

# Laundering News

## The Commonwealth's Role in Combating Money Laundering and Terrorism

**The Commonwealth Secretariat is one of the APG's long-standing Observer Organisations and played an important role in helping to establish the APG. In this article, the Commonwealth Secretary-General, the Rt Hon Don McKinnon, outlines the important role played by the Commonwealth in global efforts to combat money laundering and terrorism.**



So you got caught up in the drugs trade, you have US\$500,000 in cash and cheques which are probably traceable, how do you launder this money, what do you do to make these funds and your activities look legitimate?

Well, you keep away from well-known banks, you talk to lawyers with shadowy reputations, you cut a deal with other people to push this money through a number of

accounts where records are not dutifully kept and, with luck and stealth, your ill gained US\$500,000 comes out a clean US\$250,000 without questions asked.

With new technology, this can happen more and more rapidly and easily. Today, countries are becoming increasingly vulnerable to the dangers of money laundering. The activities of money launderers can affect the integrity and reputation of the financial systems of countries, subjecting national economies to the harmful effects of crime and its financial rewards. The impact of money laundering activities on small states is of particular concern to the Commonwealth, as they make up two thirds of the organisation's membership. These countries are often not aware of what is going on inside their financial institutions.

The connection between money laundering and terrorism following the 11 September attacks on the United States has raised the stakes higher. Without effective international and regional coordination and cooperation, the fight against the global problems of money laundering and terrorism can never be won.

## Development of Commonwealth Anti-Money Laundering Strategies and policies

The development of Commonwealth anti-money laundering strategies dates back to 1993 when a Commonwealth Model Law was drafted. To supplement this Model Law, Commonwealth Guidance Notes for the Financial Sector were first produced in 1996. A revision of these Guidance Notes was completed in 2000 in the form of a Model of Best Practice for Combating Money Laundering in the Financial Sector. This manual is being used by policy-makers, regulators and financial institutions.

A review of the Commonwealth Model Law on Money Laundering is planned for 2003 after the completion of the current review of the 40 Recommendations by the Financial Action Task Force (FATF). A further revision of the Model of Best Practice for Combating Money Laundering in the Financial Sector will also be undertaken in 2003 to take account of new developments and the review of the FATF 40 recommendations. The Secretariat continues to urge member countries to implement FATF's recommendations.

## Terrorism

Following the Sept 11 attacks, Commonwealth Heads of Government issued a statement condemning terrorism on 25 October 2002, calling for concerted and resolute

*Continued on page 4.....*

## WELCOME

**Rick McDonell,  
Head, APG Secretariat**



Welcome to the third and final edition of *Laundering News*, the newsletter of the Asia/Pacific Group on Money Laundering, for 2002.

From the APG Secretariat's perspective, there has been no let up in the pace and scope of developments in the anti-money laundering and counter-terrorist financing field as we approach the end of what has probably been our busiest year ever.

Globally, the FATF's 2002 Typologies Workshop was held in Rome in November (see story on page x). In addition, the FATF's Working Group on the Review of the Forty Recommendations continues to meet monthly and will soon be reaching the stage where revised draft FATF Recommendations will be considered. The FATF's Terrorist Financing Working Group is also meeting regularly, developing guidance to support the Eight Special Recommendations. Its meeting in Washington on 13 – 14 January will be an especially important one for the APG, as it will consider the draft Implementation Package prepared by the APG Working Group on Alternative Remittance and Underground Banking Systems.

*Continued on page 3.....*

# A New Zealand Perspective



*Rob Robinson is the 29<sup>th</sup> Commissioner of the New Zealand Police. He has been part of New Zealand's anti-terrorism capability since 1977, firstly as a negotiator, a member of the CT Commanders cadre in the 1990s and since 2000 as Commissioner. Rob sees TNOC and Terrorism as the single most significant law enforcement challenge in the 21<sup>st</sup> century. He kindly provided the following article for Laundering News*

In the FATF's second mutual evaluation report on New Zealand, the New Zealand Police was described as a "unified national police service". Police, with a staff of approximately 9,400, have the lead role in counter terrorism in New Zealand. While physical isolation may once have insulated us from international crime trends, this is clearly no longer the case. Our ability to work from this 'unified national' base to contribute to regional anti-money laundering (AML) and countering the financing of terrorism (CFT) efforts provides a unique law enforcement perspective in our region.

Internationally the ability of law enforcement and other government agencies to work in a unified way is enhanced through the leadership, the focus and the direction provided by the United

Nations. Acting with a clear mandate, the UN has, over the past 40 years contributed to an international legal framework aimed at preventing terrorism. In addition to the 13 separate conventions on terrorist related acts, the UN Security Council had, prior to 911, adopted resolutions specifically identifying Al Qaida and its various networks as a threat to global security. Immediately following the terrorist attacks on the United States, the UN Security Council adopted resolution 1373.

UN 1373 has provided the clearest link yet between the threat of terrorism to international peace and security, and the methodologies and networks created by Transnational Organised Crime (TNOC). Of special significance is the emphasis that the UN has placed on CFT. The financial

TNOC, including the trade in illicit drugs and firearms, and the trafficking of persons and smuggling of migrants.

UN 1373, requires member States to take measures to prevent the financing of terrorism and to afford one another the greatest measure of assistance in connection with criminal investigations relating to terrorism. The international response to the recent tragic attack in Bali demonstrates the desire of countries to work together to combat the terrorist threat and bring the perpetrators of terrorism to justice. Strengthening law enforcement cooperation between States through the enhanced collection and exchange of information, and increased technical assistance to developing countries are but two of the ways that we can jointly combat TNOC and Terrorism.

The increasing focus on international cooperation and the creation of standard measures for combating the financing of terrorist activity calls for specialist knowledge and skills. This is why the work of the Financial Action Task Force (FATF), conducted through regional bodies such as the Asia Pacific Group on Money Laundering (APG) is so important. Equally, this is why law enforcement agencies and regional bodies such as the South Pacific Chiefs of Police Conference and the Australasian and South West Pacific Commissioners' Conference need to work closely with the APG. The position of the APG within the international anti-money laundering framework and consequently the specialist skills and competencies that it can provide -

*continued on page 5..*

## APG Secretariat Changes

As previously advised, Ms Anastasia Petropoulos will be taking leave from the Secretariat for 12 months from January 2003 to travel overseas. Anastasia will be missed by her colleagues and friends but we wish her well on her travels!

Anastasia will be replaced by Mr David Shannon for the next 12 months. David will join the Secretariat on 20 January from Australia's National Crime Authority, where he has worked for eight years. His work with the National Crime Authority has included intelligence and policy roles.

His recent work has included the role of Assistant National Coordinator for three National



*David and Anastasia wish each other well on their respective adventures!*

Task Forces on organised crime relating to Outlaw Motor Cycle Gangs, South East Asian Organised Crime and Established Criminal Networks.

That work involved input to the APG in relation to the Working Group on Alternative Remittance and Underground Banking Systems. Welcome David!

Welcome from Rick  
McDonell

continued from page 1...

The APG Secretariat is also involved with the FATF, the other FATF-style regional bodies, the IMF and the World Bank in the development of documentation related to the new AML/CFT Assessment Methodology. The APG Secretariat is also continuing to play a role on behalf of its members and the region in relation to the provision and coordination of technical assistance and training.

Regionally, many APG members and observers were involved in the Regional Conference on Combating Money Laundering and Terrorist Financing which was held in Bali on 16 and 17 December and co-hosted by Indonesia and Australia. APG Secretariat staff have recently been involved in seminars and training courses held in Myanmar and Tonga. There is also a great deal of relevant activity occurring across the region, both as a result of technical assistance and training projects and otherwise.

This final edition of *Laundering News* for 2002 brings you up to date with some of these developments, as well as including feature articles kindly provided by the Commonwealth Secretary-General and the New Zealand Commissioner of Police.

I should also mention that the APG's *Annual Report 2001 – 02* is now available via the APG's website [www.apgml.org](http://www.apgml.org). The Annual Report provides a detailed description of the APG's progress over the past 12 months. Finally, on behalf of the APG Secretariat, I would like to thank you for your support throughout the past year and to wish you all a safe and happy festive season.

## DIARY 2002-2003

The APG has a busy work program for 2002 – 03. Some of the major APG and related events taking place over the next six months are listed below.

### 13 – 14 January 2003

FATF Terrorist Financing Working Group meeting, Washington, US

### 15 – 17 January 2003

FATF Working Group on Review of the Forty Recommendations meeting, Washington, US

### 21 – 22 January 2003

Singapore-US Counter-Terrorism Finance Workshop, Singapore

### 27 – 31 January 2003

IMF Drafting Seminar, Suva, Fiji

### 12 - 14 February 2003

FATF Plenary Meeting, Paris, France

### 17 –21 February 2003

APG Mutual Evaluation of the Philippines

### March 2003

APG Mutual Evaluation of Palau (TBC)

### 24 – 26 March 2003

Pacific Rim International Conference on Money Laundering and Financial Crimes Bangkok, Thailand

### 26 – 30 May 2003

APG Annual Meeting, Manila, the Philippines

### 15 – 20 June 2003

FATF Plenary Meeting, Berlin, Germany

## Italy Hosts FATF's 2002 - 03 Typologies Exercise



Rome played host to the FATF's Typologies Exercise from 19 – 21 November 2002.

The meeting, which was attended by the APG Secretariat and APG member Korea (in addition to the APG's six FATF members), covered a range of topics, including:

- terrorist financing methods, with a special emphasis on alternative remittance/underground banking and misuse of non-profit organisations;
- money laundering vulnerabilities in the securities sector;
- diamond, gold and precious metals trade and links to money laundering and terrorist financing;
- money laundering indicators;
- money laundering statistics and trends; and
- contrasting methods for money laundering and fiscal offences.

'A range of very interesting presentations were given over the two days', said Eliot Kennedy, who attended on behalf of the APG Secretariat. 'The session dealing with terrorist financing and *hawala* issues was of course of particular relevance, but the entire agenda was pertinent to the APG's work. The work now being done by the FATF to develop guidelines for financial and other institutions to help them to detect money laundering holds the promise of being very useful to APG members and observers'.

The third day of the Typologies Exercise took the form of a joint meeting with the OECD's Committee on Fiscal Affairs (CFA). The purpose of the meeting was to compare and contrast the techniques used for money laundering and for tax fraud. This was done through the presentation of a series of case studies in each area, as well as discussion of draft guidelines for money laundering and tax fraud indicators. Many similarities and areas of common interest were identified, and it was agreed that dialogue between the FATF and the CFA should continue.



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# The Commonwealth's Role in Combating Money Laundering and Terrorism

*continued from page 1...*

action to counter terrorism. Commonwealth leaders have long recognized the linkages between terrorism, money laundering and trafficking in drugs, arms and people.

They adopted an Action Plan to assist Commonwealth members implement United Nations Security Council Resolution 1373 (UNSCR 1373) and the various schemes for mutual assistance, most notably on financial assets and extradition. I have convened a committee at ministerial level to monitor implementation of the Action Plan.

In January 2002, an expert working group was convened by the Secretariat to recommend legal and administrative measures that could be adopted to implement UNSCR 1373. The Group also considered the Special Recommendations on the Financing of Terrorism of the Financial Action Task Force. The Report of that Group, which includes drafting instructions for model counter terrorism legislative provisions, has been distributed to all Commonwealth Law Ministers. At their recent meeting in St Vincent and the Grenadines, Law Ministers welcomed this work and issued their own statement condemning terrorism and money laundering activities.

## **National, Regional and International Partnerships**

In recognition of the need to work more closely with national, regional and international institutions, the Commonwealth Secretariat

has undertaken a number of collaborative activities with a number of regional bodies.

The commitment of the Secretariat to combating money laundering and terrorism in the Asia Pacific region is further evidenced by the recent placement and funding of an expert with the Secretariat or the Asia Pacific Money Laundering Group (APG) in July 2002. Our expert will help the APG implement its work programme across a large part of the globe.

More specifically, in the Pacific region, we work with the UN and the Forum Secretariat resulting in the placement of an anti-money laundering expert in Fiji with the Forum Secretariat to provide advice to 5 Pacific island countries, namely Cook Islands, Fiji, Nauru, Samoa and Vanuatu on strengthening their anti-money laundering systems. The expert will also assist in money laundering investigations and prosecutions and in the development of effective legislation.

On the terrorism front, the Commonwealth Secretariat plans to carry out two regional legislative workshops in 2003 for the Asia and Pacific regions on implementation of Security Council Resolution 1373.

The support to regional bodies such as the Forum Secretariat and the APG is also present in other regions of the Commonwealth such as the Caribbean and the Eastern and Southern African region. In the case of the latter, the Secretariat was

instrumental in setting up the Eastern and Southern African Anti Money Laundering Group (ESAAMLG).

In an increasingly interdependent world, the fight against money laundering and terrorism must be taken to

a global level. By working closely with regional and international partners, the Commonwealth aims at cutting the money supply of terrorists by combating money laundering, thereby contributing to create a more secure world.

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## **Conference on Combating Money Laundering and Terrorist Financing** *Nusa Dua, Bali, 17 - 18 December, 2002*

This important regional initiative was co-chaired by the Governments of Indonesia and Australia and attended by senior officials from 31 countries from the Asia-Pacific region. Thirteen international and regional organisations also attended the conference, including the APG, which was represented by Mr Rick McDonnell, Head of the APG Secretariat, and Ms Bronwyn Somerville, Executive Consultant to the Secretariat. The private and NGO sectors were also represented.

Participants gathered to underline their commitment to combating money laundering and terrorist financing, with the bombing in Bali of 12 October serving to underscore the importance of the Conference. The Australian co-chair of the conference, the Minister for Justice and Customs, Senator Chris Ellison, said that "Bali was chosen as the venue for the conference before the tragic events of 12 October but the location is a poignant reminder to all participants of their obligations to continue fighting terrorism in the region".

Participants also recognised that the dimensions of the problems of money laundering and terrorist financing are growing in scale and complexity worldwide, including in the Asia-Pacific region and that meeting existing international obligations would form a strong basis to strengthen international cooperation in fighting this growing threat.

Rick McDonnell gave a presentation outlining regional implementation of the anti-money laundering and counter-terrorist financing standards in the region.

The Conference noted the urgent need for and value of direct, in-country assistance (such as assistance in establishing FIUs and legislative drafting assistance) and the importance of effective coordination in the provision of such assistance.

A final report on the Conference will be prepared by the co-hosts as a resource in future regional and international initiatives on combating money laundering, terrorist financing and other related crimes.

# A New Zealand Perspective

continued from page 2...



- are a crucial aspect to this region's efforts to combat money laundering and terrorist financing.

Two important components of any system for combating terrorist activity are the ability and willingness of the people involved, and a strong legislative foundation.

As a member of both the APG and the FATF, New Zealand actively contributes to the international efforts of these organisations. In November 2001 New Zealand was privileged to host the FATF Typologies Exercise in Wellington and has since joined the FATF steering group. New Zealand also currently chairs the FATF working group on reviewing the '40 recommendations'. New Zealanders are active in various parts of the Pacific Region, from working within the APG through to providing specialist technical advice on IMF and Pacific Forum projects. Members of New Zealand Police have also contributed to the mutual evaluation process, including the first joint APG / World Bank / IMF evaluation carried out in October 2002 in Bangladesh.

The willingness to work towards our common goals is enhanced by a strong legislative foundation. New Zealand's legislative framework has been recently

enhanced with the introduction of the Terrorism Suppression Act that builds on a range of existing anti-money laundering laws. The Act automatically designated as terrorist entities all individuals or groups listed by the United Nations as terrorist organisations on the date the Act was passed into law and provides that future UN listing is itself sufficient grounds to designate the particular entity.

The Act enables forfeiture of terrorist assets without the need for a conviction to be entered against the person. Various offences relating to the financing of, recruiting for, or participating in terrorist entities are also contained in the Act.

New Zealand is currently developing a second round of law changes in response to the threat of terrorist activity that will further enhance the ability of Police and other agencies to investigate and prosecute those involved.

In addition, work is ongoing in relation to implementing the FATF's eight special recommendations on terrorist financing. Again, this is likely to build on existing laws. For example, the international response to both formal and informal alternative money remittance networks is to seek registration of these.

However, New Zealand's definitions of 'financial institution' currently extends to money remittance agents, bringing to bear the various sanctions for non-compliance that are contained in the Financial Transactions Reporting Act 1996. The broad nature of the term 'financial institution' is reflected in recent successful prosecutions of lawyers for failing to report suspicious transactions.

A further feature of New Zealand money laundering legislation is the establishment of the Financial Intelligence Unit as part of the Police National Bureau of Criminal Intelligence. This in turn has helped to ensure a close relationship between this unit, financial institutions and Police. I am grateful for the foresight of those officials who drafted our legislation in the 1990's, it is now standing us in good stead.

Establishing and maintaining an effective counter terrorist response draws heavily on the mechanisms already in place for combating the threat of transnational organised crime.

Equally the ability to counter terrorism requires a joint effort, whether in the domestic, regional or global environment. Being part of a joint regional response is important to New Zealand as it carries with it the ability to draw on the expertise and experience of agencies such as the APG. The challenge for the future is for jurisdictions to exchange ideas for developing the best legislative response and to share our experiences and the expertise of people involved in all aspects of combating the terrorist threat. New Zealand and the New Zealand Police are committed to actively working with other

We hope you enjoyed this issue of *Laundering News*.

For any further information or to contact us, please send us an email at [mail@apgml.org](mailto:mail@apgml.org)

or visit our website at

<http://www.apgml.org>



**New Zealand**