific Cell has been in contact with several DAPs including, but not limited to, AUSTRAC, IMF, UNDP Pacific, the PTCCC, and the Pacific Fusion Centre.
 - Disseminate quarterly newsletter updates via email to keep Pacific members, DAP Group members and other stakeholders up-to-date with PACD activities.
- To ensure active consultation with DAP Group members, the Pacific Cell delivered the APG Annual Technical Assistance and Training Forum via Zoom in August 2021. The Pacific DAP Group⁸ meeting

⁷ A policy on allocating employee costs between the PACD programme and APG core budget (salary attribution policy) 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.

⁸ The DAP Group is an informal collection of approximately 36 APG members and observers committed to funding and delivering AML/CFT technical assistance and training in the APG region.

was held on 4 August 2021, which focused on Pacific AML/CFT TA&T coordination and included an update from TA providers on their Pacific TA activities, including available funding, planned activities, and opportunities for collaboration. Individual meetings between APG Pacific members and DAPs were held with Cook Islands, Fiji, Marshall Islands, Palau, PNG, Nauru, Solomon Islands and Tonga⁹.

- A key focus for the Pacific Cell over the second half of this financial year has been the PACD Programme external review by Ernst and Young. The APG Secretariat has reviewed the 1st draft of the report. The 2nd draft of the report is currently under review by the APG and New Zealand. The report will be completed by the end of August 2022.

STRATEGIC GOAL #2

NATIONAL AML/CFT REGIMES ARE STRENGTHENED

Strategies:

1. *Engage stakeholders to garner political commitment for enhancing AML/CFT systems.*
2. *Ensure AML/CFT measures are undertaken on the basis of strong policy discussions and planning, including understanding risk.*
3. *Support Pacific mutual evaluations and follow-up assessments.*
4. *Support Pacific Island jurisdictions in engaging productively with the global AML/CFT community, including benefiting from associated activities.*
5. *Provide legislative drafting assistance to bring legislation into greater compliance with FATF standards.*

Required activities:

- Maintain up-to-date TA Overviews for each Pacific member.
- Provide desk-based and remote assistance on Pacific MEs and ME follow-up reporting (FURs).
- Remotely 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:

- The Pacific Cell continues to maintain up-to-date TA Overviews for each Pacific member. These overviews include APG Pacific members' recent TA activities, active TA projects, and future TA needs. They are developed in consultation with members and DAPs and were updated following the virtual APG Annual TA&T Forum held in August 2021 (see Strategic Goal #1 for detail) and on an ad-hoc basis as required. The overviews inform the prioritisation of the Pacific Cell's TA activities and are available to all DAPs as a resource to support their TA to APG Pacific members.
- The Pacific Cell drafted the follow-up reports of Fiji, Palau and Vanuatu. These APG membership documents provide an overview of the member's actions to enhance their compliance with the FATF Standards over the preceding year.
- Due to all Pacific MEs being postponed or delayed, PACD funds were not used to support salary costs of APG secretariat staff participation.
- The Pacific Cell is continuing to provide remote ME-related support to Nauru on an as-required basis including regular Zoom meetings. Nauru's ME commenced in early 2022 with the onsite visit scheduled for October/November 2022. At the APG annual meeting in July 2022, it was agreed

⁹ Samoa and Niue chose not to have an Individual Meeting.

that Nauru's onsite visit would be delayed for six months until March 2023, due to the COVID-19 situation in Nauru and upcoming elections.

- The project to support Fiji assess terrorist financing risks of its non-profit organisation sector and enhance its compliance with FATF Recommendation 8 remained paused throughout 2021-2022. To complete the project, Fiji needs to prioritise a series of Zoom meetings with relevant competent authorities and the consultant, or hold at least one more in-country visit. At the APG Annual Meeting in July 2022, Fiji re-committed to completing this project before the end of the PACD Programme.
- The Pacific Cell co-delivered a Pacific-focused FATF Standards Training Course with the FATF Training Institute in October 2021. The week-long virtual workshop aimed to enhance APG Pacific members' understanding of the FATF Standards and the implementation of effective measures to combat ML/TF. The workshop was attended by approximately 30 delegates from Fiji, Marshall Islands, Palau, PNG, Nauru, Solomon Islands, Australia, New Zealand, Timor Leste and Japan.
- The legislation drafting project with Nauru is continuing under the Pillar Project Legislation Drafting. In this reporting period, the Pacific Cell and Lexbridge Lawyers supported Nauru's key policy decisions and drafting of a new AML Law and amendments to the Proceeds of Crime Act (POCA). The new AML bill and POCA amendment bill were originally scheduled for introduction to parliament in April/May 2022, but were delayed due to the COVID-19 lockdown in Nauru. The bills are now scheduled to be introduced at the next sitting, which should be in late August 2022.
- The Pacific Cell had planned to enhance its support to Niue (ahead of its ME originally scheduled for 2023/2024) through remote ME assistance and legislation drafting support. However, this work is progressing more slowly than expected due to delays in Niue's engagement. Niue's ME was recently pushed back to 2024/2025, which seem to have impacted Niue's prioritisation of AML/CFT issues and reforms.
- The planned legislation drafting project focused on enhancing APG Pacific members' compliance with targeted financial sanctions for terrorism and proliferation (FATF Recommendation 6 and 7) will commence in 2022-2023 (see the *PACD Business Plan 2022-2023* for additional detail).

STRATEGIC GOAL #3

AML/CFT REGULATION IS IMPROVED AND ENFORCED

Strategies:

1. *Provide assistance to bring regulatory frameworks into greater compliance with FATF standards.*
2. *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 and designated non-financial business and professions.

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 reforms. The gap analysis of Tuvalu's compliance with the FATF Standards, including preventive measures, is complete and formed the basis of the national AML/CFT policy and strategy. Under the strategy, Tuvalu's first

priority is to implement key AML/CFT institutional measures including identifying and adequately staffing an AML/CFT Supervisor responsible for supporting preventive measures implementation by financial institutions. The national AML/CFT policy and strategy were presented to the Minister of Finance in a Zoom call in mid-February 2022.

- Four workshops under the Pillar Project AML/CFT Supervision were delivered as set out below. Participant feedback and some key highlights of ongoing Pacific involvement in the workshops is included in Box 2. In addition to the workshops, the consultant provided two days of desk-based mentoring to Nauru.
 - Two introductory-level workshops focused on the fundamental elements of AML/CFT supervision. The first workshop was delivered in November 2021 to 21 participants from Cook Islands, Fiji, Marshall Islands, Nauru, PNG, Solomon Islands, Samoa, Tonga, and Vanuatu. The second workshop was delivered in late February/early March 2022 to 24 participants from Fiji, Nauru, Marshall Islands, Solomon Islands, Samoa, Tonga, and Timor-Leste¹⁰;
 - One intermediate-level workshop focused on AML/CFT supervision of banks. The workshop was delivered in late March/early April 2022 to 26 participants from Cook Islands, Fiji, Marshall Islands, Nauru, Palau, PNG, Samoa, Tonga, and Vanuatu; and
 - One intermediate-level workshop focused on AML/CFT supervision of remittance providers. The workshop was delivered in late May/early June 2022 to 17 participants from Fiji, Nauru, Palau, Marshall Islands, Samoa, Tonga, and Vanuatu.
- The Pacific Cell supported the APG secretariat's involvement in the FATF project on Mitigating the Unintended Consequences of the FATF Standards by providing input on the De-risking and Financial Exclusion project elements from an APG Pacific membership perspective. This project was focused on better understanding of, and options 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.
- As highlighted in the mid-year report, the Pacific Cell's de-risking toolkit project is indefinitely postponed. The aim of the toolkit was to support APG Pacific members' implementation of an AML/CFT strategy to assist in mitigating de-risking. The experts' meeting on the toolkit and implementation in Tonga and/or Samoa have been unable to occur because of COVID-19 travel restrictions. In addition, Tonga and Samoa are in the process of receiving jurisdiction-specific IMF assistance to address pressures on correspondent banking relationships by enhancing the capacities of supervisors to undertake risk-based supervision of higher risk sectors and enhancing the underlying legal supervisory framework. The regional AML/CFT supervision workshops and the targeted financial sanctions project (see Strategic Goal #2 for detail) in combination with IMF's assistance will directly address the AML/CFT drivers of de-risking in Samoa and Tonga (the two APG members most acutely impacted by de-risking). No PACD funds were spent on the toolkit.
- The Pacific Cell supported broader APG secretariat projects on AML/CFT risk-based supervision:
 - The secretariat initiated a project to support all members' enhance their compliance with recent changes to the FATF Recommendations requiring virtual asset service providers (VASPs) to be regulated and supervised for AML/CFT. Three webinars were held in November 2021, December 2021, and May 2022. These webinars focused on providing an overview of the new requirements, and good practice for assessing ML/TF risks and regulating and supervising for AML/CFT. A total of 34 Pacific delegates from Cook Islands, Fiji, Nauru, Marshall Islands, Palau, PNG, Solomon Islands, Samoa, Tonga and Vanuatu virtually attended these webinars.
 - Under APG Co-Chairs' Priorities for 2020-22, four webinars on DNFBP AML/CFT supervision were held in 2021-22. These webinars covered a range of topics relevant to DNFBP AML/CFT supervision in the Pacific, and included PNG representing the 'Pacific

¹⁰ While not officially included in the PACD programme, Timor-Leste were invited to the workshop as AML/CFT supervision is one of their high-priority needs ahead of their ME.

perspective’ in a panel discussion as well as a DIA presentation on NZ’s AML/CFT supervision regime for lawyers. A total of 32 Pacific delegates from Cook Islands, Fiji, Nauru, Marshall Islands, Palau, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu attended these webinars.

Box 1: Pillar Project AML/CFT Supervision Workshops

As above, four workshops under the Pillar Project AML/CFT Supervision were delivered this financial year to a total of 88 participants from all APG Pacific members jurisdictions except Niue¹¹ and also Timor Leste.

These workshops have been well received with participant’s post-workshop feedback (via Survey Monkey) being positive and open comments including “Great course and great delivery”, “Love the course”, “Amanda is such an amazing presenter. Keep it up. Thank you.”, “Enjoyed this course very much. It was fun and interactive. The presentation materials were easy to follow and the course presenter presented exceptionally well.” and “Thank you for the training session, really enjoyed it, and will take a lot of learnings home and apply in my supervisory work.”

One of the keys to success of these workshops is alignment and focus of the course learnings with the Pacific context. This is done by using Pacific case studies wherever possible, presentations by Pacific members, presentations by Australia and New Zealand AML/CFT supervisors on issues directly related to Pacific AML/CFT supervision, and practical exercises using hypothetical scenarios tailored to the Pacific.

For example, in the hypothetical practical exercises in the AML/CFT Remittance Workshop, participants are part of the supervision team in the Samtonvanji Islands. The size and make-up of Samtonvanji’s remittance sector is representative of many APG Pacific members, Samtonvanji has recently undergone a ME and in response to the ME changed its laws requiring remittance providers to be licensed. In groups, participants are required to:

- develop a plan for communicating the new requirements to all remittance providers;
- develop a plan for activities to undertake with remittance providers before providing a license;
- assess remittance providers approach to undertaking agent due diligence, agent training and monitoring of its agents activities; and
- develop a plan for identifying unlicensed remittance providers and action to be taken if unlicensed providers are identified.

The Pillar Project AML/CFT supervision project includes the delivery of four streams of workshops over two years with the same workshop under each stream delivered a maximum of three times. The project was designed in this way to facilitate virtual attendance including by widest possible range of relevant competent authorities. This project design also allows the consultant Amada Wood to continually tweak workshop agendas and content to the Pacific context and participants’ feedback and expertise. As an example of this, Stream 4 workshops were originally envisioned to focused solely on AML/CFT supervision of Off-Shore Sector Entities. While this is a high-risk issue in the Pacific, feedback from participants and discussions over the course of the project have highlighted the need for further training on other DNFBP sectors. The Pacific Cell is currently in discussions with Amanda to adjust the Stream 4 workshops to include sessions on Off-Shore sector entities as well as other topics highlighted by participants.

¹¹ Niue was invited to all workshops, however, their very limited AML/CFT resources makes participation in APG events challenging,

STRATEGIC GOAL #4

INCREASED DETECTION, INVESTIGATION AND PROSECUTION OF ML/TF

Strategies:

1. *Provide programmes/mentoring to ensure law enforcement agencies have the capacity and capability to detect and investigate ML/TF.*
2. *Strengthen mechanisms for recovery and repatriation of proceeds and assets connected to criminal activity.*
3. *Provide tailored programmes and mentoring to ensure ML/TF is prosecuted.*
4. *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:

- In 2020-21, the Pacific Cell engaged a consultant to deliver four remote training courses on financial investigations of higher-risk predicate crimes, ML investigations, and asset confiscation. Two courses were delivered last financial year. The third course was delivered for the Marshall Islands in September 2021 with a total of 24 attendees from the FIU, police, Office of the Auditor General, tax and revenue, customs, and the Trust Company of the Marshall Islands. The workshop opening was led by the Banking Commissioner and the Minister of Finance made the closing remarks. The final course was delivered for Samoa in May 2022. See Box 2 for additional detail.
- The Pacific Cell had hoped to commence the Pillar Project Law Enforcement this financial year. However, this project has been cancelled because of delays and difficulties around finding suitable experts to deliver all elements of the project. Due to their success, the Pacific Cell plans to deliver four more remote training courses on financial investigation, ML investigation, and asset confiscation in 2022-2023 (see *PACD Business Plan 2022-2023* for additional detail).
- The Pacific Cell supported the APG's typologies research project that aims to understand and investigate the nature and dynamics of illicit financial flows generated from illegal, unreported and unregulated (IUU) fishing – limited to illegal fishing. The project will use case studies and other information to identify proceeds generated from illegal fishing. The project aims to clarify how the illegal proceeds are integrated into the legitimate economy and inform members of the channels and actors involved. The project team includes delegates from Fiji, NZ and Samoa.

Box 2: Law Enforcement Training in Samoa

In partnership with the PTCCC, the Pacific Cell delivered a law enforcement training workshop in Samoa from 23 to 26 May 2022. 22 participants from the FIU, police, Samoa Transnational Crime Unit, audit office, customs, immigration, and the PTCCC attended the training at the Lava Hotel, Samoa. Michael Petty was the remote course facilitator from Australia while Nicole Goodwin (AFP Advisor PTCCC) and Maria-Louise Wetzell (NZ Police Advisor PTCCC) supported delivery of the workshop in Samoa.

The workshop was opened by Acting Commissioner of Police, Auapaau Logoitino Filipo and Gordon Hook (APG Executive Secretary). Closing remarks were made by Gilbert Wongsin, Deputy Governor Operations of the Central Bank of Samoa and Gordon Hook. The Samoa Observer published a story on the workshop (<https://www.samoaoobserver.ws/category/samoa/98440>).

The aim of the workshop was to assist competent authorities in Samoa to enhance their knowledge and skills around financial investigation, money laundering investigation, and asset confiscation. The workshop included sessions on Samoa's current ML offence legal framework set out in the *Proceeds of Crime Act 2007* and the recently added ML offence set out in the *Crimes Act 2013*. The proceeds of crime provisions set out in the *Proceeds of Crime Act 2007* (Amended 2018) were also covered in detail including the investigation powers, restraint provisions and confiscation measures.

A key part of the workshop was the 3-part hypothetical scenario tailored to Samoa's ML risk profile, which expanded key elements of the workshop and allowed participants to apply learning outcomes of each session. The exercise looked at a local restaurant owner, her husband and brother, who were suspected of laundering the proceeds of narcotics transhipped through Samoa. The hypothetical exercise included a focus on funds transported and transacted overseas and funds transacted through Samoan bank accounts operated by the restaurant. The exercise focused on participants undertaking comprehensive local and international financial enquiries. The final part of the exercise explored options to secure and confiscate proceeds of crime located in Samoa and a fictional overseas country with laws similar to those in Australia and New Zealand.

Participant feedback on the workshop was very positive. As an example, 13 participants strongly agreed and eight participants agreed with the statement *"I was given practical tools that will enable me to implement in my work the lessons learnt in the workshop"*. Detailed information on participants' feedback is available from the Pacific Cell.

As a reflection on the utility and practical nature of the workshop, the Samoa FIU placed two freeze orders on property suspected to be proceeds of crimes within two weeks of the workshop. In addition, the PTCCC with support from the Pacific Cell, organised a follow up with workshop participants in July 2022 focused around supporting implementation the lessons learnt from the workshop. The PTCCC and Pacific Cell plan to organise regular catch-ups over 2022-2023.



End of workshop group photo.

PART TWO: REPORT AGAINST THE COSTED WORK PLAN FOR 2021-2022¹²

The following section provides a summary of 2021-2022 expenditure and explanation for variance against the costed work plan in the *PACD Business Plan 2021-2022*.

Output 1 - Pacific TA Cell established within the APG Secretariat

Expenditure against Output 1 was NZD 356,079 and relates to employee expenses of Pacific Cell staff and salary attribution costs relating to core APG staff undertaking tasks for the PACD programme¹³. Table 2 shows an underspend of NZD 41,921 resulting from the Policy Support Officer position being vacant since February 2022. To offset the lower capacity of the Pacific Cell, core APG staff undertook more PACD programme work than originally anticipated resulting in salary attribution costs being over budget (see Annex 1 for detail).

Output 2 - Technical assistance and training

Expenditure against Output 2 was NZD 357,291 with the details of individual activity expenditure included in Annex 1. The underspend of NZD 54,709 primarily results from cancellation of the de-risking toolkit project and the Pillar Project Law Enforcement, and less than expected expenditure on desk-based mentoring under the Pillar Project AML/CFT Supervision. These underspends are partly offset by greater than expected expenditure on the Pillar Project Legislation Drafting and the remote LEA training project (see Annex 1 for detail).

Output 3 - Administrative costs

Expenditure against Output 3 was NZD 76,221 with the details of expenditure included in Annex 1. The underspend of NZD 13,779 is due to less than expected administration costs and delay in completion of the external programme evaluation with the final payment due in late August 2022.

Table 2: Expenditure (NZD) 2021-2022

Output	2021-2022 Budget	2021-2022 Expenditure	Variance
1 - Pacific TA Cell	398,000	356,079¹⁴	41,921
2 - Technical Assistance and Training	412,000	357,291¹⁵	54,709
<i>Strategic Goal 1</i>	<i>1,000</i>	<i>0</i>	<i>1,000</i>
<i>Strategic Goal 2</i>	<i>144,000</i>	<i>187,983</i>	<i>(43,983)</i>
<i>Strategic Goal 3</i>	<i>184,500</i>	<i>132,067</i>	<i>52,433</i>
<i>Strategic Goal 4</i>	<i>82,500</i>	<i>37,241</i>	<i>45,259</i>
3 - Administrative costs	90,000	76,221	13,779
TOTAL	900,000	789,591	100,409

¹² Detailed accounting of funds spent in 2021-2022 is provided in Annex 1 of this report.

¹³ 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.

¹⁴ In addition to this expenditure, Pacific Cell staff long services accrual for 2021-2022 was approximately NZD 8,002.

¹⁵ Total current commitments for the remaining year of the grant is approximately NZD 230,113 (see Annex 1 footnotes for details).

Intended Use of Grant Underspend

As displayed in Table 2, the total underspend for 2021-2022 is NZD 100,409 with a total grant underspend at 30 June 2022 of NZD 787,891¹⁶. 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 2022-2023 work plan is included in the *PACD Business Plan 2022-2023*.

¹⁶ Against the budget set out in the Grant Agreement using an AUD/NZD exchange rate of .94

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

As discussed in Part One, the 2021-2022 operating environment of the PACD programme has been challenging. This and previous annual reports highlight that no in-person TA has been delivered since March 2020 and Pacific members' prioritisation of AML/CFT issues and reforms is fluctuating (due to the COVID-19 pandemic including health sector response and/or budgetary allocation of funds/resources, and there has been shifting timeframes for APG membership obligations). 2021-2022 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 five 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 since mid-2020 many Pacific members faced challenges balancing COVID-19 related priorities with other government priorities, including AML/CFT.

Indicator: APG Pacific members have a functioning AML/CFT coordination mechanism		
Target	Progress to date	Baseline
All (11) Pacific members have an AML/CFT coordination mechanism with high-level representation that meets at least twice a year.	9 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 was meeting at least twice a year. Over the course of the COVID-19 pandemic coordination mechanisms have adjusted to health and safety protocols with most returning to a more normal schedule of meetings in 2021-2022. Nauru has increased its focus on AML/CFT coordination in the lead-up to its ME but it's unclear if and how often the full AML/CFT National Coordination mechanism meet in 2021-2022. 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 (11) APG Pacific members have a risk-based national AML/CFT policy/strategy.	7 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 seven Pacific members. Solomon Islands recently adopted its AML/CFT Strategic Plan 2020-2025 while Nauru's strategy will remain in draft until the new ML Act and amendments to the Proceeds of Crime Act are passed. Palau and Niue do not have formalised national AML/CFT policies/strategies.

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 2021-2022 due to the COVID-19 pandemic 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 (11) Pacific members attend at least two APG/APG-supported events.	All (11) Pacific members participated in at least two APG/APG-supported events.	7 Pacific members attend at least two APG/APG-supported events.
All (11) Pacific members attend at least two events of other regional organisations.	All (11) Pacific members participated in at least two events of other regional organisations.	All Pacific members attend at least two events of other regional organisations.

The 2021 APG annual meeting was virtual with all Pacific members attending. While virtual events have challenges, participation can be significantly easier and cheaper. Notwithstanding, Pacific members with very few AML/CFT human resources have had to carefully prioritise virtual event attendance given the large number of online AML/CFT events and training. From our discussions with other regional organisations, participation in their virtual events has also been well represented.

Indicator: APG Pacific members are actively involved in MEs and APG FURs 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.

This target has been exceeded every year since the start of the programme. In 2021-2022 there were six Pacific delegates on the Nauru, Marshall Islands and Nepal MEs. The ME of the Marshall Islands has been paused since February 2021 and is currently schedule to restart in early/mid 2023. The timing of Nauru ME onsite visit was recently moved from October/November 2022 to March 2023. For FURs, the APG Secretariat aims to have Pacific reviewers on Pacific reports. In 2021-2022, no Pacific members requested re-rating through the APG's Follow-Up process and therefore no review teams were established.

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 (Cook Islands) was rated largely compliant (LC) 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 are LC/C with at least 10 Key FATF Recommendations. While there has been no change in 2021-2022 to the indicator, the Pillar Project Legislation Drafting aims to enhance Nauru's compliance with these Recommendations (see details of this project under Strategic Goal 2 above) as well other Pacific members' compliance with R.6 in 2022-2023. The IMF's projects with Samoa, Solomon Islands and Tonga will also enhance their compliance with Key FATF Recommendations.

RESULT 4: SUPERVISORS/REGULATORS HAVE IMPROVED CAPACITY TO ENFORCE AND REGULATE AML/CFT SYSTEMS. The indicators below show 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 of banks. However, since the COVID-19 Pandemic progress has slowed.

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 five-year mark of the programme, this has increased to six members. The IMF's projects with Samoa and Solomon Islands will progress these measures further while also refining the Tonga's AML/CFT supervision tools. The Pillar Project AML/CFT Supervision is supporting Pacific members' effective AML/CFT supervision (see details of this project under Strategic Goal 3 above). Regarding awareness-raising activities, due to challenges associated with the COVID-19 pandemic, the Pacific Cell assume no improvement against this metric occurred in 2021-2022.

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*	3 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).

The above figure shows some progress by larger and medium-size financial sector APG Pacific members on conducting risk-sensitive AML/CFT supervision of banks. Furthermore, these Pacific members not conducting risk-sensitive 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 is 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. The Pillar Project AML/CFT Supervision is supporting Pacific members' effective risk-sensitive AML/CFT supervision of banks (see details of this project under Strategic Goal 3 above).

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. In addition, since the COVID-19 pandemic, progress seems to have slowed. The Pacific Cell assumes prioritising law enforcement resources to COVID-19 protocol enforcement is one of the key reasons for this.

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 are disseminating STRs.	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 no change in this indicator in 2021-2022. 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 comprehensive and formal SOPs/procedures. AUSTRAAC's Pacific Islands Partnership Program is focussed on FIU tradecraft training including the Intelligence Fundamentals Course, which is being rolled out across Pacific members. AUSTRAAC's 'Project Taipan' is also working to upgrade the FIU systems of six Pacific members (Fiji, Tonga, Samoa, Solomon Islands, Nauru and Vanuatu).

In addition, Pacific Financial Intelligence Community (PFIC) was recently established by FIUs of Australia, New Zealand, Fiji and PNG. This forum seeks to encourage greater operational collaboration through joint product development and exchange of financial intelligence, greater understanding of ML/TF risks through joint research work and enhanced capacity through a framework of FIU analyst training. All Pacific FIU's have been invited to join the forum with Cook Islands, Solomon Islands, Tonga, Nauru and Samoa joining the initial four FIUs as members.

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 remote training courses on financial investigation, ML investigations, and asset confiscation in Tonga and Samoa supported development of the skills to conduct financial investigations of higher-risk predicate crimes with the intention of identifying ML and/or asset recovery cases. As outlined in above, as a result of the workshop, the Samoa FIU placed two freeze orders on property suspected to be proceeds of crimes.

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. However, no Pacific member has assessed their ML/TF risks associated with virtual assets and virtual asset service providers as required by recent changes to the FATF Standards.

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 2021-2022 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 LC or C 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 member requested technical compliance re-ratings in 2020-2022 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 Samoa, Solomon Islands and Tonga. Due to the length of time since their last request, in 2022-2023 Palau and Samoa will be under increased pressure to request technical compliance re-ratings under the APG's follow-up process.

Indicator: APG Pacific members have improved understanding of their ML/TF risks		
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 up-to date risk assessments including Tonga, which updated its NRA in 2020-2021; Samoa is currently updating its 2014 NRA; and Nauru is updating its NRA ahead of the ME onsite visit. However, this measure does not take into consideration the new requirements under FATF Recommendation 15 for Pacific members to assess ML/TF risks associated with virtual assets and virtual asset service providers. To date, no Pacific member has assessed these risks.

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. The results show, while there has been some progress in conducting risk-sensitive supervision of non-bank financial institutions (mainly remittance providers), few Pacific members are undertaking risk-sensitive supervision of DNFBPs. This finding is consistent with findings from Pacific members' MEs.

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.	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs .
	Medium financial Sectors*	3 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.	1 of 4 Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs.
	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.	No Pacific members are conducting risk-sensitive AML/CFT supervision of DNFBPs.

* 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).

The above results show some progress by larger and medium-size financial sector Pacific members on conducting risk-sensitive AML/CFT supervision of non-bank financial institutions (mainly remittance providers). While some other Pacific members are conducting AML/CFT supervision of some non-bank financial institutions, it is not risk-sensitive. 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 or large global remittance providers.

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 a lower priority to address. In 2021-2022 under the Pillar Project AML/CFT Supervision, four workshops on AML/CFT supervision were delivered with another seven workshops planned for 2022-2023 (see Strategic Goal #3 above and the 2022-2023 PACD Business Plan).

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 the findings from Pacific members' MEs.

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. the number of ML investigations; and 3. the number 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; zero ML Investigations; zero ML prosecutions.	On average, medium risk Pacific members carrier out: 11 disseminations leading to 1.6 investigations of ML/other crimes; zero ML Investigations; zero ML prosecutions.
	Lower-risk Pacific Members*	On average, lower risk Pacific members carrier out: ≤5 disseminations leading to ≤2 investigations of ML/other crimes; zero ML Investigations; zero ML prosecutions.	On average, lower risk Pacific members carrier out: 2 disseminations leading to 0 investigations of ML/other crimes; zero ML Investigations; zero 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 and no change in 2021-2022. 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 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. 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.

In 2021-2022 remote training courses on financial investigation, ML investigations, and asset confiscation were delivered to Tonga and Samoa (see Strategic Goal #4 above). In 2022-2023, the Pacific Cell plans to delivery this workshop four more times to separate Pacific members.

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.	Zero Pacific members have policies/procedures for TF investigations, consistent with their risk and context.

There has been no change in this indicator in 2021-2022. Three Pacific members have policies/procedures for conducting TF investigations. Nauru is developing a procedure for conducting TF investigations should a TF event ever occur in Nauru. This procedure should be finalised by the ME onsite visit in March 2023.

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 related technical assistance needs in 2021-2022. This finding is consistent with findings from Pacific members' MEs.

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 Indicators 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 2021-2022. There is significant variation in the performance of Pacific members both year to year and between higher and lower risk members. A consistent annual increase 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 2021-2022

Outputs	Total (NZD)
1 - Pacific TA Cell	356,079¹⁷
<i>Permanent Pacific Cell Staff costs</i>	<i>318,811</i>
<i>Salary Attribution Costs</i>	<i>37,268</i>
2 - Technical Assistance and Training	357,291
Strategic Goal 1	0¹⁸
Strategic Goal 2	187,983¹⁹
<i>NPO project, Fiji (consultant costs)</i>	<i>7,021</i>
<i>Pillar Project Legislative drafting - consultant cost associated with legislation drafting for Nauru</i>	<i>180,962</i>
Strategic Goal 3	132,067²⁰
<i>Tuvalu gap analysis & national strategy (consultant cost)</i>	<i>28,663</i>
<i>Pillar Project AML/CFT Supervision (consultant cost)</i>	<i>103,404</i>
Strategic Goal 4	37,241
<i>Remote LEA Training Project – Workshop in Marshall Islands (consultant and workshop related costs)</i>	<i>16,409</i>
<i>Remote LEA Training Project – Workshop in Samoa (consultant and workshop related costs)</i>	<i>20,832</i>
3 - Administrative costs	76,221²¹
<i>General administration costs (medical expenses relating to travel)</i>	<i>4,412</i>
<i>PACD Programme Evaluation</i>	<i>71,809</i>
TOTAL	789,591

¹⁷ In addition to this expenditure, Pacific Cell staff long services accrual for 2021-2022 was approximately NZD 8,002.

¹⁸ 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.

¹⁹ In addition to this expenditure, the PACD programme has approximately NZD 104,305 in commitments over the remaining year of the grant related to activities under Strategic Goal 2.

²⁰ In addition to this expenditure, the PACD programme has approximately NZD 101,872 in commitments over the remaining year of the grant related to activities under Strategic Goal 3.

²¹ In addition to this expenditure, the PACD programme has an approximately NZD 23,936 commitment against the PACD Programme Evaluation.

ANNEX 2: RISK MANAGEMENT

Risk Description	Likelihood	Consequence	Risk Rating	Proposed Risk Management	Responsibility	Notes
Risk 1: 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, or increase salary attribution, until permanent staff can be recruited.</p> <p>Seek seconded staff from the host organisation or APG members to fill the positions.</p>	APG	<p>The Policy Support role is currently vacant while the recruitment process for the Policy Officer role is undertaken, which was complete as at September 2022. The Policy Support role will remain vacant in 2022-2023 with existing APG secretariat resources utilised to deliver PACD activities in accordance with salary attribution policy.</p> <p>One of the reasons this position will remain vacant is challenges recruiting for a position funded only to 30 June 2023. In addition, duties of the Policy Support role are focused around general administration support to the programme, particularly travel and finance processing. With the limited travel and longer consultant contracts (e.g. pillar projects), there is less need for this role. Where administration support cannot be carried out within existing Pacific Cell resources, APG secretariat resources will be utilised in accordance with salary attribution policy. The APG secretariat would like to discuss make-up and level of Pacific Cell staff during our future funding meeting in Wellington (see 2022-2023 PACD Business Plan for additional detail).</p> <p>Furthermore, savings against the Policy Support Role will allow the Pacific Cell to utilise additional APG secretariat resources at the Policy Officer level (and above) through salary attribution. This will have a positive impact on the Pacific cell's ability to deliver activities.</p>

Risk 2: 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	Align PACD programme with other related national priorities of Pacific members, particularly economic recovery. Alignment of PACD programme activities with APG membership process (e.g. mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related processes (e.g. FATF ICRG process).	APG	No Pacific member has rejected all TA under the PACD Programme. However, the Pacific Cell has postponed/cancelled a number of workshops/projects (see next risk below).
Risk 3: 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	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. Flexibly respond to Pacific members changing priorities and/or challenges. This includes balancing remote and in-person TA delivery in accordance with lessons learnt over the last two years, projects already established, Pacific members' preference for in-person TA, and cost of travel. Coordinate TA activities and projects with other TA providers to ensure best possible scheduling of PACD activities.		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/projects until a time where they can be safely delivered. APG international travel has returned with Pacific Cell travel currently possible to all Pacific members' with borders reopened to non-essential travel. Throughout 2022-2023, we expect Pacific members' borders to continue to reopen and hope travel to all Pacific members will be possible by mid to late 2023. While the travel environment is rapidly changing, the Pacific Cell expects fluctuating prioritisation of AML/CFT issues and reforms to remain for some time due to the long-term impacts of COVID-19 ²² and shifting timeframes for APG membership obligations (mainly scheduling of mutual evaluations ²³).

²² Including health sector response and/or changing budgetary allocation of funds/resources

²³ Due to the COVID-19 pandemic, the ME of the Marshall Islands has been paused since February 2021 it is currently schedule to restart in early/mid 2023. The timing of Nauru ME onsite visit was recently moved from October/November 2022 to March 2023, the Papua New Guinea ME will start in 2023/24, and the Niue ME is now scheduled for 2024/2025. In addition, the timing of Pacific members' APG 4th round MEs is yet to be confirmed but the round will commence in 2025 with Vanuatu and Samoa likely to be the first Pacific members assessed in this round.

Risk 4: 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 PACD programme activities with APG membership process (e.g. mutual evaluations, APG follow-up, APG membership action) and Global AML/CFT related processes (e.g., FATF ICRG process). Align PACD programme activities with other related national priorities of Pacific members.	APG	Competition in the Pacific region is not impacting Pacific members' commitment to receive TA under the PACD Programme.
Risk 5: Annual expenditure less or more than original Costed Outputs in Grant Agreement	Possible	Moderate	Medium	Appropriately manage delivery of TA activities and projects in accordance with PACD business plans and budget including reducing or adding activities or co-funding activities (with other APG members and observers) where appropriate, and utilising existing APG secretariat resources to undertake new TA projects or activities. Seek NZ approval to relocate unspent funds to other programme Outputs; roll unspent funds into final year of the grant; and/or modify the terms of the grant.	APG	As noted above, the total grant underspend at 30 June 2022 is NZD 787,891. The key drivers of the underspend are: <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 to the Cell resulting in lower capacity to deliver TA activities. • Underspend for Output 3 is ~61% 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 4 of the grant and a much lesser extent years 3. Year 4 (2020-2021) expenditure was 43% under budget. Year 3 (2019-2020) expenditure was 13 % under budget²⁴. <p>Total unspent funds at 30 June 2022 has been rolled into the additional final year of the grant in accordance with the <i>PACD Programme Variation No. One</i>. The budget for 2022-2023 is set out in <i>PACD Business Plan 2022-2023</i> Business Plan.</p>

²⁴ Against the original budget outlined in the Grant Agreement

Risk 6: Overall costs of project increase or decrease	Possible	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	<p>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, particularly in the final year of the grant.</p> <p>To date the PACD programme budget has been managed in accordance with accrual accounting methods. For the final year of the grant, programme financial management will be more in line with cash accounting principles. The 2022-2023 budget (final year of the programme) will be the remaining funds in the APG bank account at 30 June 2022 plus the AUD amount of the final grant payment (NZD 500,000) when received from MFAT (see Grant Agreement Variation One).</p>
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Risk 7: 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, development and delivery of activities (including regional TA activities) through APG Annual TA&T Forum, results of Pacific members MEs, and individual engagements with Pacific members.</p> <p>Involve Pacific member in identification, design, development and planning for TA including seeking in principle support for TA project plans/statement of requirements.</p> <p>Coordinate TA activities and projects with other TA donors and providers to ensure best possible scheduling of PACD activities.</p>	APG	<p>While no Pacific Member has totally rejected TA, some projects originally planned for 2019 to 2022 have been postponed due to Pacific jurisdictions ability to receive the TA and changing TA priorities.</p> <p>Points in Box 1 and 2 highlight Pacific involvement in TA activities that are more regionally focused. Individual Pacific members activities are initiated based on members needs communicated directly and via the APG Annual TA&T Forum. Activity statement of requirements and plans are agreed with the members, and the relevant parties continually engage throughout the project to ensure success. As an example, in the legislation drafting project for Nauru, Nauru and the Pacific Cell agreed on the scope of the reforms, Nauru, Lexbridge and the Pacific cell met on numerous occasions to support Nauru to make required AML/CFT policy decisions, and both Nauru, APG Secretariat and other stakeholders have provided comments and engaged in discussion of the draft Bills.</p>
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Risk 8: Not achieving all short and/or medium-term outcomes	Likely	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	<p>As highlighted in this and previous annual reports, the PACD programme has been significantly impacted by the COVID-19 pandemic. The Pacific Cell's ability to deliver TA and Pacific members' ability to receive TA has been effected. In addition, the Pacific Cell has noted fluctuating prioritisation of AML/CFT issues and reforms since March 2020. These challenges are reflected in progress against Short-term and Medium-term Outcomes of the Programme as discussed in detail in Part Three.</p> <p>As highlighted in the PACD Mid-Grant Summary (see Operational-level lessons learnt #4), while there are benefits to the detailed measures under the Results Management Framework, these measures could be streamlined to better meet programme expectations and reduce the data collection and reporting burden. Looking ahead to future funding, the secretariat would like to discuss whether indicators are still fit for purpose, particularly indicators consistently exceeded in the current PACD Programme and developing new indicators (or refining current indicators) to be more in line with specific APG Pacific member's financial sector size/context, ML/TF risks, and level of compliance with the FATF Standards.</p>
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<p>Risk 9: Availability of experts (including consultants) to undertake or support TA activities.</p>	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 term agreements, which facilitate different delivery types and levels of assistance to multiple APG Pacific Members.</p> <p>If required, reschedule activity(ies) 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 Pillar Projects was to contract and lock-in experts to deliver AML/CFT TA activities for the remaining years of the grant.</p> <p>For AML/FT legislation drafting support, the team of AML/CFT experts and legislation drafters from Lexbridge Laws are providing 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 is delivering workshops on AML/CFT supervision for the remainder of the grant. Where required the Pacific Cell will seek support from the DAP Group for expert technical input on elements of the workshops.</p> <p>As above, the Pillar Project Law Enforcement has been cancelled due to delays and difficulties around finding suitable experts to deliver all elements of the project.</p> <p>Due to their success, the Pacific Cell plans to deliver four more remote training courses on financial investigation, ML investigation, and asset confiscation in 2022-2023 (see PACD Business Plan 2022-2023 for additional detail).</p>
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Risk 10: 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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2021-2022 Annual Report of the Asia/Pacific Group on Money Laundering

This report contains a summary of the major APG business programmes and objectives achieved for the financial year 1 July 2021 to 30 June 2022 and includes independently reviewed financial statements.