



Asia/Pacific Group
on Money Laundering

MONEY LAUNDERING METHODS AND TYPOLOGIES WORKSHOP “UNDERGROUND BANKING AND ALTERNATIVE REMITTANCE SYSTEMS”

**TOKYO, JAPAN
2–3 March, 1999**

PUBLIC SUMMARY REPORT

Introduction

A group of experts from twenty-five (25) jurisdictions and six (6) international and regional organisations¹ met in Tokyo, Japan on March 2 and 3, 1999. This Workshop was the second annual Asia/Pacific Money Laundering Methods and Typologies Workshop.

The Workshop participants were honoured to have an opening address delivered by Mr. Sekiguchi, Commissioner-General, National Police Agency of Japan. Mr Sekiguchi included in his address the following:

- The globalization of the financial sector has significance not only for the legitimate world economy but also for the underground economy because it increases opportunities for transnational money laundering by criminals;
- In order to prevent criminals from taking advantage of this opportunity jurisdictions need to act together and increase regional and global cooperation between law enforcement and regulatory authorities; and
- The experience of the Japanese Police has shown that underground banking operations provide significant means of money laundering, which, therefore, requires cooperative arrangements between jurisdictions as evidenced by the Workshop.

¹ Australia, Bangladesh, Canada, Chinese Taipei, Cook Islands, Hong Kong, China, India, Indonesia, Japan, Kingdom of Cambodia, Macau, Malaysia, Nepal, Netherlands, New Zealand, Pakistan, Republic of Korea, Republic of the Philippines, Samoa, Singapore, Sri Lanka, Thailand, United States of America, Vanuatu, Vietnam, Commonwealth Secretariat, Egmont Group, Financial Action Task Force Secretariat, International Monetary Fund, Interpol, World Customs Organisation

The purposes of the Workshop were:

- To bring together knowledgeable law enforcement officers and other specialists in the areas of Underground Banking and Alternative Remittance Systems;
- To gain a better understanding of Underground Banking and Alternative Remittance Systems;
- To identify the current ways by which proceeds of crime are laundered through Underground Banking and Alternative Remittance Systems;
- To determine any emerging trends or patterns within and between jurisdictions in the region with regard to Underground Banking and Alternative Remittance Systems; and
- To consider ways to improve detection and seizure of proceeds of crime that are laundered through Underground Banking and Alternative Remittance Systems.

Workshop Highlights

At the Workshop, participants were asked to discuss Underground Banking and Alternative Remittance Systems as they relate to their particular jurisdictions, as well as to the Asia/Pacific region as a whole. The discussions that ensued were constructive and informative and resulted in an open and frank exchange of information and expertise.

The Workshop concentrated on four main issues:

- How Underground Banking and Alternative Remittance Systems are being used for money laundering;
- How money laundering through Underground Banking and Alternative Remittance Systems can be investigated;
- What information is needed by investigators and prosecutors when conducting money laundering investigations involving Underground Banking and Alternative Remittance Systems; and
- What technical assistance and training skills are needed in order to detect, investigate and prosecute money laundering cases involving Underground Banking and Alternative Remittance Systems.

These issues were examined both by special presentations and by the sharing of jurisdictional experience that brought forth the following:

- A special presentation by Interpol that highlighted;
 - the ease, efficiency and therefore attractiveness of trust based (Hawala) alternative remittance systems;
 - the fact that these systems provide an effective means to transmit funds outside conventional financial institutions with minimal or no record keeping and with little risk of detection by the authorities; and
 - the types of transmission of funds by these systems, including hawala swap, invoice manipulation, and gold smuggling.
- Case Studies by Japan, Australia and Hong Kong, China that highlighted how these systems have been investigated by the jurisdictions, the difficulties in conducting these investigations and the skills needed for investigators.
- The Commonwealth Secretariat shared the preliminary results of a major study involving all Commonwealth countries regarding Underground Banking and Alternative Remittance Systems;
- The Netherlands shared the preliminary results of a study involving the Netherlands and other European countries regarding Underground Banking and Alternative Remittance Systems; and
- The Hong Kong and Shanghai Banking Corporation made a very useful presentation from a commercial bank's perspective on the need for good working relationships between government authorities and financial institutions so as to improve practical cooperation in money laundering investigations.

In addition, jurisdictions noted the following:

- Underground Banking and Alternative Remittance Systems are not limited to just a few jurisdictions;
- The magnitude of the problem is substantial in most jurisdictions with a significant portion of the funds remitted overseas by alternative remittance dealers believed to be derived from serious criminal activity; and
- The remittances are not directed to just a few jurisdictions, but that a great diversity of jurisdictions are the recipients of the remittances.

Jurisdictions also engaged in discussions regarding the development of effective countermeasures to combat money laundering which could include:

- Licensing and regulation of Remittance Agents² so as to ensure record keeping and identification of clients;

² For purposes of this Summary Report, the term Remittance Agents refers to agents of underground banking and alternative remittance services and specifically does not refer to agents of conventional financial institutions.

- Supervision and inspection of Remittance Agents with sanctions for non-compliance;
- Reporting of suspicious transactions by Remittance Agents;
- Use of informants and covert operations, where necessary, to gain a better understanding of the operations of Remittance Agents.

Agreed Future Action

As a result of the discussions and presentations during the course of the Workshop, participants agreed to the following future action:

- To establish a Working Group which will undertake a coordinated and intensive examination of money laundering through Underground Banking and Alternative Remittance Systems;
- The Working Group will undertake as its first task the compilation of an ongoing database of Underground Banking and Alternative Remittance Systems case studies;
- To improve methods of information exchange in money laundering investigations including the establishment of Financial Intelligence Units where they do not yet exist and the use of mutual legal assistance between jurisdictions;
- To improve detection and investigation skills in the region by participating in a training needs assessment for law enforcement and as a first step to identify appropriate contact points in each jurisdiction;
- That the Asia Pacific Group on Money Laundering should address the issue of improved control and monitoring of Alternative Remittance Systems and Underground Banking during its consideration of additional measures to the 40 Recommendations of the FATF.

*Tokyo, Japan
2-3 March 1999*