

Laundering News

Action against terrorist financing

The September 11 terrorist attacks on the United States have led to a strong and renewed focus on money laundering and the financing of terrorism. We examine the international community's response to the terrorist attacks on the United States and the implications for the APG, its members and all countries in the Asia/Pacific region.

Following the attack, a number of governments called for a quick and co-ordinated effort to detect and prevent the misuse of the world's financial systems by terrorists. For example, in the aftermath of the attacks, the European Union Finance and Economics Ministers and the G-7 Finance Ministers argued that the global response should be pursued in the framework of measures already taken by the international community to combat money laundering.

Similarly, on 28 September the United Nations Security Council passed Resolution 1373 which called on all states to take immediate steps to ratify and implement the fully the 1999 UN International Convention for the Suppression of Terrorism and other relevant instruments and to take other legal and financial measures.

FATF Special Recommendations

It was in this context that the Financial Task Force on Money Laundering (FATF) held an extraordinary Plenary on the Financing of Terrorism in Washington, D.C. on 29 and 30 October 2001 at which the APG was represented by Rick McDonell, Head, APG Secretariat. At this meeting the FATF expanded its mission beyond money laundering to include a focus on the world-wide effort to combat terrorist financing. During the extraordinary Plenary, the FATF agreed to a set of Special Recommendations on Terrorist Financing which commit members to:

- Take immediate steps to ratify and implement the relevant United Nations instruments.
- Criminalise the financing of terrorism,
- Freeze and confiscate terrorist assets.
- Report suspicious transactions linked to terrorism.terrorist acts and terrorist organisations.
- Provide the widest possible range of assistance to other countries' law enforcement and regulatory authorities for terrorist financing investigations.
- Impose anti-money laundering requirements on alternative remittance systems.

- Strengthen customer identification measures in international and domestic wire transfers.
- Ensure that entities, in particular non-profit organisations, cannot be misused to finance terrorism.

Further details concerning the FATF's Special Recommendations can be found on the APG's new web site at www.apgml.org. It should be noted that the APG's recent work in relation to underground banking and alternative remittance systems was used in the formulation of one of the Special Recommendations and our continuing work in this area will be of interest internationally.

FATF members also adopted a comprehensive Plan of Action at the extraordinary Plenary meeting, including a self-assessment exercise; the development of additional guidance for financial institutions on the techniques and mechanisms used in the financing of terrorism; and the initiation of a process to identify jurisdictions that lack appropriate measures to combat terrorist financing and discussion of next steps, including the possibility of counter-measures, for jurisdictions that do not counter terrorist financing.

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WELCOME

**Rick McDonell,
Head, APG Secretariat**



Welcome to this first issue of the 're-launched' newsletter of the Asia/Pacific Group on Money Laundering (APG), *Laundering News*. The aim of this publication is to provide a regular voice for money laundering issues in the Asia/Pacific region.

We aim to publish *Laundering News* three to four times a year.

This is an important time in anti-money laundering efforts both globally and in our region and now, more than ever, it is critical that our members and other interested parties are kept as up-to-date as possible with current developments.

The aim of the newsletter is to inform readers about the work of the APG, as well as publicising approaching events, meetings, conferences and courses offered in the region.

Like any newsletter, the success of *Laundering News* will largely depend on the interest and contributions of our readers.

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Brisbane Gathering - 2002 Annual Meeting

Preparations are gearing up for the APG's 2002 Annual Meeting which will be held in Brisbane, Australia from 4 – 7 June 2002, hosted by the Government of Australia. The venue for the meeting will be the Brisbane Convention and Exhibition Centre.

The meeting is intended to advance the work done at last year's annual meeting which was held in Kuala Lumpur in May 2001. The 2002 Annual Meeting will review the work now in train and set a course for future regional co-operation and progress against money laundering.

"Now is a very important, busy and fast-moving time in global efforts to combat money laundering, following the events of 11 September last year. Our 2002 Annual Meeting will be an invaluable opportunity to assess our progress so far and review regional priorities for the next year", said APG Co-Chair Gray Crooke.

The meeting is intended for senior officials from finance, law and law enforcement ministries, central banks and financial regulatory agencies and for representatives from international and regional organisations. More than 200 people are expected to attend this year

The APG Secretariat will be writing to members and observers shortly with details of the venue,

accommodation and a draft agenda. This information will also be posted on our website.

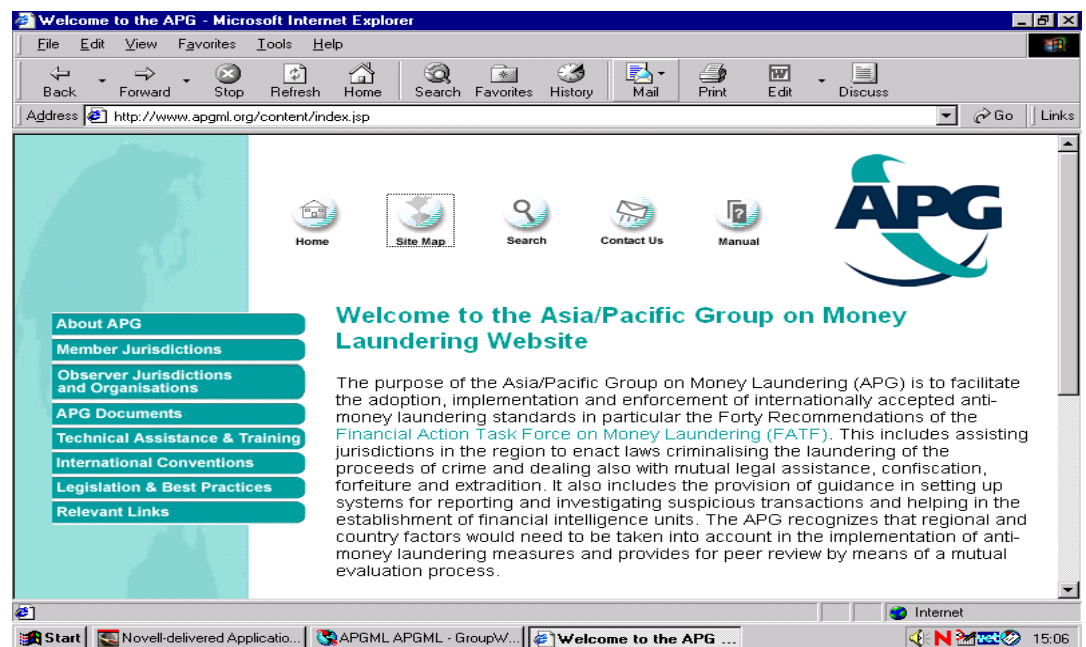
Brisbane Convention Centre



The APG goes online: launch of the APG website

On 28 November 2001, the APG launched its new Internet website. The new web address is: <http://www.apgml.org>

The site features a range of material previously not available to the public online. The establishment of the website was made possible through financing made available under an Asian Development Bank (ADB) regional technical assistance project - Countering Money Laundering in the Asian and Pacific Region. The APG acknowledges the support of the ADB. Dewey Ballantine LLP and Forensic Risk Alliance in consultation with the APG Secretariat were responsible for the design and implementation of the website. The APG expects the site will become a highly valued resource for our members



The home page of the APG's new website

and others by providing guidance to decision-makers on international and national laws, standards and best practices in their efforts to effectively combat money laundering.

The user friendly website provides information about APG Policies and activities and is intended to directly

assist the APG's members and observers in the region.

An online version of an Anti-Money Laundering Manual, the preparation of which is also being sponsored and financed by the Asian Development Bank, will soon be added to the site. This Manual will be a useful information resource for

APG members and observers.

All users of the site, especially APG members, are strongly encouraged to provide feedback and make suggestions for improvement to the site by emailing the APG Secretariat at mail@apgml.org

**Welcome from
Rick McDonell**
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Contributions – articles, letters to the editor, news items, photographs etc – are strongly encouraged and will be vital to developing and maintaining a lively and interesting APG newsletter. We hope to develop a range of regular contributors whose insights and expertise will promote debate and discussion. We also encourage and will actively seek your feedback on the content of the newsletter so that we get the range and balance of stories right.

I hope you enjoy reading *Laundering News*. Please let us know what you think and consider becoming an APG correspondent!



DIARY 2002

The APG has a busy work program for 2001 – 2002. Some of the major APG and related events taking place over the next six months are listed below.

4 – 8 February 2002
APG Mutual Evaluation
of Indonesia

11 – 15 February 2002
APG Mutual Evaluation
of Fiji Islands

4 – 8 March 2002
APG Mutual Evaluation
of Thailand

25 – 27 March 2002
ASEAN Regional Forum
- Pacific Island Forum
Honolulu, Hawaii

4 – 7 June 2002
APG Annual Meeting.
Brisbane, Australia

17 – 21 June 2002
FATF Plenary Meeting,
Paris, France

One issue we would like your immediate feedback on is the name of the newsletter. While 'Laundering News' accurately describes the newsletter's subject matter, we would be happy to adopt a more 'exciting', 'inclusive' or 'symbolic' name (for example based on our geographic region or the APG's mission), if only we could think of one! We need your help. All readers are encouraged to come up with a new name for the APG newsletter which will capture the imagination of our audience. A mystery prize will be awarded to the winning entry. Please send your suggestions to the APG Secretariat at mail@apgml.org by 31 March 2002

Report on the 2001 APG Typologies Workshop

The APG's Fourth Typologies Workshop was held on 17 – 18 October 2001 in Singapore, hosted by the Commercial Affairs Department, Singapore Police Force and The Monetary Authority of Singapore.



The Workshop was attended by more than 100 law enforcement and regulatory experts from 23 jurisdictions and six international and regional organisations. Mr Khoo Boon Hui, the Singapore Commissioner of Police, delivered the Opening Address to the Workshop.

The Workshop focussed on current money laundering methods and trends in the region. Special attention was given to drug trafficking, financial crime and corrupt activities which generate significant proceeds of crime and to the use of underground banking and alternative remittance systems to launder money.

The experts also decided to establish a Working Group on Information Sharing, identified law enforcement and regulatory training needs in the region, and considered ways to improve detection and seizure of proceeds of crimes that are laundered.

The Workshop was held in the context of an increased global focus on money laundering and its implications. This resulted in an open and frank exchange of information and expertise and a shared commitment to improved practical cooperation in the region. Major outcomes of the Workshop included:

- ◆ a clearer picture of the major money laundering methods and trends in the region;
- ◆ establishment of a Working Group to examine ways to improve information sharing in money laundering investigations (see box below);
- ◆ completion of a report on underground banking and its use in money laundering and agreement to conduct further intensive work in this area;
- ◆ identification of counter-measures to increase the effectiveness of anti-money laundering measures; and
- ◆ improved coordination of technical assistance and training.

The Workshop concluded with agreement on the need for a continuing and increased understanding of money laundering in the region and renewed commitment to a coordinated regional and global response.

Laundering News is published quarterly
Editor: Eliot Kennedy
Deadline for contributions for May issue: 30/04/2002
All contributions are welcome! Send to mail@apgml.org

Action against terrorist financing

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The FATF also undertook to intensify its co-operation with the regional anti-money laundering bodies such as the APG, as well as other relevant international organisations and bodies.

More than 40 representatives of 18 APG member jurisdictions attended the FATF's Special Forum on Terrorist Financing held in Hong Kong, China on 1 February 2002.

The Forum called on all jurisdictions to undergo a self-assessment exercise against the 8 Special Recommendations on the same terms as FATF members.

Implications for the APG and its members

In response to these developments, the APG has also broadened its mission to incorporate the fight against terrorist financing.

A new goal has been added to the APG's Strategic Plan July 2001 – June 2004 which states that the APG will:

'Facilitate the implementation of the FATF Special Recommendations on Terrorist Financing and the relevant United Nations instruments in all member jurisdictions'

The APG has adopted several strategies to achieve this goal:

1. in conjunction with the FATF and FATF members, raising awareness of and assisting APG members to comply with the FATF's Plan of Action for implementation of the Special Recommendations including:

- conducting a self-assessment of members and observers;

- obtaining a commitment from members and observers to come into compliance with the Special Recommendations;

- developing additional guidance for financial institutions on the techniques and mechanisms used in the financing of terrorism.

2. facilitating the sharing of information and experience concerning implementation strategies between member jurisdictions and the provision of ad hoc technical assistance to members, including through:

- the APG web site;

- the APG Secretariat acting as an information exchange and liaison point;

- bilateral collaboration between members; and

- assistance from the FATF/FATF member jurisdictions.

3. consulting and coordinating with all international and regional organisations and any jurisdictions that have provided, or anticipate providing, technical assistance and training in the region in this area and coordinating the delivery of such assistance.

In the meantime, the APG Secretariat will continue to closely monitor developments and to keep APG members and observers informed of all developments and requirements in this global effort. This issue will also be an important focus of discussion at the APG's annual meeting in June 2002.



FATF President, Mrs Clarie Lo of Hong Kong (centre)

Developments in technical assistance and training

Three new major technical assistance and training projects have recently been launched in the region, following extensive consultation with various stakeholders. The three projects are:



1. *Asian Development Bank Regional Technical Assistance Program (ADB RETA)*. Jurisdictions receiving training: Cook Islands, Fiji, Indonesia, Marshall Islands, Nauru, Philippines, Samoa, Thailand and Vanuatu. This project runs from July 2001 to the end of 2002. The scope of the project includes identifying institutional and regulatory reforms required to help each participating ADB member comply with established international standards;

2. *Asia/Europe Meeting (ASEM) project*. This initiative - which focusses on technical cooperation, training, exchange of experts, model law creation and lots more - has been developed under the auspices of Asia-Europe Meeting (ASEM) and will be jointly sponsored by the European Commission and the United Kingdom. Jurisdictions receiving training: (Asian ASEM members only) China, Korea, Japan, Brunei, Indonesia, Singapore, Philippines, Thailand, Vietnam, and Malaysia. This will be a three year project



It also includes an in- depth study into different forms of organised crime and complementary relations between regions and research projects;



3. *International Monetary Fund (IMF) project*. Jurisdictions receiving assistance: Cook Islands, Fiji, Kiribati, Nauru, Niue, Vanuatu, and Samoa ('participating countries'). This project runs from July 2001 to the end of 2002. The Legal Department of the IMF has agreed to fund a consultant and provide legal advice to assist Pacific Island countries establish domestic

FIUs and to scope the feasibility of establishing a regional FIU.

"The APG's current work program places a high priority on the provision of technical assistance and training, the primary aim of which is to increase members' ability to meet international anti-money laundering standards on a sustainable basis", said Rick McDonnell, Head of the APG Secretariat.

Pat O'Sullivan has been engaged as a consultant by the IMF to assist with this project and provides some further information on the IMF project. Pat has extensive experience in anti-money laundering operations in the Asia/Pacific region and will be known to many APG members.

IMF Project by Pat O'Sullivan

The Legal Department of the IMF has agreed to provide technical assistance to participating countries to assist with the creation of a legal and institutional framework to combat financial sector crime, money laundering, and terrorism finance. This technical assistance is being provided in partnership with the Pacific Islands Forum, the APG, and the UN Global Programme Against Money Laundering.

The project aims to achieve four major objectives by the end of December 2002:

i. to evaluate existing anti-fraud and anti-money laundering/terrorism finance law, the need for an FIU, and other institutional and capacity needs;

- ii. to draft amendments to existing laws and provide incidental and ancillary assistance with respect to institution and capacity building;
- iii. to conduct a feasibility study into the establishment of a regional FIU, including assessing the appropriate legal structures (eg uniform enabling legislation and/or bilateral or multilateral treaties), and institutional and capacity issues; and
- iv. to draft an enabling legal framework to create a regional FIU, including internal governance and operational rules.

In order to achieve these objectives, the participating countries, the Pacific Islands Forum, the APG, and the IMF have agreed to establish a Coordinating Office for the Participating Countries Anti-Money

Laundering Initiative (COAMLI).

COAMLI is primarily responsible for:

- acting as a liaison and coordinating discussions with the relevant authorities and with participating international organisations,
- gathering and analysing relevant domestic legislation, and
- developing work schedules with specific objectives.

COAMLI consists of the Head of the APG Secretariat, the Law Enforcement Liaison Officer from the Pacific Islands Forum Secretariat, and the Senior Counsel, Legal Department, IMF, in consultation with participating Pacific Island countries.

Other members of the Pacific Islands Forum have been invited to participate in the project.

The project is now fully under way and to date visits to Vanuatu, the Cook Islands, Fiji and Samoa have been undertaken. Further visits are planned in the near future.

As part of the project, the IMF provided funding for and participated in a training course for officers of FIUs in Forum Countries which was held in Fiji in early December 2001. The course covered money laundering, financial investigation and financial intelligence. This was a big step forward in getting participating countries, especially offshore financial centres, up to speed in world's best practice in anti-money laundering. The course was a great success, with 28 participants from nine countries attending.

Mutual Evaluations - completed, upcoming

At the 2001 APG Annual Meeting, members adopted reports in relation to four mutual evaluation conducted in 2000 – 01 and noted that a full program of mutual evaluations was planned for the 2001 – 2002 financial year.

Mutual evaluations are a core part of the APG's work program and allow the APG to assess in a rigorous and detailed way members' progress against the international money laundering standards.

Completed on site visits include Malaysia (9 -12 July 2001) the Cook Islands (29 October - 1 November 2001), Indonesia (4 - 8 February 2002) and Fiji Islands (11-15 February 2002). The final on-site visit for 2001-02 will be to Thailand (4 - 8 March 2002).

The on-site visit is a crucial part of the evaluation process which enables the Evaluation Team to gather information first-hand and clarify outstanding issues.

The draft mutual evaluation reports in relation to APG members evaluated in 2001 – 02 will be distributed in early 2002 and discussed by APG members at the 2002 APG Annual Meeting.



Cook Islands evaluation team: YS Fung, Alipate Qetaki, Hideaki Suzuki, Gordon Williamson and Eliot Kennedy (left to right)

Recent Legislative Developments

One of the APG's primary aims is to encourage and assist members to put into place a comprehensive anti-money laundering legislative package which meets international standards. Various legislative models can be found on the APG's website.

Several APG members and observers have recently made progress in this regard:

- *Malaysia* passed the Anti-Money Laundering Act 2001 (AMLA) on 6 June 2001 and it came into effect on 15 January 2002. The AMLA is based on the Commonwealth Secretariat's Model Law and comparative experience in other countries. The new legislation is comprehensive, covering the offence of money laundering in general, confiscation of the proceeds of crime, provisional measures, suspicious transaction reporting, record keeping and the establishment of a Financial Intelligence Unit (FIU);

- the *Republic of Korea* passed its Financial Transaction Reports Act and Proceeds of Crime Act on 3 September 2001. The Acts came into effect in November 2001. Korea has also established its FIU;

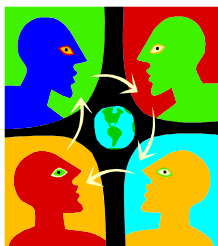
- the *Philippines* passed anti-money laundering legislation on 29 September 2001. The law criminalises the laundering of the proceeds of serious crime.

A number of other member and observer jurisdiction are also making progress with the drafting/enhancement of legislation and regulations, the drafting of guidelines and the establishment of FIUs. The practical progress being made in the region is not only a reflection of the growing regional commitment to anti-money laundering measures but also is critical if the global fight against money laundering is to be effective.

APG Working Group on Information Sharing

At the Annual Meeting of the APG held in Kuala Lumpur in May 2001, members decided that a working group should be established to examine ways to improve information sharing between jurisdictions.

The Working Group was formally established at the Typologies Workshop. It is Co-Chaired by the United States and Australia and comprises representatives from the following jurisdictions: Australia; Chinese Taipei; Hong Kong, China; Japan; Korea; Malaysia; New Zealand; Pakistan; Philippines; Singapore;



Thailand; United States; and Vanuatu.

The primary objective of the Working Group is to make recommendations to improve the efficiency and effectiveness of information sharing between jurisdictions, bearing in mind that the principal features of effective and efficient information sharing are accuracy, timeliness and reciprocity.

The Working Group is required to submit a report to APG members and observers by 15 May 2002, so that the report can be discussed at the APG Annual Meeting in June 2002.