



LAUNDERING NEWS

The Asia/Pacific Group on Money Laundering Secretariat Bulletin

ISSN 1440-236X

Issue No 1, February 1998

Introductory remarks from the Secretariat head, Rick McDonell

Welcome to the first issue of the Asia/Pacific Group on Money Laundering Secretariat Bulletin. It is our hope that this publication will provide a voice for money laundering issues in the region. We are hoping to publish three or four editions each year.

Money laundering is an issue of global dimensions. There are estimates that the laundering of narcotic drug profits alone amounts to as much as \$US500 billion. A strong international response is therefore necessary, especially the implementation of international anti money laundering standards. Why is a regional response required? Because generic standards cannot take into account the unique factors that exist in various regions of the world. Therefore, the international standards that have been developed need to be enhanced to cater for regional differences.

The first cooperative policy response to money laundering was by the Financial Action Task Force (FATF), consisting mainly of OECD members. Since then an autonomous group has also been established in the Caribbean and

South America (the CFATF) and similar groups are forming in Central and Eastern Europe as well as Southern Africa.

What is the Asia/Pacific Group (APG) on Money Laundering? It is a group established to provide a means for consultation and cooperation between jurisdictions in the Asia/Pacific region in order to combat the problem of money laundering. The APG was established in February 1997 at the fourth Asia/Pacific Money Laundering Symposium. It will hold its first major regional meeting in Tokyo on 10 March, 1998.

*A voice for money
laundering issues*

The APG's Secretariat currently works out of offices in Sydney, Australia. It is financially supported by a number of jurisdictions in the region. Without this support the Secretariat's work would not be possible.

Combating money laundering involves different arms of government and the private sector. For governments it means legislation, financial regulatory supervision, and law enforcement. For the private financial sector it means



Rick McDonell, Secretariat head

cooperating with governments, which is essential for an effective defence against money laundering. Without it, financial institutions are vulnerable.

This bulletin will provide information relevant to each professional group involved in countering money laundering and will inform readers about the work of the Secretariat, as well as publicising approaching events, meetings, conferences and courses offered in the region. We will also include: news about anti money laundering initiatives and new legislation in the region; reports of successful money laundering investigations; information about trends and new money laundering schemes; and issues relating to training and technical assistance.

The success of this newsletter will largely depend on the interest and input from you, the reader. Ideally, it will

Regional anti-money laundering efforts

A number of Asia/Pacific money laundering symposia have been held since 1992 when Singapore hosted the first, followed by Malaysia (1994), Japan (1995) and Thailand (1997). These events raised awareness on regional money laundering issues and brought consensus on the need for a regional money laundering group.

This was confirmed at the fourth Asia/Pacific Money Laundering Symposium in Bangkok, which was attended by representatives from 38 jurisdictions and international and regional organisations. Participants included

There was also consensus that regional cooperation was essential."

representatives from ministries of finance, justice and law enforcement and central banks. Each delegation reported on progress towards the enactment of anti money laundering legislation in its jurisdiction. It was encouraging to hear that an increasing number of jurisdictions are in the process of enacting legislation. There was also consensus that regional

cooperation was essential.

The most important outcome of the symposium was the formal endorsement, by those present at the meeting, of the Terms of Reference of the Asia/Pacific Group on Money Laundering.

Countries represented included: Australia, Bangladesh, Brunei Darussalam, Cambodia, Chinese Taipei, Fiji, Hong Kong, India, Indonesia, Italy, Japan, Lao PDR, Macau, Malaysia, the Maldives, Myanmar, New Zealand,

Pakistan, the People's Republic of China, the Philippines, Portugal, the Republic of Korea,

Singapore, Sri Lanka, Thailand, the United Kingdom, the United States, Vanuatu and Vietnam.

At the meeting, 13 jurisdictions indicated a willingness to join the group while other jurisdictions are considering joining. To have a truly representative Asia/Pacific group, each jurisdiction in the region is encouraged to join.

As part of the symposium

three workshops were held: the Financial Workshop; the Legal/Judicial Workshop; and the Law

Enforcement Workshop. Workshop participants formulated a set of recommendations on issues such as: mutual legal assistance; technical assistance in the development of

legislation and regulatory frameworks; potential vulnerabilities posed by electronic payment systems; and difficulties with the timely



Recent Secretariat activities

In addition to its primary role for the Asia/Pacific Group, the Secretariat has undertaken other tasks in the region, including:

- a presentation to the APEC Deputy Finance Ministers and Central Bank Governors Meeting;

- providing legal drafting advice and comparative materials to several countries in the region;
- delivering papers to various regional conferences and the Transnational Crime Working Group of the ASEAN Council for Security Cooperation in



Who's who at the secretariat

Rick McDonnell, pictured far left, is the head of the Secretariat. He is a lawyer who, for the past 14 years, has worked in the areas of criminal investigation, prosecution and policy formulation.

Merle Tuckey, pictured centre, is the Secretariat's Administrative Officer. She has had many years experience at foreign diplomatic

posts and as a senior administrative assistant. Merle is retiring in April 1998.

Robert Lightfoot, pictured far right, came to the Secretariat in September 1997 on a 12 month secondment from the Reserve Bank of Australia. He is an economist and a career central banker, having worked at the Reserve Bank for over 25 years.

Recommendations from the Beijing working party

The People's Bank of China graciously hosted the APG's first Working Party meeting in Beijing in July 1997. There were detailed discussions on money laundering issues facing the region. As a result the Working Party and Secretariat are undertaking a number of tasks to:

- determine how best to implement anti money laundering standards;
- promote mutual legal assistance agreements and information sharing;
- develop cooperation between government agencies and the private financial sector;
- provide annual reports on money laundering countermeasures in the region; and

Training and technical assistance

Training and technical assistance has been identified as a significant issue for the Asia/Pacific region. Many jurisdictions have expressed a need to identify where they can go for assistance in, among other things, training law enforcement or financial industry personnel, or drafting legislation.

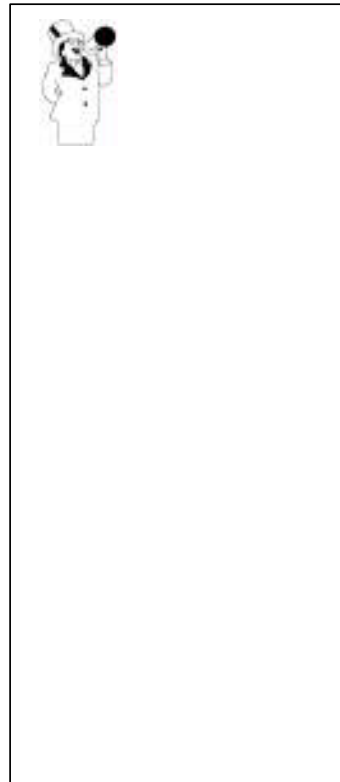
There is consensus about:

- the need for each jurisdiction to identify its training and technical assistance requirements;
- the identification of expertise, resources and training programs in all jurisdictions;
- the choice, by each jurisdiction, of the most

appropriate strategy to meet its needs, such as developing its own training, tapping into training in other jurisdictions or participating in international programs; and the identification of funds to support training and technical assistance within jurisdictions and internationally.

At the Money Laundering Symposium in Thailand in 1997 it was agreed to consider these issues and raise them at the next regional meeting in Tokyo in March 1998. To assist this process, the Secretariat has a Training Needs Analysis Framework available on request.

It is hoped that at Tokyo



Five excuses for not taking action against money laundering: why they are wrong

① **Money is money, whatever its source.**

Wrong because research, including by the IMF, has shown that criminal proceeds in an economy can have a significant harmful effect in a number of different ways.

② **Implementation of anti money laundering measures slows economic development.**

Wrong because once a country gains a reputation for being used by money launderers its integrity is impinged and public confidence in its financial institutions is threatened. Legitimate foreign banks and

businesses are wary of investing in an economy tainted by criminals.

③ **It's better to wait to introduce measures when the economy is more developed.**

Wrong because the longer a country waits to take action, the more entrenched organised crime can become and the more pernicious its influence. Once entrenched, organised crime is difficult to remove.

④ **Anti money laundering measures increase bureaucracy and serve as a disincentive to investment.**

Wrong because regulations

required to prohibit money laundering should not hinder legitimate financial movements. For example, while bank secrecy must be waived where money laundering is known or suspected, this does not require the abolition of the principle of legitimate customer confidentiality.

⑤ **Taking measures places countries at a competitive disadvantage to established financial centres.**

Wrong because as all financial centres adopt anti money laundering measures a level playing field will be created in

Who is saying what about money laundering

The threat posed by money laundering to legitimate financial institutions was recognised at the April 1997 meeting of **APEC Finance Ministers**. The Ministers welcomed the establishment of the Asia/Pacific Group and highlighted the importance of international cooperation in countering this threat. The Joint Ministerial Statement included the following remarks:

Money laundering remains a priority concern because of the threat it can pose to the integrity of legitimate financial institutions. In this regard, we welcome the establishment of the Asia Pacific Group on Money Laundering of which several APEC economies are members. We pointed out, however, that money laundering is a global phenomenon and, in this regard, we encourage all other economies to join in a determined global effort to effectively address it. We ask the assistance of the relevant international organisations to integrate support for

anti money laundering activities in their operations to strengthen the integrity of financial systems."

The Commonwealth Countries Heads of Government (CHOGM) have also considered

money laundering and agreed that each of them would introduce anti money laundering measures. At the most recent CHOGM meeting in Edinburgh on 24-27 October 1997 the issue was again considered and the communique for that meeting contained the following:

"The Committee welcomed the continued efforts by Finance and Law Ministers to combat money laundering and the endorsement by Finance Ministers of the updated 40 recommendations of the Financial Action Task force (FATF). ...it also noted the call by Ministers on the Commonwealth Secretariat to convene a joint meeting of finance and law officials in 1998 to consider further concerted

 ★ CONTRIBUTIONS
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