



**Asia/Pacific Group  
on Money Laundering**

**Annual Report  
1 July 2004 – 30 June 2005**

**December 2005**

**FINAL**

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## Foreword by the Co-Chairs of the APG

We have pleasure in presenting the Asia/Pacific Group on Money Laundering's Annual Report for the 12 months ending 30 June 2005. This is the sixth annual report published by the APG.

The APG's Annual Report for 2003-04 covered a 9 month period from 1 October 2003 to 30 June 2004 in order to reflect the fact that the 2003 APG Annual Meeting was held in September 2003. This year's report, including the annexed financial reports, reverts back to a normal 12 month period from 1 July 2004 to 30 June 2005 and also includes the outcomes of the APG's 2005 Annual Meeting, which was held from 11 – 15 July in Cairns, Australia.

The primary purpose of the APG is to provide a regional mechanism for co-operation against money laundering and terrorist financing, including the implementation of internationally accepted anti-money laundering and combating the financing of terrorism (AML/CFT) standards in the legal, financial and law enforcement sectors.

This has been another successful period for the APG and its members, which has seen an overall increase in the level of implementation of the international AML/CFT standards by APG members (see box on following page).

These developments and outcomes demonstrate the increasing cohesiveness of the APG and the increasingly active involvement of its members in the APG's core work. The outcomes of the Annual Meeting are described in further detail in chapter 2 of this report.

We would like to thank all the APG members and observers for their increasing commitment to the APG and its goals.

We would also like to acknowledge the excellent work done by Co-Chair Mr. Naotaka Kawakami who held the Co-Chair position for Japan from 30 June 2004 until July 2005.

Finally, we would like to thank Rick McDonnell and the APG Secretariat team for their continuing hard work and dedication on behalf of the APG and its members. Their contribution to the work of the APG continues to be crucial to its success.

Commissioner Mick Keelty  
Co-Chair  
Australia



Mr. Nobuyoshi Chihara  
Co-Chair  
Japan



## MAJOR ACHIEVEMENTS for 2004-05

Major achievements during the reporting period include:

- a further expansion of APG membership to 29, with the admission of Tonga in May 2005;
- the completion of seven on-site mutual evaluation visits to jurisdictions in the region – Republic of Marshall Islands, Niue, Pakistan, Brunei Darussalam, Nepal, India and Australia (the latter being a joint mutual evaluation with the Financial Action Task Force on Money Laundering);
- adoption by the APG of revised procedures for undertaking mutual evaluations for APG members, reflecting revised international standards and assessment methodologies developed by the FATF;
- successful conduct of the APG's 2005 Annual Meeting in Cairns, Australia. The meeting was one of the largest ever held, with agreement reached on a wide range of issues, including:
  - adoption of a record seven Mutual Evaluation Reports by the APG membership,
  - commitments by international organisations and a number of APG members to provide technical assistance and training to speed up the process of implementing the global standards for combating money laundering and the financing of terrorism,
  - conclusion of a Coordination Agreement to enhance the coordination of AML/CFT technical assistance and training between the APG Secretariat and the Association of South East Asian Nations (ASEAN) Secretariat.
- participation by the APG in the first ever joint plenary session between the FATF and a FATF-style regional body (FSRB). The joint session was held in Singapore in June 2005;
- further expansion of the APG's work in the area of technical assistance and training and successful conduct of the 2005 Annual Forum on Technical Assistance and Training in July 2005 in conjunction with the APG Annual Meeting;
- successful conduct of the APG Typologies Workshop in Bandar Seri Begawan, Brunei Darussalam, in October 2004;
- participation in a Training Workshop for Mutual Evaluators in Singapore in November 2004;
- continuation of the work of the APG Steering Group to provide the APG Co-Chairs and APG members with strategic advice on the structure, functioning and support for the APG; and
- providing assistance to the Cook Islands, Indonesia and the Philippines in the process leading to their delisting from the FATF list of Non-Co-operating Countries and Territories (NCCT list).

# 1. Overview of the APG

## Background

The APG was officially established as an autonomous regional anti-money laundering body in February 1997 at the Fourth (and last) Asia/Pacific Money Laundering Symposium in Bangkok, Thailand<sup>1</sup>. This was the culmination of a process of 'awareness raising' in the Asia/Pacific region initiated by Financial Action Task Force on Money Laundering (FATF) in 1993 as part of its global strategy.

## Purpose

The purpose of the APG is to facilitate the adoption, implementation and enforcement of internationally accepted anti-money laundering and anti-terrorist financing standards<sup>2</sup>. The anti-money laundering standards are set out in the FATF's revised Forty Recommendations and the anti-terrorist financing standards are set out in the FATF's nine Special Recommendations on Terrorist Financing and in relevant United Nations Resolutions.

The APG's role includes assisting jurisdictions in the region to enact laws dealing with the proceeds of crime, mutual legal assistance, confiscation, forfeiture and extradition. It also includes the provision of guidance in setting up systems for reporting and investigating suspicious transactions and helping in the establishment of financial intelligence units. The APG undertakes studies of methods and trends of money laundering and the financing of terrorism in the Asia/Pacific region. The APG allows for regional factors to be taken into account in the implementation of anti-money laundering and anti-terrorist financing measures and provides for peer review by means of a mutual evaluation process.

## Nature

The APG is a voluntary and co-operative international body established by agreement among its members and is autonomous. It does not derive from an international treaty nor is it part of any international organisation. However, it keeps itself informed of action taken or formal agreements made by relevant international and regional organisations or bodies in order to promote a consistent global response to money laundering and terrorist financing.

The work to be done by the APG and its procedures is decided by consensus agreement among its members.

## Membership

Membership of the APG has expanded to a total of 29 members as at 30 June 2005. One jurisdiction, Tonga, joined the APG during the reporting year.

Membership currently comprises Australia; Bangladesh; Brunei Darussalam; Cambodia; Chinese Taipei; Cook Islands; Fiji Islands; Hong Kong, China; India; Indonesia; Japan; Korea (Republic of); Macau, China; Malaysia; Marshall Islands; Mongolia; Nepal; New Zealand; Niue; Pakistan; Palau; Philippines; Samoa; Singapore; Sri Lanka; Thailand; Tonga; United States of America and Vanuatu. There are also 11 observer jurisdictions<sup>3</sup> and 16 observer international and regional organisations<sup>4</sup>.

Membership of the APG is open to any jurisdiction within the Asia/Pacific region which:

- recognises the need for action to combat money laundering and terrorist financing;

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<sup>1</sup> This symposium was organised by the FATF Asia Secretariat, the precursor of the APG Secretariat, in co-operation with the Commonwealth Secretariat and other international bodies, with the aim of getting regional commitment and establishing a regional group with practical objectives.

<sup>2</sup> A copy of the APG Terms of Reference is at Annex A.

<sup>3</sup> Canada; France; Germany; Kiribati; Lao PDR; Maldives; Myanmar; Nauru; Papua New Guinea; United Kingdom; Vietnam.

<sup>4</sup> APEC Secretariat; ASEAN Secretariat; Asian Development Bank; Caribbean Financial Action Task Force; Commonwealth Secretariat; Egmont Group of Financial Intelligence Units of the World; Financial Action Task Force on Money Laundering Secretariat; International Monetary Fund; Interpol; Oceania Customs Organisation; Offshore Group of Banking Supervisors; Pacific Financial Technical Assistance Centre; Pacific Islands Forum Secretariat; United Nations Office on Drugs and Crime; The World Bank; World Customs Organisation.

- recognises the benefits obtained through sharing knowledge and experience; and
- has taken or is actively taking steps to develop, pass and implement anti-money laundering and anti-terrorist financing legislation and other measures based on accepted international standards.

The membership requirements are spelt out in the APG Terms of Reference (a copy of which is at Annex A).

## **Co-Chairs**

There was one change to the APG Co-Chairs during the period under review, which is briefly outlined below.

### **Australian Co-Chair**

The Australian Co-Chair position remained unchanged in 2004 – 05 and continued to be held by Commissioner Mick Keelty, who became Co-Chair in January 2003.

Commissioner Keelty is the Chair of the Board of the Australian Crime Commission (a specialist law enforcement agency established to combat organised crime on a national basis) and the Commissioner of the Australian Federal Police. Mr Keelty was appointed Commissioner of Police of the Australian Federal Police in 2001 and Chair of the Board of the Australian Crime Commission in 2003.

During his career Mr Keelty has worked in a variety of fields, including community policing, national drug operations and intelligence. He has also undertaken a lengthy secondment to the National Crime Authority to work on investigations into organised crime and corruption.

Mr Keelty received the Australian Police Medal for distinguished service in 1996. He holds a Master of Public Policy and Administration, a Graduate Certificate in Criminal Justice Education, is a graduate of the FBI National Academy and is a Fellow of the Australian Institute of Management.

### **Japanese Co-Chair**

At the APG's seventh Annual Meeting in June 2004, it was agreed that Japan would assume the rotating Co-Chair position for two years when Korea's term expired.

As at 1 July 2004, Japan's Co-Chair position was held by Mr Naotaka Kawakami, the Director of the Japanese Financial Intelligence Unit (JAFIO). Mr Kawakami served as APG Co-Chair until July 2005 when he was replaced as Co-Chair by Mr. Nobuyoshi Chihara, Deputy Commissioner for International Affairs, Financial Services Agency and President, Japan Financial Intelligence Office, Financial Services Agency.

Mr. Chihara has had a distinguished career since joining Japan's Ministry of Finance in 1978, having been a Counsellor in the Japanese Embassy in France as well as holding the position of Professor at Osaka University (Graduate School of Law and Politics). Mr. Chihara served as Director, Coordination and Inspection Division, Securities and Exchange Surveillance Commission immediately prior to his current role in the Financial Services Agency.

## Mission Statement and Strategic Plan

Following an initial summary of the APG's 2005 Annual Meeting, this annual report is structured around the six roles of the APG which are reflected in the APG's Strategic Plan 2003 – 06 which was adopted at the APG's sixth Annual Meeting in September 2003. The vision, mission, objectives and roles set out in the Strategic Plan are as follows:

### Strategic Plan 2003 – 06

The APG's vision is an ***active and cooperative APG contributing to a reduction in the economic and social impacts of serious crime in the Asia/Pacific region.***

The APG's mission is ***to combat money laundering and the financing of terrorism in the Asia/Pacific region.***

The objectives of the APG are:

- i) To contribute to the development of global standards against money laundering and the financing of terrorism, which take due account of difference between legal, financial and law enforcement systems of APG member jurisdictions; and
- ii) To achieve full and effective implementation of the global standards against money laundering and the financing of terrorism throughout the Asia/Pacific region; and
- iii) To integrate implementation of the standards with the existing legal, financial and law enforcement systems of each jurisdiction.

The roles of the APG are:

1. Provide an autonomous regional body for APG members and observers to work together against money laundering and the financing of terrorism.
2. Conduct outreach activities to promote membership of the APG and encourage non-members to cooperate in the global fight against money laundering and the financing of terrorism.
3. Participate in and co-operate with the global anti-money laundering network primarily the Financial Action Task Force (FATF) and other regional anti-money laundering groups.
4. Carry out education, research and analysis activities to enhance the understanding of the money laundering and the financing of terrorism environment and the global efforts against it.
5. Assist APG members to implement the global standards against money laundering and the financing of terrorism.
6. Assess APG members' compliance with the global standards against money laundering and the financing of terrorism.

## 2. APG Annual Meeting 2005

This chapter reports on the general outcomes of the APG's 2005 Annual Meeting in some detail due to its significance to the APG's work program each year<sup>5</sup>. Further information concerning particular subjects discussed at the annual meeting can be found in other chapters of this report.

The eighth Annual General Meeting of the Asia/Pacific Group on Money Laundering, held in Cairns, Australia from 11 to 15 July 2005, continued to build on the successes of past annual meetings. The meeting was opened by Mr Neil Jensen, Director of Australia's Financial Intelligence Unit, AUSTRAC, and co-chaired by Mr Naotaka Kawakami (Japan) and Commissioner Mick Keelty (Australia). Mr Jensen welcomed all participants to Cairns, noting that the meeting provided an important platform for Asia/Pacific countries to strengthen their efforts in anti-money laundering and combating the financing of terrorism (AML/CFT). A keynote address was given by the Australian Minister for Justice and Customs, Senator the Hon. Chris Ellison, in which he emphasised the need for global commitment to the fight against money laundering and the financing of terrorism, and detailed Australia's contribution to this fight.

Over 240 participants representing 29 APG member jurisdictions<sup>6</sup>, seven observer jurisdictions<sup>7</sup> and 11 international and regional organisations<sup>8</sup> were in attendance. This forum brought together senior delegates from legal, financial and law enforcement sectors from across the Asia/Pacific region providing opportunities to discuss the continued development and implementation of AML/CFT initiatives to combat the threat of money laundering and terrorist financing in the region.

The meeting was broadly structured around the goals of the APG Strategic Plan. The major highlights and outcomes were:

- remarks by the newly appointed President of the FATF, Professor Kader Asmal of South Africa who, in his first official engagement as FATF President, identified the importance of international cooperation in the fight against money laundering;
- adoption of the APG Steering Group Discussion Paper 2005 (further details are provided on page 13);
- adoption of revised APG Mutual Evaluation Procedures 2005;
- agreement to commence the APG's second round of mutual evaluations in 2005 – 06 through the conduct of up to six mutual evaluations;
- consideration of progress reports from previously evaluated APG members;
- consideration and adoption of reports on the APG Mutual Evaluations of the Republic of Marshall Islands, Niue, Pakistan, Brunei Darussalam, Nepal and India;
- consideration and adoption of the joint FATF/APG mutual evaluation of New Zealand;
- adoption of significant amendments to the Terms of Reference of the APG Implementation Issues Working Group;
- discussion of implementation issues arising from written jurisdiction reports;

<sup>5</sup> Please note that the outcomes of the APG's 2004 Annual Meeting, which was held in June 2004, can be found in the APG's Annual Report for 2003 – 04.

<sup>6</sup> Australia; Bangladesh; Brunei Darussalam; Cambodia; Chinese Taipei; Cook Islands; Fiji Islands; Hong Kong, China; India; Indonesia; Japan; Korea, Republic of; Macau, China; Malaysia; Marshall Islands; Mongolia; Nepal; New Zealand; Niue; Pakistan; Palau; Philippines; Samoa; Singapore; Sri Lanka; Thailand; Tonga; United States of America; Vanuatu.

<sup>7</sup> Canada; Germany; Lao PDR; Myanmar; Nauru, Solomon Islands; United Kingdom.

<sup>8</sup> ASEAN Secretariat; Asian Development Bank (ADB); Egmont Group of Financial Intelligence Units of the World; Financial Action Task Force (FATF); International Monetary Fund (IMF); Offshore Group of Banking Supervisors (OGBS); Pacific Financial Technical Assistance Centre (PFTAC); Pacific Islands Forum Secretariat; United Nations Global Program Against Money Laundering (UNGPM); United Nations Office on Drugs and Crime (UNODC); The World Bank.

- adoption of the report on the APG's 2004 Typologies Workshop and adoption of the APG's Yearly Typologies Report for 2005-05;
- commitments by international organisations and a number of APG members to provide technical assistance and training to speed up the process of implementing the global AML/CFT standards;
- discussion of assessment of compliance with the AML/CFT standards and the use of the new (2004) standard AML/CFT Assessment Methodology;
- adoption of:
  - Report Against APG Business Plan 2004-05;
  - Business Plan 2005-06;
  - Communications Strategy and Plan for 2005-06
  
- APG Budget Outcomes for 2004-05 were noted and the proposed budget for 2005-06 was approved;

A technical assistance and training coordination agreement was concluded between the APG and the ASEAN Secretariats and was formally announced at the 2005 Annual Meeting.

The Japanese Co-chair, on behalf of all APG members, expressed sincere gratitude to the Australian Government and to the Australian Federal Police and AUSTRAC for hosting this very successful meeting of the APG.

### **3. Develop and sustain an effective regional body**

This chapter outlines progress made in achieving Role 1 of the APG's Strategic Plan 2003 –06, which is to *provide an autonomous regional body for APG members and observers to work together against money laundering and the financing of terrorism.*

Strategies to achieve this goal include:

- conduct, support and participate in: an APG Annual Meeting; an annual APG Forum on Technical Assistance and Training; a minimum of five APG Mutual Evaluations and/or IMF/World Bank assessments of APG members per year; an annual APG Typologies Workshop; and targeted APG training events;
- support and resource the APG Secretariat in order to provide an effective focal point for regional AML/CFT activities and for liaison between APG members and observers and the FATF and other regional and international organisations, including through the development and implementation of the APG Communications Strategy and Action Plan;
- establish and support an APG Steering Group, including representatives from sub-regional areas of the APG, to broaden members' involvement in the APG's decision making processes and the range of advice available to the Co-Chairs and the members;

#### **Conducting, supporting and participating in key APG events**

Various sections of this Annual Report provide details of conducting, supporting and participating in APG events. Chapter 2 provides a report on the APG Annual Meeting, chapter 7 reports on the Annual APG Forum on Technical Assistance and Training. APG Mutual Evaluations and/or IMF/World Bank assessments of APG members are reported in Chapter 8, while the APG Typologies Workshop is reported on in Chapter 6.

#### **Supporting and resourcing the APG Secretariat**

Supporting and resourcing the APG Secretariat in order to provide an effective focal point for regional AML/CFT activities has been achieved by developing APG Annual Business Plans and annual budgets. These have been supported by the timely provision of membership contributions and other resources to the APG Secretariat by members, and effective management of the staff, budget, operation and work of the Secretariat. Resource management issues are dealt with in Chapter 9 of this annual report.

#### **Communications strategy and action plan**

The APG Communications Strategy outlines the objectives, stakeholders and primary tools and key activities for all the APG's communications. The APG Communications Strategy reflects the principles and objectives of the APG Strategic Plan 2003-2006 and the Annual Business Plans. A key component of the APG Communications Strategy is the need to tailor the APG's communication tasks to reflect the changing communication challenges and needs of the APG's stakeholders.

#### **Highlights of progress in 2004 – 05**

During 2004 – 05, the regular production of the APG newsletter was re-established and the newsletter underwent a name change and new format. The newsletter, now called the *APG iQ*, commenced regular production on a quarterly basis. Feedback on the new look and content has been positive.



Significant steps have been taken to introduce more timely and regular exchanges of information with other anti-money laundering regional bodies through the promotion of the APG's work. This has occurred in particular through the continuation of a regular meeting between the Secretariat Heads of the FATF-style Regional Bodies and the Executive Secretary of the FATF Secretariat in the margins of the FATF Plenary meeting as well as through increased cooperation with the Pacific Islands Forum Secretariat, the Egmont Group, the ADB, the IMF, the World Bank and APEC Business Advisory Council.

The APG website has been continuously developed as a useful and comprehensive tool for members, observers and the public. The number of links to the APG's website has increased (and the numbers of 'hits' on the website and downloads have improved over the year. The volume of contact between stakeholders and the APG resulting from information obtained from the APG Website has also increased.

In May 2005 the website underwent a substantial change both in relation to its look and its functionality, including:

- improved structure and navigation;
- increased and diversified content;
- more frequent updating of content; and
- improved communication tools.

Positive and diverse media coverage of the APG has been maintained during the year. This has expanded beyond the primary media coverage of the Annual Meeting to include media coverage of various APG activities throughout the year.

The Annual Report for 2003 – 2004 was published on time at the end of October 2004.

### **APG Communications Action Plan 2005 – 06**

APG members adopted a Communications Action Plan for 2005 – 06 at the 2005 Annual Meeting.

The APG calendar for 2005-06 has a number of significant APG projects and new business to undertake which rely on effective communication. As outlined in the Annual Business Plans, a systematic approach will be taken to develop project plans to support key APG events and projects. These project plans will include planning for effective communications to support each project. Key APG tasks for 2005-06 requiring systematic and effective communication support include:

- Supporting the APG Steering Group;
- Supporting the two APG Working Groups;
- Undertaking an APG Typologies Workshop (2005);
- Undertaking up to six mutual evaluations or other AML/CFT assessments;
- Supporting the conduct of outreach projects to up to five jurisdictions;
- Supporting the development of a coordinated awareness raising 'missions';
- Developing and delivering a number of regionally specific technical assistance and training projects and 'products';
- Undertaking an APG Mutual Evaluations Training Workshop (2005);
- Undertaking an APG Annual Meeting (2006).

### **Attendance at conferences and seminars in 2004 – 05**

APG Secretariat staff and APG member representatives have made numerous presentations at or taken part in conferences, seminars and meetings over the period under review, including:

- FATF Plenary, third meeting of FATF-XV Paris, France, 28 June – 2 July 2004;

- IMF Workshop for FIU Officials on AML and CFT Measures, IMF – Singapore Training Institute, Singapore<sup>9</sup>, 12 – 16 July 2004;
- IMF Technical Assistance Mission to Cambodia, 14 – 21 July 2004;
- ‘Prosecuting Money Laundering and Terrorist Financing: a Training Workshop for Fiji & Pacific Islands’ sponsored by Commonwealth Fund for Technical Cooperation, Suva, Fiji, 21 - 25 July 2004;
- UNAFEI preparatory meeting for the 11th UN Congress Workshop on Economic Crime/Money Laundering, Tokyo, 16 – 18 September 2004;
- The Association of Banks (ABS) “Asia Pacific Financial Crime Conference”, Singapore, 30 September – 1 October 2004;
- Pacific Regional Security Technical Cooperation Strategy Donors’ Coordination Meeting, with PIFS, 26 September – 3 October 2004;
- FATF, First Plenary meeting of FATF-XVI, Paris, France, 18 – 22 October 2004;
- Egmont, 3rd Training Seminar – Bangkok, Thailand, 25 – 29 October 2004;
- FATF/IMF/World Bank – Train the Trainer (2004 Assessment Methodology), Monetary Authority of Singapore, Singapore, 8 – 10 November 2004;
- Technical Assistance Coordination Meeting with ADB and WCO Regional Capacity Building Office, Philippines, 18 - 19 November 2004;
- Commonwealth Workshop on Capacity Building in Combating Terrorism, Kuala Lumpur, 22 – 27 November 2004;
- World Bank Global Dialogue Series – New AML/CFT International Standards (videoconference), 23 November 2004;
- Indonesia In-Country Technical Assistance Coordination Meeting – Jakarta, Indonesia, 28 – 30 November 2004;
- Meeting with ASEAN to establish APG/ASEAN Secretariats’ Coordination Agreement and Joint Work Plan - Jakarta, Indonesia, 28 – 30 November 2004;
- Philippines In-Country Technical Assistance Coordination Meeting – ADB Manila, Philippines, 1 – 4 December 2004;
- Anti-Money Laundering “Pacific Security Fund Workshop” - training for Cook Islands government agencies involved in AML/CFT, Rarotonga, Cook Islands, 5- 11 December 2004;
- FATF-XVI Meeting of Experts on the Typologies of Money Laundering and Terrorist Financing, Moscow, Russia, 6 – 8 December 2004;
- US Dept of Justice, Conference on Safeguarding Charities from Abuse, Bangkok, Thailand, 14 – 16 December 2004;
- Indonesia Donors’ Coordination Meeting – Jakarta, Indonesia, 2 – 4 February 2005;
- FATF - Second Plenary Meeting of FATF-XVI, Paris, France, 7-11 February 2005;
- Technical Assistance - Donor Collaboration meetings (Commonwealth Secretariat, FCO Global Opportunities Fund, Commonwealth Parliamentary Association), 15 – 21 February 2005;
- Oceania Customs Organisation 2005 Annual Meeting, Guam, 7-11 March 2005;
- IMF Technical Assistance Mission to Vietnam, 19 – 28 March 2005;

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<sup>9</sup> The IMF – Singapore Training Institute (STI) is a joint venture between the IMF and the Government of Singapore. Other than staffing costs, Singapore bears 90% of the costs of delegates attending training programmes at the IMF – STI.

- State Bank of Pakistan Seminar for financial sector and government officials on implementation of AML standards, Pakistan, 28 – 30 March 2005;
- ADB/OECD Asia/Pacific Anti-Corruption Initiative, 3rd Master Training Seminar, Pakistan, 14 – 17 April 2005;
- Thailand In-Country Technical Assistance Coordination Meeting – Bangkok, Thailand, 14 April 2005;
- 11th UN Congress on Crime Prevention and Criminal Justice and Workshop on Measures to Combat Economic Crime, Including Money Laundering - Bangkok, Thailand, 18-25 April 2005;
- The World Bank "Capacity Enhancement Program on Anti-Money Laundering and Combating the Financing of Terrorism: Train the Trainers Workshop" – Bangkok, Thailand, 7 – 13 May 2005;
- Indonesia Donors' Coordination Meeting – Jakarta, Indonesia, 19 – 20 May 2005;
- FATF - Third Plenary Meeting of FATF-XVI, Singapore, France, including joint FATF/APG Plenary Session (8 June), 6-9 June 2005

Each of these events provided an excellent opportunity to promote the work of the APG to a wider audience, to encourage jurisdictions to consider becoming APG members, to improve working relationships, to provide technical assistance and to generally support the APG's mission.

## **APG Steering Group**

The APG Steering Group was established at the APG Annual Meeting in September 2003. The purpose of the APG Steering Group is to provide the APG Co-chairs and APG members with strategic advice on the structure, functioning and support for the APG. To achieve this purpose the Steering Group performs the following functions:

- consider governance and other issues of strategic importance referred to it;
- engage and consult with APG members to obtain their input on key issues;
- provide advice to the APG Co-chairs and APG members through the APG Secretariat on issues of strategic importance;
- advise on potential future Co-chairs of the APG;
- assist with engaging and influencing all APG members to effectively participate in APG activities, including leading or sponsoring specific APG projects; and
- encourage non-members in their geographic area to join the APG.

The membership of the APG Steering Group includes a representative from each of five broad geographical areas within the APG, namely North Asia, Pacific Islands, South Asia, South East Asia, and 'Other'. As at 30 June 2005, the geographical representatives were Bangladesh; Fiji; Hong Kong, China; Thailand; and the United States<sup>10</sup>. In addition, Steering Group membership includes the current APG Co-Chairs, and the immediate past and nominated future Co-Chair, or alternate nominations from their jurisdictions, for one year respectively. Thus Japan and Australia are members of the Steering Group and Korea was a member of the Steering Group from 1 July 2005 to 30 June 2005. The APG Co-Chairs preside over any meetings of the APG Steering Group.

At the 2005 Annual Meeting, APG members adopted recommendations in relation to a number of governance issues and asked the Steering Group to prepare a Discussion Paper to canvass the remaining governance issues referred to it in 2003. The Steering Group Discussion Paper 2005

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<sup>10</sup> At the 2005 Annual Meeting, the following APG members were chosen to replace the previous geographical representatives:

was subsequently considered by members at the 2005 Annual Meeting. Key issues considered and agreed by members were:

### **The Status of the Secretariat**

Members agreed that no formal change of status for the APG would be pursued at this time and that the multilateral, autonomous nature and function of the APG, and the APG Secretariat, be recognised via a memorandum of understanding between the Australian Federal Police and the APG, the content of which would be subject to approval by APG members.

### **Geographic location of the Secretariat**

Presuming that Australia continues to be prepared to host the Secretariat, members agreed that the Secretariat should remain located in Sydney for the time being.

### **Support to the Secretariat**

Members agreed that at the expiration of the 'Secretariat Enhancement' period in 2006 (approved in the 2003 Annual Meeting), the two enhancement positions become APG Secretariat 'core' and therefore ongoing positions; and that the APG Secretariat explore the options for funding the Enhancement positions as part of the APG Secretariat's ongoing establishment from the 2006 – 07 financial year and make recommendations in the APG Budget Paper prepared for the 2006 Annual Meeting.

Members also agreed to consider providing voluntary contributions to the APG, over and above the amounts required under the APG budget formula, to enable additional work to be undertaken beyond the APG's current work program and consider providing additional staff to the Secretariat (fully or partly funded by the officer's home jurisdiction), for example through secondments for particular periods or projects, to enable additional work to be undertaken beyond the APG's current work program.

Members also agreed to increase their level of participation in particular areas of APG activity including, for example, through the chairing of/active participation in APG Working Groups, involvement in the work of the Steering Group, and hosting of APG Typologies meetings or other APG workshops/seminars.

### **Frequency and timing of plenary meetings**

Members agreed that APG Annual Meetings (the main plenary meeting of the APG) continue to be held in the period May to July each year and that they should be extended to 4-5 days if required.

Members agreed to consider at each APG Annual Meeting whether to hold, on an 'as needed' basis, a second APG plenary meeting in conjunction with the APG Typologies Workshop during the period November to February. A second plenary meeting would be held only if important or urgent issues arise between annual meetings and/or if the number of mutual evaluation reports to be considered required it.

### **Structure of Annual Meetings**

Members agreed that invitations to APG Annual Meetings generally be restricted to APG members, designated priority observer jurisdictions and supporting observer organisations and jurisdictions and that the Steering Group should review the current list of APG priority observer jurisdictions and make recommendations to members as to whether any other observer jurisdictions should be included as priority observers.

### **Engaging participation and support in the geographic region**

Members endorsed enhanced engagement and support by the Steering Group and its relevant geographic members, in conjunction with the APG Secretariat, at the 'sub-regional' level, through a range of options.

## **Relations with Other FATF-Style Regional Bodies**

Members endorsed the following recommendations made by the Steering Group, subject to there being sufficient APG funds available:

- The APG would invite all FSRBs which are currently not APG observers to become APG observer organisations on a reciprocal basis and invites FSRB Chairs/Presidents and Secretariats to attend APG Annual Meetings and Typologies Workshops;
- The APG Co-Chairs and Secretariat will continue to meet the Secretariats of the FSRBs on a regular basis in the margins of FATF Plenary Meetings and to explore opportunities to enhance the usefulness of these meetings;
- Consideration will be given, in consultation with the APG Steering Group, to the APG Co-Chairs and/or Secretariat attending selected, highly relevant FSRB events on an as needed basis; and
- Opportunities for collaboration in particular areas of mutual interest (eg typologies work, technical assistance) will be further explored.

## **Sharing of mutual evaluation reports and participation by the IMF and World Bank in the discussion of APG mutual evaluation reports (MERs)**

Members agreed to share APG MERs on a reciprocal and confidential basis, for the purposes of mutual information sharing and the provision of technical assistance and training, with:

- i. the FATF and its members; and
- ii. the FSRBs and their members

and to continue to share MERs with the IMF and World Bank as previously agreed and in accordance with APG mutual evaluation procedures as amended from time to time.

Members also agreed that representatives of the IMF and the World Bank should be permitted to participate as observers when APG members discuss mutual evaluation reports at APG annual meetings.

## **4. Build membership of the APG to include all strategically important jurisdictions as members; and key AML/CFT organisations as observers**

This chapter reports on progress made to achieve Role 2 of the Strategic Plan, which is to *conduct outreach activities to promote membership of the APG and encourage non-members to cooperate in the global fight against money laundering and the financing of terrorism.*

Strategies to achieve this goal include:

- conduct outreach missions to targeted jurisdictions to encourage full membership of, and participation in, the APG, and
- establish effective relationships with strategically important regional and international organisations and jurisdictions to encourage their participation as observers in the APG.

### **Outreach missions**

Two significant outreach missions were undertaken during the period under review.

In July 2004 the APG participated in a successful technical assistance mission to Cambodia. The mission was organised by the IMF to raise awareness of money laundering and terrorist financing issues and to support the formulation of AML/CFT legislation. The APG was represented by Malaysia, the US and the APG Secretariat. The seminars provided an opportunity for experts to meet with government officials for a frank and wide ranging exchange of information on AML/CFT. The seminars also provided an opportunity to meet with private sector representatives to raise awareness of their role in combating money laundering and the financing of terrorism. Cambodia had joined the APG as a full member in June 2004.

In March 2005, the IMF organised a technical assistance mission to Vietnam. The APG was represented by Hong Kong, China and the APG Secretariat. The mission was to raise awareness on AML/CFT, in particular on Vietnam's draft AML Decree, and to provide training on AML/CFT measures for the relevant government agencies. The program provided an opportunity to meet with government officials and private sector representatives (banks, securities and insurance firms and non-financial professions) in Hanoi and Ho Chi Minh City. During the course of the mission, the APG Secretariat representative had discussions with Vietnam officials in relation to Vietnam's possible membership of the APG.

During the period under review, the APG Secretariat has taken a number of steps to encourage Lao PDR, Vietnam and Canada to join the APG as full members. Canada has indicated its intention to join the APG at the APG's 2006 Annual Meeting. Following consultation with the APG Secretariat, the ADB has also encouraged full APG membership by Lao PDR, Vietnam and Cambodia. Similarly, the IMF has encouraged full APG membership by Lao PDR and Vietnam.

### **Establishing effective relations with other regions, jurisdictions and bodies**

The APG Secretariat and the Association of South East Asian Nations (ASEAN) Secretariat have concluded a Coordination Agreement (COAG) to enhance the coordination of Anti-Money Laundering and Combating Terrorist Financing (AML/CFT) technical assistance and training across the ASEAN region. The COAG was announced at the APG Annual Meeting in July 2005.

The APG has also continued to enhance its already very cooperative relationships with regional bodies such as the Pacific Islands Forum Secretariat (PIFS), through the COAMLI arrangement (Coordinating Office for the Participating Countries Anti- Money Laundering Initiative) and is committed to supporting PIFS in assisting Pacific members of the APG to implement effective AML/CFT systems.

Effective working relationships have been established, and continue to be further developed, with Germany which now participates as an official APG 'supporting' observer (similar to existing observers France and the United Kingdom).

Effective contacts have been established with APEC, including the APEC Business Advisory Council and through the APG members who are representatives to APEC, in order to strengthen relations within the APEC region.

During the period under review, the APG has developed its cooperative relationships with relevant multilateral bodies involved in AML/CFT work including the OECD Anti-Corruption Division and the United Nations Asia and Far East Institute for the Prevention of Crime (UNAFEI). The APG Secretariat and APG members, the United States, Japan, Australia and Thailand, for example, were members of UNAFEI's organising working group for the 'Workshop on Measures to Combat Economic Crime, including Money Laundering', presented as part of the 11<sup>th</sup> United Nations Congress on Crime Prevention and Criminal Justice', which was held in Bangkok, Thailand in April 2005.

The APG has also continued to develop its relationships with a wide range of regional and international organisations including the Commonwealth Secretariat, UNODC, IMF, World Bank, Offshore Group of Banking Supervisors (OGBS), Pacific Financial Technical Assistance Centre (PFTAC), Egmont Group, European Commission, Interpol, Asian Development Bank, World Customs Organisation and the Oceania Customs Organisation, especially through their representation on the APG Donors and Providers Group on Technical Assistance and Training.

## 5. Ensure effective APG participation in the activities of the global anti-money laundering network.

This chapter briefly reports on progress made to achieve Role 3 of the Strategic Plan, which is to *participate in and cooperate with the global anti-money laundering network primarily the Financial Action Task Force (FATF) and other regional anti-money laundering groups.*

Strategies to achieve this goal include:

- participate in global standard setting activities, including ensuring APG representation at all FATF Plenary, Typologies and Working Group meetings,
- provide AML/CFT policy, implementation and assessment advice to APG member and observer jurisdictions and, based on the Asia/Pacific experience, provide feedback to the FATF and other international organisations, and
- develop APG mechanisms for working with strategically important regional and international organisations and jurisdictions.

### Participating in global standard setting activities

The APG has actively participated in all activities undertaken by the FATF, including attendance at Plenary Meetings, participation in Typologies Meetings, participation in reviews of AML/CFT standards and representation at FATF Working Groups.

On 8 June 2005, the FATF held a Joint Plenary Session with the APG during the FATF Plenary held in Singapore from 6 to 10 June 2005. APG members also participated in all FATF Working Group meetings held during this week. The Joint Plenary Session agenda was developed by the APG and FATF Secretariats in consultation with all APG members and the APG Co-chairs and FATF President. This was the first time the FATF had held a joint plenary session with an FATF-style regional body (FSRB).

During the joint plenary session, the FATF and APG members agreed to:

- Update and expand the APG Implementation Package on Alternative Remittance Systems Regulation.
- Continue to pursue bilateral cooperation and share practical expertise in relation typologies.
- Further explore cooperative work on the synergies between AML/CFT and anti-corruption efforts and particularly ways in which corruption can undermine AML/CFT implementation.

APG members also provided feedback to the FATF on the review of the NCCT exercise and there was discussion on implementation challenges arising from the revised FATF Recommendations.

APG members expressed their thanks to the FATF for the opportunity to hold a joint plenary session and to Singapore for hosting the important event.

### Provision of policy, implementation and assessment advice

The APG Secretariat also attends FATF 'Non-Cooperative Countries and Territories' (NCCT) Review Group meetings for the Asia/Pacific as an observer and, where appropriate, seeks to provide a bridge for communication and information to APG observers which are on the NCCT list.

The APG Secretariat acts as a 'clearing house' or contact point for information on AML/CFT implementation and advice, either disseminating information that comes into its possession or putting members in touch with other members who might be able to assist in a particular area. In

addition, there is considerable bilateral exchange of information that takes place between APG jurisdictions. In the year under review, some prominent examples of information dissemination include:

- the dissemination to all APG members of material concerning the revised FATF 40 Recommendations and guidance on implementation of the 9 Special Recommendations;
- provision of information and advice to APG members on various implementation issues;
- in the course of conducting mutual evaluations, APG experts have in addition provided expert advice regarding practical implementation issues to member jurisdictions under evaluation.

The APG's website serves to provide APG members and others with ready access to resource material to assist them to implement comprehensive AML/CFT measures in accordance with the international standards. Various sections of the website are designed to achieve this aim, including the sections on:

- model and comparative legislation;
- prevention guidelines and practices;
- relevant AML/CFT conventions and standards (eg UN, FATF) and best practice documents; and
- numerous links to other relevant websites.

A number of guidance and best practice documents were added to the website during the year.

## **6. Identify and address the key issues affecting the nature, extent and impact of money laundering and the financing of terrorism in the Asia/Pacific region**

This chapter reports on progress made to achieve Role 4 the Strategic Plan, which is to *carry out education, research and analysis activities to enhance the understanding of the money laundering and the financing of terrorism environment and the global efforts against it.*

Strategies to achieve this goal include:

- develop and maintain an APG program of collection, analysis and dissemination of typologies information to identify and analyse priority AML/CFT typologies issues and case studies;
- conduct an annual APG Typologies Workshop to identify and explore key AML/CFT typologies issues in the Asia/Pacific region;
- support and promote the work of APG Working Groups to explore and address specific AML/CFT typologies issues in depth; and
- support and provide education and information exchange programs to share the findings on identified key typologies issues.

### **Collection, analysis and dissemination of typologies information**

Typologies work is the study of methods and trends of money laundering and terrorist financing. Since its commencement, the APG has undertaken typologies work in order to better understand the nature, extent and impact of money laundering and terrorist financing as well as the practical effect of AML/CFT measures.

The APG Typologies Framework was established in 2003 to integrate typologies collection, analysis and dissemination in the APG and included the formation of the APG Typologies Working Group. The Framework includes systematic collection of reports of trends and methods, ongoing collection of AML/CFT case studies from members, the increased production of typologies reports and other products and increased global cooperation in the study of AML/CFT typologies.

### **2004 Typologies Workshop**

The APG Typologies Workshop 2004 was held in Brunei Darussalam from 5 – 6 October 2004. This year, for the first time, a one day Implementation Workshop on Alternative Remittance Systems was also held on 7 October.

The Workshops were attended by more than 155 law enforcement and regulatory experts from 30 jurisdictions and nine international and regional organisations.

Major highlights of the Typologies Workshop included:

- further consideration of corruption-related money laundering issues in the Asia/Pacific region. Presentations were heard from Hong Kong ICAC, US Department of Justice and Indonesian Corruption Eradication Commission (KPK). A preliminary scoping paper on corruption-related money laundering issues was considered and agreement was reached to work with a number of collaborating organisations to progress priority issues including implementation of AML/CFT measures related to Politically Exposed Persons (PEPs) and cooperative work between FIUs and specialist anti-corruption agencies;
- consideration of priority terrorist financing typologies issues, including wire transfers, non-profit organisations (NPOs) and investigating and detecting cash couriers. Presentations were heard from the Australian Federal Police on the financial investigation of the 2002 Bali

bombing, from the Pakistan National Accountability Bureau and from Dr Zachary Abuza on terrorist financing in South East Asia;

- consideration of the development of 'red flag' indicators to provide practical guidance to assist enforcement agencies to identify cash couriers. Detailed presentations were given by Hong Kong Police and the United States Department of Homeland Security and breakout workshop sessions were held to consider practical issues in developing 'red flag' indicators; and
- initial consideration of illegal logging and related money laundering issues (see special report below).

In addition to the Typologies Workshop, a one day Implementation Workshop on Alternative Remittance Systems (ARS) was held on 7 October, which focused on the practical steps countries are taking to implement FATF Special Recommendation VI (SR VI). The ARS Implementation Workshop included an overview of the international standards on ARS and consideration of a range of implementation issues including: identifying sources of effective guidance; typologies issues (recent methods, trends and countermeasures); licensing/ registration and compliance issues; law enforcement challenges; and technical assistance for implementation.

A clear conclusion from the ARS Implementation Workshop was that as with other regions, many jurisdictions in the Asia/Pacific region do not as yet have fully effective systems to regulate and oversee ARS. There are challenges and opportunities for all APG jurisdictions in implementing SR VI. APG members agreed to work together to identify specific needs for assistance and to work with members of the APG Donors and Providers Group on meeting identified assistance needs. Further work will be undertaken by APG members to analyse implementation issues relating to SR VI and to improve the APG's ARS Regulation Implementation Package.

Eight FATF members attended the APG Typologies Workshop and ARS Implementation Workshop. The FATF Secretariat also participated in the Workshops as did Mr Paolo Costanzo of Italy representing the FATF Typologies Working Group project on ARS.

There was also discussion on the practical steps that can be taken to further improve coordination and cooperation in the typologies area and in implementing SRVI, which resulted in an agreement that the APG Secretariat will participate in the FATF Typologies Working Group projects on ARS and on FATF projects on money laundering and terrorist financing trends and indicators.

## **APG Typologies Working Group**

APG Typologies Working Group continued to be co-chaired by New Zealand and Indonesia during 2004-05. Members include Australia; Chinese Taipei; Fiji; Germany; Hong Kong,China; India; Indonesia; Japan; Korea; New Zealand; Pakistan; Palau; Philippines; United States; Egmont Group and FATF Secretariat.

The APG Typologies Working Group met in the margins of the 2004 Typologies Workshop in Brunei as well as in the margins of the 2005 Annual Meeting in Cairns, Australia in July 2005. The APG Typologies Working Group agreed on an action plan to produce the APG's Annual Typologies Reports, to conduct in-depth projects relating to wire transfers (over 12 months) and an in-depth project on non-profit organisations over a longer period.

The APG Typologies Working Group took a number of steps to identify and address key issues in the money laundering and terrorism financing environment in the Asia/Pacific region including production of the APG Annual Typologies Report 2004-05, which provides an overview of methods and trends of money laundering and terrorist financing in the region. The report includes case studies of a broad range of methods and trends as well as detailed information on specific terrorist financing methods (wire transfers and use of non profit organisations), the use of cash couriers in money laundering and money laundering related to corruption. The APG Annual Typologies Report 2004-05 has been distributed widely to APG stakeholders, in particular in law enforcement and the financial sector. A copy of the publicly available APG Yearly Typologies Report 2004-05 can be downloaded from the APG website at:

[http://www.apgml.org/documents/docs/6/Yearl%20Typologies%20Report%202004-05\\_PUBLIC.pdf](http://www.apgml.org/documents/docs/6/Yearl%20Typologies%20Report%202004-05_PUBLIC.pdf)

In response to the growing global recognition of relationships between corruption and money laundering and the importance of AML/CFT measures in combating corruption and seizing the proceeds of corruption, the Typologies Working Group commenced a project on corruption issues. Work is continuing to produce a scoping paper of corruption-related money laundering issues in the Asia/Pacific region. A detailed report on corruption related money laundering issues is expected to be available during late 2005.

The Typologies Working Group is planning the 2005 Typologies Workshop which will be held in Fiji in October 2005. Key topics for focus during the workshop include trade-related money laundering and terrorist financing, corruption-related money laundering and e-payment systems.

### ***Special Topic - Typologies of Money Laundering Relating to Illegal Logging***

For the first time at an APG event, typologies specifically related to laundering the proceeds of illegal logging / illegal forestry were considered during the 2004 APG Typologies Workshop. Presentations on the topic were heard from Indonesia, the Centre for International Forestry Research (CIFOR) and the World Bank. The following key issues were raised during the presentations and discussions with APG members:

- A number of money laundering typologies were identified as commonly used with the proceeds of illegal logging.
- Connections with corrupt officials, politically exposed persons and corrupt financial sector players were noted as key elements in money laundering in the sector.
- Combating money laundering of the proceeds of illegal logging was identified as a priority issue for many countries, in particular, many ASEAN countries, due to the enormous amounts of illicit profits being laundered and the cross-sectoral impact this is having on developing countries.
- Opportunities were identified to combat the problem by implementing focused anti-money laundering measures against profits from the illegal logging trade.
- Calls were made to develop industry-specific guidance for the financial sector to allow them to address money laundering risks in the logging sector.
- Calls were made for assistance to FIUs and other regulatory and enforcement agencies to assist them to better identify risks (developing and sharing further typologies) and developing guidance for regulatory agencies.
- Some significant anti-money laundering measures (close collaboration between the FIU, the World Bank, the financial sector and forestry NGOs) are being implemented in Indonesia to that may serve as a model for other jurisdictions to combat the money laundering related to illegal logging.
- There are opportunities for APG jurisdictions to work closely with partner organisations (initially following Indonesia's example) to support AML/CFT implementation focused on illegal logging proceeds and to pilot cooperative approaches with the legal, financial and law enforcement sectors to better identify specific risks from these predicate crimes and to develop tailored guidance on regulatory supervision, compliance and enforcement.

## **7. Achieve full implementation of the global AML/CFT standards in APG member jurisdictions**

This chapter reports on progress made in achieving Role 5 of the Strategic Plan, which is to *assist APG members to implement the global standards against money laundering and the financing of terrorism.*

Strategies to achieve this goal include:

- encourage member jurisdictions to share their expertise and information on implementation strategies;
- support and promote the work of APG Working Groups to explore and address specific AML/CFT implementation issues in depth;
- Support the development of an AML/CFT coordination mechanism in each APG member jurisdiction;
- provide in-country, and regional, advice to assist APG members to develop AML/CFT implementation plans that reflect the priorities of individual member jurisdictions and the Asia/Pacific region;
- conduct and support technical assistance and training needs analyses in targeted APG member and observer jurisdictions;
- develop and sustain APG regional and in-country mechanisms to support the identification of APG member and observer AML/CFT technical assistance and training needs and the coordinated delivery of assistance;
- provide best practice guidance and technical assistance to assist implementation and promote integration of the AML/CFT global standards with the existing legal, financial and law enforcement systems of each jurisdiction; and
- ensure that there is effective awareness of and participation by the community in the implementation of AML/CFT policies and systems in APG member jurisdictions.

A range of steps were taken to facilitate and support the full implementation of the global AML/CFT standards in all APG member jurisdictions, including:

- a refocussing of the APG Implementation Issues Working Group was undertaken to provide both broad and individualised support to APG members on implementation issues, including considering the implications of implementing the FATF revised 40 Recommendations and responding to recommendations made in Mutual Evaluation Reports;
- sponsorship funds were provided by Australia, United States, the Pacific Island Forum Secretariat (PIFS), and the UN Office on Drugs and Crime (UNODC) to support APG member and observer delegations to participate in the 2004 and 2005 APG Annual Meetings and the 2004 Typologies Workshops; and
- the 2004 APG Typologies Workshop and ARS Implementation Workshop were supported by experts from Australia, Hong Kong, China, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Thailand, United States, Canada, Germany, East Timor, IMF, World Bank and FATF Secretariat.

### **APG Implementation Issues Working Group**

The APG Strategic Plan 2003 – 2006 provides a mandate for establishing an integrated approach to addressing implementation issues, including the establishment of an APG Working Group on Implementation Issues.

The APG Implementation Issues Working Group continued to be co-chaired by the Cook Islands and Thailand.

The Implementation Issues Working Group met on 10 July 2005 in Cairns, in the margins of the APG's Annual Meeting 2005. The meeting was attended by representatives from the Cook Islands, Thailand, Australia, Chinese Taipei, Japan, Korea, Malaysia, the Philippines, the United States, as well as the APG Secretariat. The Implementation Issues Working Group agreed to put forward to the Plenary for approval a proposal to refocus the work of the IIWG to provide practical assistance to jurisdictions that have undergone a mutual evaluation through assistance provided on request in relation to implementing the recommendations made in a mutual evaluation report. The meeting highlighted the need in many jurisdictions to gain whole-of-government commitment to implementing the AML/CFT standards to ensure that a cohesive policy response can be developed and supported.

During the 2005 Annual Meeting members agreed to refocus the Implementation Issues Working Group with the following functions:

- Provide practical assistance to evaluated jurisdictions on request by providing post evaluation advice to evaluated jurisdictions to help them meet compliance gaps exposed by the Mutual Evaluation Reports;
- Provide feedback to the APG Secretariat, where appropriate, on practical issues relating to the conduct of mutual evaluations;
- Provide information and advice to donors and providers, through the DAP group to assist in the development of programs that will assist jurisdictions to address practical implementation issues;
- Liaise with relevant jurisdictions and organisations (regional and international bodies) to exchange information and case studies on priority implementation issues, including undertaking joint projects with relevant bodies relating to the provision of implementation materials and tools.

During 2005 – 06 the Implementation Issues Working Group will work to support implementation planning processes in APG jurisdictions through a pilot program to meet the amended Terms of Reference approved by the members of the APG at the 2005 Annual Meeting. This will include providing expert implementation advice and assistance, including supporting stakeholder engagement/consultation to further whole-of-government commitment to implementation. The Working Group will seek to develop opportunities to work with technical assistance donors and providers to work with jurisdictions to raise awareness of AML/CFT implementation issues and gain support from policy makers in implementing the global AML/CFT standards.

## **Technical assistance and training highlights for 2004 – 05**

### **Overview**

Technical assistance and training remains a significant part of the APG's work program to assist members to implement the global AML/CFT standards. The APG's Technical Assistance and Training (TA&T) Strategy has been progressively developed to now comprise a suite of connected activities: maintenance of a TA&T needs matrix; continuation of the APG Donors and Providers Group (the DAP Group); support for the continuation of the APG Annual TA&T Forum; development of the APG typologies work program; technical seminars on specialist topics; delivery of in-country and regional assistance, in conjunction with various DAP Group members; development of TA&T regional cooperation mechanisms; and, most recently, the more effective linking of the mutual evaluation process to the TA&T Strategy via the APG Implementation Issues Working Group. This comprehensive set of strategies continues to receive very positive feedback in the international AML/CFT arena.

## 2005 APG Annual Forum on Technical Assistance and Training

The 2005 Annual Forum on Technical Assistance and Training, the fourth such Forum, was held in Cairns, Queensland Australia, during the week of 11 – 15 July, in conjunction with the APG Annual Meeting. The Forum consisted of five segments:

- i) An overview of the work done over the year by the APG, as well as a discussion on TA&T issues and opportunities by APG members and observers and members of the APG DAP Group;
- ii) A meeting of the DAP Group to discuss TA&T coordination issues, including donor information sharing and priorities;
- iii) A series of individual meetings, throughout the week, between priority jurisdictions and interested DAP Group members to identify and discuss TA&T priorities and to assist in the coordinated request and delivery of assistance. Sixteen individual meetings were held with APG member and observer jurisdictions; and three regional meetings were held involving a further twelve jurisdictions. Participating donors and providers included the IMF, World Bank, UNODC, Egmont Group, ADB, ASEAN Secretariat, Pacific Island Forum Secretariat, USA, Japan, Australia, New Zealand, Germany and Malaysia;
- iv) Three Technical Seminars, held to assist APG member and observer jurisdictions to understand and implement various aspects of the FATF 40 and 9 Recommendations. The seminars covered: (i) International Cooperation, including mutual legal assistance and extradition; (ii) Special Recommendation VIII: Non-profit organisations; and (iii) Trade-based Money Laundering, including cash couriers; and
- v) To support the coordinated request and delivery of assistance, an updated version of the Asia/Pacific Jurisdictions AML/CFT TA&T Needs matrix was distributed to all participants during the Forum. An updated matrix will be distributed to participating members and observers in 2005 – 06.

Very positive feedback continues to be received on the value of the annual TA&T Forum and particularly the needs matrix and the individual meetings, where donors are able to make significant progress toward identifying needs and coordinating the delivery of assistance to a number of priority jurisdictions.

### Other highlights

- A TA&T Coordination Agreement was concluded between the APG and ASEAN Secretariats and formally announced at the 2005 APG Annual Meeting.
- The APG Secretariat worked with the APEC Business Advisory Council (ABAC) to prepare a proposal for a TA&T assistance seminar involving public and private sector participants and experts. This will continue in 2005-06.
- The APG Secretariat and APG members, the United States, Japan, Australia and Thailand, were members of the organising working group for the 'Workshop on Measures to Combat Economic Crime, including Money Laundering', presented as part of the 11<sup>th</sup> United Nations Congress on Crime Prevention and Criminal Justice'.
- A Pacific donor consultation meeting was held in September 2005 in Bangkok – hosted by UNODC, and a Pacific Regional Security Technical Cooperation Strategy paper was subsequently presented to, and endorsed by, the Forum Regional Security Committee in June 2005.
- A sub-regional project to examine AML/CFT and trans-national organised crime needs including the development of a sub-regional needs matrix for the Pacific Island Countries was undertaken jointly by the APG, PIFS, Commonwealth Secretariat and the UNODC.
- The APG's AML/CFT TA&T Needs Matrix was updated and distributed to all APG members and observers and used extensively in TA&T coordination by a range of donor and provider jurisdictions and organisations.

- In-country assistance was provided, in conjunction with various members of the DAP Group, to Cambodia, Philippines, Indonesia, Thailand and Vietnam to develop and support effective TA&T coordination mechanisms.
- Assistance was provided to the Cook Islands, Indonesia and the Philippines to develop AML/CFT implementation plans and to support the removal of these APG member jurisdictions from the FATF NCCT list. All three jurisdictions were removed from the NCCT list in February 2005.
- Bi-lateral assistance was provided to many APG jurisdictions, by APG member and observer jurisdictions, via individual donor and provider programs and projects.

### **Assistance from Commonwealth Secretariat and UK Global Opportunity Fund**

A technical assistance consultant, Ms Bronwyn Somerville, has been assigned to the APG, by the Commonwealth Secretariat, since July 2002. This position was initially funded for two years from the Commonwealth Fund for Technical Co-operation and has been of considerable benefit to APG members and the APG Secretariat. From 1 July 2004 however, the APG has received generous additional support from the UK Government Global Opportunity Fund to enable the continuation of the APG AML/CFT Technical Assistance Advisory Project, for a further two years as a second phase of the Commonwealth Secretariat-funded project. The second phase of the project is being jointly funded by the Commonwealth Secretariat and the UK Government Global Opportunity Fund and will conclude in July 2006.

## **8. Assess the effectiveness of the implementation of the global AML/CFT standards**

This chapter reports on progress made against Role 6 of the Strategic Plan, which is to assess *APG members' compliance with the global standards against money laundering and the financing of terrorism.*

Strategies to achieve this Goal include:

- ensure that a minimum of five APG members is assessed each year, either through an APG Mutual Evaluation or an IMF/World Bank assessment;
- provide training for AML/CFT evaluators; and
- contribute to the development and review of the standard AML/CFT Assessment Methodology and update the APG Mutual Evaluation Procedures as required.

### **Mutual Evaluations**

#### **Introduction**

Mutual evaluations remain a core activity of the APG's work program, and a primary membership requirement. Each member's AML/CFT system is being evaluated in turn on the basis of an evaluation conducted by a team of three or four selected experts, drawn from the legal, financial and law enforcement fields of other APG members, together with a member of the APG Secretariat. The mutual evaluation process is designed to give due recognition where the standard benchmarks are met, and to identify weaknesses and make appropriate recommendations with a view to rectification and improvement where they are not.

The APG began its first round of evaluations in 2000 and as at 30 June 2005 had completed 21 mutual evaluations. The APG's six FATF members have also undergone an FATF evaluation, and the APG shares reports with the FATF on a reciprocal basis. The APG also shares reports with the IMF and the World Bank. So far 21 of the APG's 29 members have undergone some form of evaluation by the APG, the FATF or the Fund/Bank, with some members having been evaluated more than once.

#### **Mutual Evaluations conducted in 2004 – 05**

A record six APG Mutual Evaluations of member jurisdictions were conducted in 2004 – 05 of the Marshall Islands, Pakistan, Niue, Brunei Darussalam, Nepal and India. The report on a seventh evaluation of New Zealand, conducted jointly with the FATF in 2003 – 04 was also considered during the 2005 Annual Meeting in Cairns,. Adoption of those seven mutual evaluation reports at the 2005 Annual Meeting marked the completion of the APG's first round of mutual evaluations. The on-site visit of an eighth jurisdiction, Australia, was conducted jointly with the FATF in March 2005 and will be considered in 2006.

The six APG evaluations conducted this year were supported by experts from APG members/observers Australia, the Cook Islands, Fiji, Hong Kong,China, India, Indonesia, Korea, Malaysia, Palau, the Philippines, Marshall Islands, Samoa, Singapore, the United Kingdom and the United States. A planned APG mutual evaluation of Sri Lanka was delayed to 2005 – 06.

During the 2004 Annual Meeting, APG members adopted the 2004 AML/CFT Assessment Methodology as the standard assessment methodology for the APG's second round of mutual evaluations commencing in January 2005. At the 2005 Annual Meeting, APG members adopted the APG Mutual Evaluation Procedures 2005 which formalised use of the 2004 Assessment Methodology and included other important procedural developments, including the sharing of APG mutual evaluation reports with the members and Secretariats of the FATF and other FATF-style regional bodies. Members and the Secretariat continued to work with the FATF to develop and share procedures and explanatory material for the APG's use of the 2004 Methodology.

Summaries of mutual evaluation reports adopted at APG Annual Meetings are published on the APG website.

## **Previous mutual evaluations – update on response to reports adopted at previous Annual Meetings**

Under the APG's procedures, all evaluated members are required to provide a written report at APG annual meetings on the progress they have made in implementing the recommendations in the evaluation report. At the 2005 APG Annual Meeting, APG members also received oral progress reports from the jurisdictions evaluated in 2003 – 04 by the APG: the Philippines and Cook Islands.

Members noted the progress made by each jurisdiction in response to the recommendations contained in their mutual evaluation reports, asked questions as appropriate on progress being made, and commended the jurisdictions for their commitment.

## **Schedule of future mutual evaluations: second round of mutual evaluations**

At the 2005 Annual Meeting, members agreed to commence the APG's second round of mutual evaluations and adopted a schedule of evaluations running through to 2008. A full program of mutual evaluations is planned for 2005 – 06, with the second round of mutual evaluations commencing with the joint FATF/APG evaluation of Australia in 2005.

## **Self-assessment exercise**

At the 2005 Annual Meeting, it was agreed to postpone any self assessment exercise for the year until the release of a revised self-assessment methodology by the FATF.

## **Mutual Evaluation Training**

A FATF/IMF/World Bank Training Workshop for Evaluators for AML/CFT Assessments was held from 8 – 10 November 2004 in Singapore, as part of global training program for the 2004 Assessment Methodology.

The APG Secretariat, experts from several APG members, Asia/Pacific FATF members and assessors from as far as South Africa, Bahrain and Guernsey attended the training session which was hosted by the Monetary Authority of Singapore.

Key activities for the intensive three day workshop included:

- an overview of the background to and importance of APG mutual evaluations and the use of the 2004 AML/CFT Methodology in mutual evaluations;
- presentation and discussion of the revised AML/CFT Methodology, as well as the principal assessment documents used with the Methodology to conduct assessments;
- A discussion of the new elements of the 2004 Methodology including the issue of risk.

There is a need to train more evaluators under the new methodology and this will be addressed by the 2005 Mutual Evaluation Training Workshop being conducted by the APG in collaboration with the IMF, World Bank and the FATF in December 2005. A wider pool of experts improves the mutuality of the evaluations, is more equitable for all members, and supports a higher level of transparency in the mutual evaluation process.

## 9. Support services and financial statements

### APG Secretariat

The work of the APG is supported by a Secretariat based in Sydney, Australia. The work of APG Secretariat has expanded considerably since it was established in February 1997. During the year under review, and in accordance with decisions taken by members at the 2003 Annual Meeting, steps were taken to further expand the APG Secretariat to meet the increased workload.

### Role of the Secretariat

The role of the Secretariat is to assist jurisdictions in the Asia/Pacific region to introduce internationally accepted AML/CFT measures. Responsibilities of the Secretariat include:

- providing expertise and material concerning money laundering and terrorist financing to member jurisdictions and other interested parties;
- organising/conducting the APG's annual and other meetings;
- preparing, conducting and chairing specialist typologies workshops (on methods, trends and case studies on money laundering and terrorist financing);
- supporting the APG Co-Chairs and the APG Steering Group;
- supporting the work of APG Working Groups (currently, the APG Typologies Working Group and the APG Implementation Issues Working Group); ;
- reporting to and advising the FATF on the work of the APG, and participating in FATF Working Groups;
- providing advice and information to and linkages between agencies (especially financial, legal and law enforcement agencies) on AML/CFT matters;
- establishing and maintaining effective working relationships with relevant international and regional organisations in order to advance the APG's work and its regional strategy;
- arranging and conducting 'outreach' missions to members and potential members of the APG;
- implementing the APG's technical assistance and training strategy including coordination of technical assistance and training delivery;
- preparing assessment mechanisms and conducting evaluations of the AML/CFT systems in jurisdictions in the Asia/Pacific region.

### Staff

As at 30 June 2005, the staffing of the Secretariat was as follows:

Mr Rick McDonell	Head of APG Secretariat
Mr Eliot Kennedy	Executive Officer
Mr Arun Kendall	Executive Officer
Mr David Shannon	Executive Officer
Ms Helen Newell	Administrator
Ms Jennifer Ford	Administrator
Ms Marnie Campbell	Assistant Administrator

In addition, as noted previously, a technical assistance Executive Consultant, Ms Bronwyn Somerville was provided, on assignment, by the Commonwealth Secretariat for a two year period from July 2002. With the additional assistance of the UK Government Global Opportunity Fund, this period has been extended for a further two years from July 2004.

Rick McDonell has been Head of the APG Secretariat since its inception. Eliot Kennedy joined the Secretariat in March 2001. Helen Newell joined the Secretariat in March 2002. David Shannon joined the Secretariat in December 2002. Marnie Campbell joined the Secretariat in April 2004, Jennifer Ford joined in May 2004 and Arun Kendall joined in October 2004.

Contact details for the Secretariat are as follows:

**APG Secretariat**

110 Goulburn Street  
SYDNEY NSW 2000

AUSTRALIA

Locked Bag A3000  
SYDNEY NSW 1232

Tel: 612 9286 4387

Fax: 612 9286 4393

Email: [mail@apgml.org](mailto:mail@apgml.org)

Website: [www.apgml.org](http://www.apgml.org)

## Review of APG Secretariat hosting arrangements

The APG was historically housed in the National Crime Authority of Australia, which was superseded by the Australian Crime Commission (ACC) on 1 January 2003. APG Co-Chair, Commissioner Mick Keelty, chairs the Board of the ACC but his primary role is Commissioner of the Australian Federal Police (AFP). A review of the hosting arrangements was therefore undertaken during late 2003 and early 2004.

The review considered it more appropriate to transfer the hosting arrangements from the ACC to the AFP and to move the Secretariat to the Sydney office of the AFP, and for the AFP to take over from the ACC the accountability for custody of APG funds and to assume legal responsibility for employment of the APG Secretariat staff. The physical transfer to the AFP's Sydney office was completed in May 2005 and at 30 June 2005 there were still some administrative arrangements to be finalised.

## Budget and Financial Statements

At the APG's 2004 Annual Meeting, a 'core' budget for the financial year 2004–05 of AU\$900,000 was approved and adopted. The contributions required from members to meet that budget were calculated using the APG funding formula adopted at the 2003 Annual Meeting. This formula calculates contributions using an 80/20 combination of GDP and GDP per capita and requires a minimum AU\$4,800 contribution from members in Group 1 (GDP of less than US\$50 billion per annum).

### Summary of budget outcomes for 2004 – 05

The budget outcomes for the period 1 July 2004 to 30 June 2005 based on audited<sup>11</sup> financial reports provided to the APG Secretariat by its Australian 'host' agency (in 2004–05, the Australian Crime Commission), are as follows:

- a) the APG commenced the financial 2004–05 year with net assets of **AU\$466,852**;
- b) total revenue for the year to 30 June 2005 was **AU\$1,389,323**, with AU\$1,157,262 coming from APG members in required contributions, arrears and voluntary contributions, and AU\$227,061 in other revenue;
- c) total expenditure for the year to 30 June 2005 was **AU\$1,402,923**, including expenditure against the core APG budget, 'reserved' expenditure, expenditure on enhancement of the Secretariat; and expenditure from other revenue sources (sponsorship and other funding support);

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<sup>11</sup> In accordance with Australian Government arrangements, the APG's financial accounts for 2004–05 were audited in September 2005 by the Australian National Audit Office.

- d) the APG therefore had an operating deficit for the year 2004–05 of AU\$13,600. This deficit was smaller than the projected deficit for the year, due primarily to unbudgeted external support received from the United Kingdom Foreign & Commonwealth Office (FCO) in support of the APG's technical assistance and training work. These funds, which were obtained shortly after the beginning of the financial year, meant that the APG was not required to use its own core and reserved funds to the extent projected;
- e) the APG had net assets of AU\$453,252 as at 30 June 2005.

A copy of the financial statements for the financial year 2004 – 05 is at Annex B.

The following agencies supported the work of the APG during 2004 – 05 and their considerable support is acknowledged:

- The Australian Agency for International Development (AusAID): sponsorship for the 2004 APG Annual Meeting, the 2004 APG Typologies Workshop and the 2005 APG Annual Meeting;
- The Australian Federal Police and the Australian Crime Commission: provision of accommodation and services to the APG Secretariat;
- Commonwealth Secretariat: engagement of a full-time technical assistance and training consultant for the 2002–03, 2003–04 and 2004–05 financial years;
- AUSTRAC, Treasury, Australian Customs and the Australian Federal Police: funding of the 2005 APG Annual Meeting; and
- Asian Development Bank: provision of funding to enhance the APG's website.

### **APG Budget for 2005 – 06**

At the 2005 Annual Meeting, APG members approved a 'core' APG budget of AU\$930,000 for 2005 – 06. This budget will be sufficient to maintain the current 'permanent' APG Secretariat staffing levels<sup>12</sup>, with maintenance of the current level of service and range of activities undertaken, consistent with the draft APG Strategic Plan 2003–06 and APG Business Plan 2005–06.

The proposed 'core' budget of AU\$930,000 would not of itself enable the APG Secretariat to fully meet the growing demands for technical assistance and training coordination and delivery and other 'outreach' and in-country work currently being received from APG members and observers, to undertake the large number of mutual evaluations required in 2005–06, or to undertake any additional projects as proposed under the APG Business Plan. However, voluntary contributions, accumulated assets and various streams of 'non-core budget' funding will be available in 2005–06 to meet the costs of the APG work program, as follows:

- consistent with members' previous decisions in relation to the Secretariat Enhancement proposal, additional expenditure of approximately AU\$246,000 will take place in 2005–06 to enhance the level of service to members and range of activities undertaken. This will be done using accumulated and anticipated voluntary contributions from members (primarily Australia) and will not require further contributions from members in 2005–06. This expenditure is detailed in Part 2C;
- it is also proposed that further additional expenditure be undertaken using some of the accumulated cash on hand with which the APG will commence the 2005–06 financial year, without compromising the minimum AU\$100,000 reserve. In total, this additional proposed expenditure from reserves will amount to approximately AU\$227,500 in 2005–06. This expenditure is also detailed in Part 2C;
- further significant tasks listed in the Business Plan will be made possible by significant external funding obtained from the UK FCO and AusAID. This expenditure, which will amount to approximately AU\$300,000 is also detailed in Part 2C;

---

<sup>12</sup> Four full-time staff (Head of Secretariat, one Executive Officer, Senior Project Officer, Administrator) and some provision for the hire of temporary administrative staff during peak periods and for overtime. This excludes both the two new staff provided for under the Secretariat Enhancement proposal approved by APG members in 2003, who are being separately funded using voluntary rather than required contributions, and the Executive Consultant.

## 10. Future directions and priorities

The APG and its members continued to achieve great progress during the period under review, but there is still much to be done in order to ensure the effective implementation of the AML/CFT standards are achieved in the region. The next few years will present further opportunities to ensure that the APG fulfils its potential by consolidating its achievements and maintaining a strong focus as a strategic body.

The technical assistance and training demands from APG members and observers and the regional co-ordination responsibilities continue to increase significantly as international pressure mounts for APG member and observer jurisdictions to fully implement and comply with the revised FATF 40 Recommendations and the Special Recommendations on Terrorist Financing.

The APG Annual Business Plan 2005 – 06 outlines the APG's work program. The key tasks for the year include:

- The APG Annual Meeting and Annual Forum on Technical Assistance & Training will be held in the week commencing 2 July 2005 in Manila, the Philippines.
- The APG Typologies Workshop will be held in Fiji in October 2005.
- An APG Donor and Provider (DAP) Group meeting; two COAMLI (Coordinating Office for the Pacific Anti-Money Laundering Initiative); and up to two ASEAN COAG (Coordination Agreement) meetings will be held.
- Between 30 and 40 APG assessors will be trained at the APG Mutual Evaluation Training Workshop in December 2005 (dependant on external funding).
- Six APG Mutual Evaluations (and/or joint FATF/APG Mutual Evaluations and/or IMF/World Bank Assessments) will be conducted of APG members.
- The APG Steering Group will continue to perform an advisory role for members and the Co-Chairs and will encourage participation and involvement of neighbouring member jurisdictions in their geographic area and in the APG's work generally, supported by the APG Secretariat.
- A draft APG Strategic Plan 1 July 2006 – 30 June 2009 will be developed for consideration by APG members at the 2006 Annual Meeting.
- Up to five outreach missions will be undertaken to potential APG members, including priority observers such as Lao PDR and Vietnam, to facilitate full membership and promote commitment to implement the global AML/CFT standards. These missions may include TA&T needs assessments.
- The APG Secretariat will continue to provide assistance and advice to APG jurisdictions which are on the FATF's NCCT list to facilitate delisting.
- The APG Implementation Issues Working Group will refocus and expand its work to provide more practical assistance to members in implementing the FATF 40 + 9 Recommendations.
- The APG will continue to support the Typologies Framework for collection, analysis and dissemination of typologies information and encourage close collaboration with the FATF Typologies Working Group.
- The APG Typologies Working Group will undertake collection of typologies information and in-depth studies of methods and trends of money laundering and the financing of terrorism.

- The APG Secretariat will work to establish a TA&T coordination mechanism with the SAARC Secretariat (South Asia) and further develop and enhance existing mechanisms with the Pacific Island Forum Secretariat and the ASEAN Secretariat.
- Priority assistance to develop in-country TA&T coordination mechanisms will be provided to Bangladesh, Cambodia, Mongolia, Myanmar, Nepal, Niue, Pakistan, RMI, Tonga, and Vietnam; and to Thailand, the Philippines and Indonesia to sustain their existing coordination processes.
- Planning will be undertaken to support coordinated TA&T missions to South Asian jurisdictions to assist with the development and implementation of their AML/CFT systems.
- A number of regionally-specific AML/CFT TA&T projects and 'products' will be developed and delivered in collaboration with various DAP Group members (computer-based training, manuals & guidelines, training programs for legal/financial and law enforcement sectors).
- A joint APG/FATF pilot project group will be supported to study existing synergies between AML/CFT and anti-corruption efforts and to develop related implementation guidance for APG members, subject to approval by APG/FATF members.



**Asia / Pacific Group  
on Money Laundering**

**Annual Report  
1 July 2004 – 30 June 2005**

**ANNEXES**



## **ANNEX A: APG Terms of Reference<sup>13</sup>**

**As amended by the APG Annual Meeting, June 2002**

RECOGNISING IN BANGKOK ON 27 FEBRUARY 1997 THAT:

- Money laundering is a significant international issue which requires global action;
- The Asia/Pacific region needs to address this issue as part of the global response;
- The capacity of individual jurisdictions to deal with the issue is limited because of its nature, complexity and international scope;
- Close co-operation between jurisdictions is necessary and much can be gained by increasing understanding of the problem and its solutions;
- There are accepted international standards (the Financial Action Task Force's 40 Recommendations) but the best way to apply the standards within the region needs to be reviewed;
- There is an increasing risk of vulnerability to money laundering in the Asia/Pacific region as other regions introduce anti-money laundering measures; and
- A plan of action should be developed to address regional co-operation, the adoption of standards and to provide assistance to jurisdictions in tackling the problem,

JURISDICTIONS ESTABLISHED THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING.

NOTING THAT

The Working Party, established by the APG met in Beijing 7 - 9 July 1997 and agreed that:

The 40 Recommendations are the guiding principles for action for the creation of an effective anti-money laundering framework. Member jurisdictions will implement the 40 Recommendations according to their particular cultural values and constitutional frameworks thus allowing them a measure of flexibility rather than prescribing every detail.

RECOGNISING THAT

- The United Nations Security Council has adopted a number of Resolutions dealing with terrorist financing; and
- The Financial Action Task Force on Money Laundering has adopted Eight Special Recommendations on Terrorist Financing; and

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<sup>13</sup> The Asia/Pacific Group on Money Laundering (APG) was established at a meeting held in Bangkok, 25–27 February 1997. Terms of Reference for the APG were agreed and adopted at that meeting. The Terms of Reference have been revised and approved at each of the APG's annual meetings – Tokyo, March 1998, Manila, August 1999, Sydney, June 2000, Kuala Lumpur, May 2001 and Brisbane, June 2002.

## NOTING THAT

- APG member jurisdictions adopted a new APG Strategic Plan 2001 – 2004 which included a commitment to combat terrorist financing

## THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING AGREED IN JUNE 2002 THAT

- All member jurisdictions will implement in accordance with their own constitutional arrangements the United Nations Security Council Resolutions dealing with terrorist financing; and
- All member jurisdictions will implement in accordance with their own constitutional arrangements the Eight FATF Special Recommendations on Terrorist Financing.

## Purpose

The APG:

1. Provides a focus for co-operative anti-money laundering and anti-terrorist financing efforts in the region;
2. Provides a forum in which:
  - (a) regional issues can be discussed and experiences shared,
  - (b) operational co-operation among member jurisdictions is encouraged;
3. Facilitates the adoption and implementation by member jurisdictions of internationally accepted anti-money laundering and anti-terrorist financing measures;
4. Enables regional and jurisdictional factors to be taken into account in the implementation of international anti-money laundering and anti-terrorist financing measures;
5. Encourages jurisdictions to implement anti-money laundering and anti-terrorist financing initiatives including more effective mutual legal assistance; and
6. Co-ordinates and provides practical support, where possible, to member and observer jurisdictions in the region which request it.

## Nature

The APG is voluntary and co-operative in nature. The APG is established by agreement among its members and is autonomous. It does not derive from an international treaty. It is not part of any international organisation. However, it will need to keep itself informed of action taken or formal agreements made by relevant international and regional organisations or bodies in order to promote a consistent global response to money laundering and terrorist financing.

The work to be done by the APG and its procedures will be decided by consensus agreement among its members.

## Membership



Membership of the APG is open to any jurisdiction within the Asia/Pacific region which:

1. Recognises the need for action to be taken to combat money laundering and terrorist financing;
2. Recognises the benefits to be obtained by sharing knowledge and experience;
3. Has taken or is actively taking steps to develop, pass and implement anti-money laundering and anti-terrorist financing legislation and other measures based on accepted international standards;
4. Subject to its domestic laws, commits itself to implementing the decisions made by the APG;
5. Commits itself to participation in the mutual evaluation programme;
6. Contributes to the APG budget in accordance with arrangements agreed by the APG.

It is not a precondition for participation in the APG that anti-money laundering or anti-terrorist financing laws be already enacted.

Each jurisdiction will decide on the particular steps it will take to combat money laundering and terrorist financing. The response by individual jurisdictions will, however, be significantly assisted by participation in the APG.

The APG will welcome new members from the Asia/Pacific region. Smaller jurisdictions whose direct involvement may be difficult may wish to participate in the APG through an appropriate sub-regional forum. To those jurisdictions not yet ready to assume all the requirements of full membership, the APG offers a form of participation in its activities through observer status.

### **Observer Status**

The APG recognises that there are significant benefits for member jurisdictions from continuing contact with non-member jurisdictions. As such, the meetings of the APG will also serve to provide opportunities for regular consultation with non-member jurisdictions from within and outside the region who could be invited to attend as observers.

The APG also recognises that many international organisations have a strong interest in anti-money laundering and anti-terrorist financing initiatives. The APG welcomes the support and co-operation from international organisations and other non-member jurisdictions that may be willing to provide resources to assist the work of the APG.

Observers are:

- (i) jurisdictions which are considering membership of the APG and which are prepared to meet the first three requirements for membership of the APG;
- (ii) organisations which actively support or otherwise are interested in the objectives of the APG;
- (iii) any other jurisdiction or organisation invited by the Co-Chairs and to which no APG member objects.

In addition to the FATF, the organisations which attended the inaugural meeting (ASEAN Secretariat, Asian Development Bank, International Monetary Fund, International Organisation of Securities Commissions, INTERPOL, Offshore Group of Banking Supervisors, United Nations

Crime Prevention and Criminal Justice Division, United Nations International Drug Control Programme and World Customs Organisation) and any other international organisation with an interest in effectively combating money laundering will be encouraged to participate in future meetings of the APG as observers.

The participation (and the nature of such participation) of non-member jurisdictions and international organisations will be determined by the APG on a case-by-case basis.

### **Meetings**

The APG will meet at least once each year. At APG meetings decisions will be made. All APG member jurisdictions should ensure that their delegations to APG meetings have full instructions to participate in the meetings. All decisions at APG meetings shall be by consensus.

Meetings will normally be held in member jurisdictions. In addition to an annual meeting of the APG, meetings may be conducted to coincide with money laundering methods meetings. Some meetings may be limited to APG member jurisdictions only.

Invitations to the annual meeting may be extended to non-member jurisdictions to attend as observers.

While meetings will generally be open to observers some parts of a meeting may be limited to member jurisdictions only to enable the APG to conduct formal consideration of issues which require the agreement of its members.

To ensure a global approach to anti-money laundering and anti-terrorist financing, member jurisdictions of the APG will work closely with the Financial Action Task Force (FATF) and other FATF-style regional bodies. The FATF President and FATF Secretariat will attend APG meetings on the same basis that the APG Co-Chairs and Secretariat attend FATF meetings.

Meetings should be held at the same time each year.

### **Strategic Plan and Business Plan**

Consistent with these Terms of Reference, the APG will:

- (i) develop a Strategic Plan every three years, to be endorsed by all members, which will set out the APG's mission and goals for each three year period; and
- (ii) develop an annual Business Plan, to be endorsed by all members, which will set out in greater detail the work program of the APG.

### **Secretariat**

Secretariat services will be provided by the Asia/Pacific Group on Money Laundering Secretariat. The APG Secretariat is located in Sydney, Australia. The APG Secretariat will provide a similar service to that provided by secretariats of other anti-money laundering bodies.

### **Working Parties**



To enable the work of the APG to be addressed between meetings, Working Parties may be formed. Member jurisdictions may participate in all APG Working Parties, Typologies Workshops and ad hoc committees established in response to specific issues.

### **Chairing of the APG**

There will be two co-chairs of the APG. During the formative stage of the APG, one co-chair position will be held by Australia which will host the annual meeting in alternate years. The other co-chair position will be rotated every two years amongst member jurisdictions. The rotating co-chair position will be decided every second year at an annual meeting and will carry with it the responsibility of hosting the following annual meeting.

### **Resources**

The APG recognises that the ongoing work of the APG, and in particular the capacity of the Secretariat to assist jurisdictions, will depend on the resources available to it. APG member jurisdictions will determine the budget required for the APG to carry out its work program on an annual basis according to a fair and equitable budget formula which will be revised and agreed from time to time.

### **Contact Points**

Each member jurisdiction is required to nominate a person to act as the central contact point for the APG Secretariat. In addition, each member will nominate an appropriate contact point for the three relevant money laundering sectors: legal, financial and law enforcement.

Non-member jurisdictions and organisations will be requested to nominate a person or persons who will be the central point of contact in relation to money laundering matters and the work of the APG.

## ANNEX B: APG Financial statements



### INDEPENDENT AUDIT REPORT

To the Co-chairs of the Asia Pacific Group on Money Laundering

#### Scope

I have audited the attached special purpose financial statements comprising:

- Statement by the Head of Asia Pacific Group on Money Laundering Secretariat;
- Statement of Financial Performance;
- Statement of Financial Position;
- Statement of Cash Flows;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

for the Asia Pacific Group on Money Laundering (APG) Secretariat activities for the period 1 July 2004 to 30 June 2005.

The Head, APG Secretariat is responsible for the preparation and presentation of the financial statements and has determined that the accounting policies used are appropriate to meet the needs of the APG.

I have conducted an independent audit of the financial statements at the request of the Chief Executive Officer of the Australian Crime Commission and the Head of the APG Secretariat in order to express an opinion on them to the Co-chairs of the APG. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the co-chairs of the APG.

The financial statements have been prepared from the Australian Crime Commission's financial records.

The financial statements have been prepared for the Co-chairs of the APG for the purpose of fulfilling the APG Secretariat's financial reporting requirements. I disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to an entity or person other than the aforementioned parties, for any purpose other than which it was prepared.

GPO Box 707 CANBERRA ACT 2601  
Centenary House 19 National Circuit  
BARTON ACT  
Phone (02) 6203 7300 Fax (02) 6203 7777

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards which incorporate the Australian Auditing and Assurance Standards, to provide reasonable assurance on whether the financial statements are fairly presented in accordance with the accounting policies in note 1 to the financial statements. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In my opinion, the attached financial statements present fairly, in accordance with the accounting policies described in note 1, the financial position of the APG Secretariat as at 30 June 2005 and the results of its activities.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'A.M. Thompson', is written over a faint, illegible stamp or watermark.

Allan M. Thompson  
Executive Director

Delegate of the Auditor-General

Canberra

23 September 2005

**ASIA PACIFIC GROUP ON MONEY LAUNDERING**

**STATEMENT BY HEAD OF THE ASIA/PACIFIC GROUP ON MONEY LAUNDERING SECRETARIAT**

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In my opinion, the attached financial statements for the year ended 30 June 2005 have been prepared based on properly maintained financial records and give a true and fair view of the matters required by the finance Minister's orders made under the *Financial Management and Accountability Act 1997*, as amended.

Rick McDonell



Head, APG Secretariat

23 September 2005

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
*for the year ended 30 June 2005*

		2005	2004
		\$	\$
	Notes		
<b>Revenues from ordinary activities</b>			
Contributions from members	4A	1,157,262	1,138,624
<b>Other Contributions</b>	4B	227,061	186,644
<b>Other Revenue</b>	4C	5,000	5,000
Revenues from ordinary activities		<u>1,389,323</u>	<u>1,330,268</u>
<i>Expenses from ordinary activities</i>			
<b>Employees</b>	5A	775,939	546,874
<b>Suppliers</b>	5B	626,984	621,787
Expenses from ordinary activities		<u>1,402,923</u>	<u>1,168,661</u>
<i>Net surplus/(deficit) from ordinary activities</i>		<u><u>(13,600)</u></u>	<u><u>161,607</u></u>

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

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2005*

		2005	2004
	Notes	\$	\$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash	6A	812,540	1,278,881
Receivables	6B	507,855	374,584
Other Non-Financial Assets	6C	15,817	-
<b>Total financial assets</b>		<b>1,336,212</b>	<b>1,653,465</b>
<b>Total Assets</b>		<b>1,336,212</b>	<b>1,653,465</b>
<b>LIABILITIES</b>			
<b>Provisions</b>			
Employees	7	348,388	307,778
<b>Total provisions</b>		<b>348,388</b>	<b>307,778</b>
<b>Payables</b>			
Suppliers	8A	158,394	65,423
Other Payables	8B	376,178	813,412
<b>Total payables</b>		<b>534,572</b>	<b>878,835</b>
<b>Total Liabilities</b>		<b>882,960</b>	<b>1,186,613</b>
<b>NET ASSETS</b>		<b>453,252</b>	<b>466,852</b>
<b>EQUITY</b>			
Accumulated surpluses (deficits)		453,252	466,852
<b>TOTAL EQUITY</b>	9	<b>453,252</b>	<b>466,852</b>
<b>Current assets</b>		<b>1,336,212</b>	<b>1,653,465</b>
<b>Current liabilities</b>		<b>858,076</b>	<b>1,164,862</b>
<b>Non Current liabilities</b>		<b>24,884</b>	<b>21,751</b>

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



**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**STATEMENT OF CASH FLOW**  
*for the year ended 30 June 2005*

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	Notes	2005 \$	2004 \$
		<u>          </u>	<u>          </u>
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Contributions		1,374,858	1,310,184
<b>Total cash received</b>		<u>1,374,858</u>	<u>1,310,184</u>
<b>Cash used</b>			
Employees		755,686	349,621
Suppliers		1,085,513	70,907
<b>Total cash used</b>		<u>1,841,199</u>	<u>420,528</u>
<b>Net cash from/(used by) operating activities</b>	<b>10</b>	<u>(466,341)</u>	<u>889,656</u>
Net increase/(decrease) in cash held		(466,341)	889,656
Cash at the beginning of the reporting period		1,278,881	389,225
<b>Cash at the end of the reporting period</b>		<u>812,540</u>	<u>1,278,881</u>

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

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**SCHEDULE OF COMMITMENTS**  
*as at 30 June 2005*

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The APG has no known commitments.

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**SCHEDULE OF CONTINGENCIES**  
*as at 30 June 2005*

---

The APG has no known contingencies.

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
*for the year ended 30 June 2005*

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## **Note 1: Summary of Significant Accounting Policies**

### **1.1 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 anti-money laundering and anti-terrorist financing standards in particular the Forty Recommendations and Nine Special Recommendations of the Financial Action Task Force on Money Laundering (FATF). This includes assisting jurisdictions in the region to enact laws dealing with the proceeds of crime, mutual legal assistance, confiscation, forfeiture and extradition. It also includes the provision of guidance in setting up systems for reporting and investigating suspicious transactions and helping in the establishment of financial intelligence units. The APG allows for regional factors to be taken into account in the implementation of anti-money laundering and anti-terrorist financing measures and provides for peer review by means of a mutual evaluation process.

### **1.2 Basis of Accounting**

The Australian Crime Commission hosted the APG until 30 June 2005 and has prepared this special purpose financial report for the members of the APG.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Boards;
- Other authoritative pronouncements of the Boards; and
- Consensus Views of the Urgent Issues Group.

The statements have been prepared having regard to:

- Statements of Accounting Concepts; and

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for the certain assets which, as noted, are at valuation. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard. Liabilities and assets which are unrecognised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Revenues and expenses are recognised in the Statement of Financial Performance and when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

### **1.3 Changes in Accounting Policy**

The accounting policies used in the preparation of these financial statements are consistent with those used in 2004.

## 1.4 Revenue

The revenues described in this Note are revenues to the core operating activities of the APG.

### (a) *Contributions from member countries*

Membership contributions to APG, received from all members, are recognised during the financial year.

### (b) *Other Contributions*

Other contributions, including reimbursements from supporting observers and other contribution amounts, are recognised upon the delivery of goods or service to members.

For the year ended 30 June 2004, the member jurisdictions had the option of contributing either a \$US or AUD amount. The revenue information shown in the Statement of Financial Performance is reported in AUD, as required by the Australian accounting standards and Finance Ministers Orders. All foreign currency gain or losses are recognised in the Statement of Financial Performance. The APG recognised a \$30,634 foreign currency loss in the period ended 30 June 2004. For the year ended 30 June 2005 the member jurisdictions contributed in AUD amounts only, or contributed in another currency the exact equivalent of the amount required under the APG Budget in AUD.

For the 2005 and 2004 financial year, the financial statements have been prepared on an accruals basis. Member contributions that remain outstanding as at 30 June 2005 have been treated as receivables in the Statement of Financial Position (refer note 6B).

## 1.5 Employee Entitlements

### (a) *Leave*

The liability for employee entitlements includes the provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

The liability for annual leave reflects the value of total annual leave entitlements of all employees at 30 June 2005 and is recognised at the nominal amount.

The non-current portion of the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at 30 June 2005. In determining the present value of the liability, the Group has taken into account attrition rates and pay increases through promotion and inflation.

### (b) *Superannuation*



## Notes to and forming part of the Financial Statements

Staff contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme of Australia. Employer contributions amounting to \$116,729 (2004: \$93,609) in relation to these schemes have been expended in these financial statements.

No liability for superannuation is recognised as at 30 June as the employer contributions fully extinguishes the accruing liability which is assumed by the Commonwealth of Australia.

Employer superannuation Productivity Benefit contributions totalled \$11,564 (2003: \$8,785).

### **1.6 Cash**

Cash means notes and coins held and deposits held at call with a bank or financial institution.

### **1.7 Financial Instruments**

Accounting policies for financial instruments are stated at Note 15.

### **1.8 Taxation**

The APG is exempt from all forms of taxation except fringe benefits tax and the goods and services tax.

### **1.9 Comparative Figures**

The accounting treatment for motor vehicle expenditure from employee's remuneration packages has been amended in 2004-05. The expenditure is reported in Employee expenses and the Supplier expenses have been adjusted for the prior year.

### **1.10 Foreign Currency**

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated currency gains and losses are not material.

### **1.11 Insurance**

The Australian Crime Commission has insured on behalf of the APG's employees for risks through the Australian Government's workers' compensation agency, Comcare Australia.

### **1.12 Rounding**

Amounts have been rounded to the nearest dollar.

## **Note 2: Adoption of AASB Equivalents to International Financial Reporting Standards from 2005-2006**

The Australian Accounting Standards Board has issued replacement Accounting Standards to apply from 2005-06. The new standards are the AASB Equivalents to International Financial Reporting Standards (IFRS's) which are issued by the International Accounting Standards Board. The new standards cannot be adopted early. The standards being replaced are to be withdrawn with effect from 2005-06, but continue to apply in the meantime.

Accounting Standards AASB 1047 *Disclosing the impact of Adopting Australian Equivalents to IFRS's* requires that the financial statements for 2003-04 disclose:

- An explanation of how the transition to the AASB Equivalents is being managed; and
- A narrative explanation of the key differences in accounting policies arising from the transition

### *Management of the transition to AASB Equivalents to IFRS's*

The ACC has taken the following steps for the preparation towards the implementation of AASB Equivalents:

Planning has incorporated the following:

- Attendance at formal training sessions regarding IFRS's.
- Discussed Agency business operations with ANAO.
- Identification of all major accounting policy differences between current AASB standards and the AASB Equivalents to IFRS's progressively to 30 June 2004.

The changes to major accounting policies have been reviewed and it is expected that there will be no significant impact on the financial reports of the APG. In addition the APG Secretariat is being transferred to the Australian Federal Police from 1 July 2005. As such while the ACC has begun work toward implementing the IFRS's this work will not impact on the reports of the APG.

## **Note 3: Events Occurring after Reporting Date**

Responsibility for hosting the APG Secretariat is being transferred from the Australian Crime Commission to the Australian Federal Police, effective 1 July 2005.

The transfer of responsibility for hosting the Secretariat will not significantly affect the ongoing workings of the APG.

	2005	2004
	\$	\$
<b>Note 4: Operating Revenues</b>		
<u>Note 4A: Contributions from members</u>		
<b>Members' Contribution</b>		
Australia	264,000	264,447
Bangladesh	14,974	4,800
Brunei Darussalam	4,800	4,800
Cambodia	4,792	-
Chinese Taipei	56,462	56,394
Cook Islands	4,800	4,800
Fiji Islands	4,800	4,800
Hong Kong,China	46,236	45,505
India	75,618	71,806
Indonesia	24,787	38,796
Japan	180,000	171,600
Korea	79,310	74,372
Macau,China	4,800	4,800
Malaysia	17,474	16,377
Marshall Islands	4,800	7,134
Mongolia	4,800	-
Nepal	4,800	4,800
New Zealand	20,225	19,485
Niue	4,800	4,800
Pakistan	9,638	9,576
Palau	4,800	4,800
Philippines	16,030	12,315
Samoa	4,800	4,800
Singapore	31,999	27,948
Sri Lanka	4,800	4,800
Thailand	20,696	52,569
Tonga	646	-
United States	236,775	217,500
Vanuatu	4,800	4,800
<b>Total member contributions</b>	<b>1,157,262</b>	<b>1,138,624</b>

	2005	2004
	\$	\$
	<hr/>	<hr/>
<b>Other Contributions</b>		
AusAID – sponsorship funding (various)	150,600	35,351
Asian Development Bank – APG Website Enhancement	-	12,812
Australian Federal Police – 2003 APG Typologies Workshop	-	9,800
Commonwealth Secretariat – Equipment & Travel Grant	-	39,013
FIRST Initiative – Sponsor AML/CFT Training	-	88,202
United Nations – Sponsorship for 2004 Annual Meeting	-	1,466
United Kingdom Foreign & Commonwealth Office – travel	38,787	-
Reimbursements – Attendance at Workshops and Seminars	37,674	-
	<hr/>	<hr/>
<b>Total other contributions</b>	<b>227,061</b>	186,644
	<hr/>	<hr/>
<b>Total contributions</b>	<b>1,384,323</b>	1,325,268
	<hr/>	<hr/>

Note: The above revenue amounts are shown in Australian Dollars.

Note 4C: Other Revenue

**Other Revenue**

ANAO Audit Fee – Resources Received Free of Charge	5,000	5,000
	<hr/>	<hr/>
<b>Total other revenue</b>	<b>5,000</b>	5,000
	<hr/>	<hr/>

	<b>2005</b>	2004
	<b>\$</b>	\$
<b>Note 5: Operating Expenses</b>		
<u>Note 5A: Employee Expenses</u>		
Wages and Salary	<b>574,210</b>	382,231
Superannuation	<b>128,293</b>	102,394
Leave and Other Entitlements	<b>32,235</b>	29,823
Other employee expenses	<b>37,996</b>	29,680
<b>Total employee benefit expenses</b>	<b>772,734</b>	544,128
Workers compensation premiums	<b>3,205</b>	2,746
<b>Total employee expenses</b>	<b>775,939</b>	546,874

Note 5B: Suppliers Expenses

Temporary Employee Services and Recruitment	<b>14,558</b>	28,544
APG Annual Meeting –Staff Travel	<b>10,274</b>	85,120
APG Sponsored Mutual Evaluation	<b>134,107</b>	21,223
Travel – Secretariat Staff APG Typologies	<b>20,670</b>	28,207
Travel – Secretariat Staff APG Mutual Evaluations	<b>74,146</b>	11,311
Travel – TA Consultant and Secretariat Staff Missions	<b>104,010</b>	37,107
Travel – Secretariat Staff FATF Meetings	<b>80,259</b>	46,049
Travel – Secretariat Staff Domestic and Regional Meetings	<b>10,475</b>	10,777
Travel – Overseas APG Sponsored Attendees	<b>131,745</b>	126,774
Travel – Mutual Evaluation Training Fund	-	119,231
Legal and Audit Fees	<b>5,000</b>	16,911
Advertising	<b>339</b>	5,296
Office Equipment & Data Communications	<b>27,604</b>	9,249
Office Requisites/Printing of APG Documents	<b>1,061</b>	10,607
Other Expenses	<b>6,777</b>	1,061
Postage and Freight	<b>302</b>	4,115
Currency Fluctuations	<b>12</b>	30,634
Conferences	<b>5,645</b>	29,571
<b>Total supplier expenses</b>	<b>626,984</b>	621,787

**Note 6: Financial Assets**

Note 6A: Cash

Cash on Hand:		
Special Account	<b>812,540</b>	1,278,881
<b>Total cash</b>	<b>812,540</b>	1,278,881

Note 6B: Receivables

Goods and Services	<b>507,855</b>	374,584
<b>Total receivables (net)</b>	<b>507,855</b>	374,584

Receivables is represented by:

Current	<b>507,855</b>	374,584
<b>Total receivables (net)</b>	<b>507,855</b>	374,584

<b>2005</b>	2004
<b>\$</b>	\$

Note 6B: Receivables (continued)

Receivables (gross) are aged as follows:

Not Overdue

Overdue by:

Less than 30 days	<b>456,837</b>	<b>307,778</b>
30 to 60 days	-	-
60 to 90 days	-	<b>20,252</b>
More than 90 days	<b>51,018</b>	<b>46,554</b>
<b>Total receivables (gross)</b>	<b>507,855</b>	<b>374,584</b>

Note 6C: Other Non-Financial Assets

Other Non-Financial Assets:

Prepayments	<b>15,817</b>	-
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***Total prepayments***

<b>15,817</b>	<b>-</b>
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**Note 7: Provisions**

Note 7: Employee Provisions

Leave	<b>348,388</b>	307,778
Current	<b>323,504</b>	286,027
Non-current	<b>24,884</b>	21,751
<b><i>Total employee provisions</i></b>	<b>348,388</b>	<b>307,778</b>

**Note 8: Payables**

Note 8A: Suppliers Payable

Trade Creditors	<b>30,789</b>	3,659
Accrued Expenses	<b>127,605</b>	61,764
<b><i>Total suppliers payable</i></b>	<b>158,394</b>	<b>65,423</b>

Suppliers Payable are represented by:

Current	<b>158,394</b>	65,423
<b><i>Total supplier payables</i></b>	<b>158,394</b>	<b>65,423</b>

Settlement is usually made net 30 days.

Note 8B: Other Payables

Payable to Australian Crime Commission	<b>376,178</b>	813,412
<b><i>Total other payables</i></b>	<b>376,178</b>	<b>813,412</b>

All other payables are current liabilities.

**Note 9: Equity**

Note 9A: Analysis of Equity

	<b>2005</b>	2004
	<b>\$</b>	<b>\$</b>
Opening Balance as at 1 July	<u>466,852</u>	<u>305,245</u>
Net Surplus / Deficit	<b>(13,600)</b>	161,607
Closing Balance as at 30 June	<u><b>453,252</b></u>	<u>466,852</u>

	2005	2004
	\$	\$
<b>Note 10: Cash Flow Reconciliation</b>		
<b>Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows</b>		
Cash at year end per Statement of Cash Flows	<b>812,540</b>	1,278,881
Statement of Financial Position items comprising above cash: "Financial Asset – Cash"	<b>812,540</b>	1,278,881
<b>Reconciliation of net surplus to net cash from / (used by) operating activities:</b>		
Net surplus (deficit)	<b>(13,600)</b>	161,607
Increase in Prepayments	<b>(15,817)</b>	-
Increase in receivables	<b>(133,271)</b>	(53,097)
Increase in employee liabilities	<b>40,610</b>	12,760
Increase in supplier payables	<b>(344,263)</b>	768,386
<b>Net cash from / (used by) operating activities</b>	<b>(466,341)</b>	889,656

**Note 11: Contingent Liabilities and Assets**

The APG has no known contingencies.

**Note 12: Executive Remuneration**

	Number	Number
The number of Executive who received or were due to receive total remuneration of \$100,000 or more:		
\$260,000 to \$269,999	-	1
\$280,000 to \$289,999	1	-
The aggregate amount of total remuneration of executives shown above.	<b>\$280,120</b>	\$260,046

**Note 13: Remuneration of Auditors**

Financial statement audit services are provided free of charge to the commission.

The fair value of the services provided was:

Asia Pacific Group	<b>5,000</b>	5,000
	<u><b>5,000</b></u>	<u>5,000</u>

No other services were provided by the Auditor-General.

**Note 14: Actual Staffing Levels**

The actual staffing levels for the agency as at 30 June 2005 were:

<b>7</b>	<b>5</b>
<u><b>7</b></u>	<u><b>5</b></u>

**Note 15: Financial Instruments****Note 15A: Interest Rate Risk**

It is considered that there is no interest rate risk.

**Note 15B: Net Fair Values of Financial Assets and Liabilities**

		2005		2004	
	Notes	Total Carrying Amount	Aggregate Net Fair Value	Total Carrying Amount	Aggregate Net Fair Value
		\$'000	\$'000	\$'000	\$'000
<b>Departmental Financial Assets</b>					
Cash	6A	812,540	812,540	1,278,881	1,278,881
Receivables for goods and services (net)	6B	507,855	507,855	374,584	374,584
<b>Total Financial Assets</b>		<b>1,320,395</b>	<b>1,320,395</b>	<b>1,653,465</b>	<b>1,653,465</b>
<b>Financial Liabilities (Recognised)</b>					
Trade Creditors	8	534,572	531,372	878,835	878,835
<b>Total Financial Liabilities (Recognised)</b>		<b>534,572</b>	<b>531,372</b>	<b>878,835</b>	<b>878,835</b>

The net fair values of cash and non interest-bearing monetary financial assets approximate their carrying amounts.

The net fair values for trade creditors are approximated by their carrying amounts.

The net fair values of indemnities are regarded as the maximum possible loss which the APG members face while the indemnity remains current.

**Note 15C: Credit Risk Exposures**

APG's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Performance.

APG has no significant exposures to any concentrations of credit risk.

All figures for credit risk referred to do not take into account the value of any collateral or other security.

**Note 16: Special Accounts**

Account Name	2005 \$	2004 \$
<b>Financial Action Task Force - Asia Pacific Group on Money Laundering</b>		
<i>Legal Authority: Financial Management and Accountability Act 1997; s20</i>		
<i>Appropriation: Financial Management and Accountability Act 1997;</i>		
<i>Purpose: for revenue and expenditure relating to the operations of the Secretariat to the Financial Action Task Force – Asia/Pacific Group.</i>		
Balance carried forward from previous year	<b>1,278,881</b>	389,225
Appropriations for reporting period	-	-
Members' contributions	<b>1,374,858</b>	1,310,184
GST credits (FMA s30A)	-	-
Available for payments	<b>2,653,739</b>	1,699,409
Payments made to suppliers	<b>1,841,199</b>	420,528
<b>Balance carried to next year</b>	<b>812,540</b>	1,278,881
<i>Represented by:</i>		
Cash held in APG Bank Account	<b>812,540</b>	1,278,881
<b>Total</b>	<b>812,540</b>	1,278,881

**Note 17: Abbreviations**

AASB	Australian Accounting Standards Board
ACC	Australian Crime Commission
ADB	Asian Development Bank
AFP	Australian Federal Police
AML/CFT	Anti-money laundering/combating the terrorist of financing
ANAO	Australian National Audit Office
APG	Asia/Pacific Group on Money Laundering

APRA	Australian Prudential Regulation Authority
AusAID	Australian Agency for International Development
AUSTRAC	Australian Transactions Reports and Analysis Centre
FATF	Financial Action Task Force on Money Laundering
FIU	Financial Intelligence Unit
IFRS	International Financial Reporting Standards
ISGR	Institutional Support for Governance Reform

## ANNEX C: Websites and list of acronyms

### WEBSITES

Not all the bodies listed below are mentioned in this Annual Report. They are however included to make this Annex a more useful resource.

ADB	Asian Development Bank	<a href="http://www.adb.org">www.adb.org</a>
APEC	Asia Pacific Economic Co-operation	<a href="http://www.apecsec.org.sg">www.apecsec.org.sg</a>
APG	Asia/Pacific Group on Money Laundering	<a href="http://www.apgml.org">www.apgml.org</a>
ASEAN	Association of South East Asian Nations	<a href="http://www.aseansec.org">www.aseansec.org</a>
CFATF	Caribbean Financial Action Task Force	<a href="http://www.cfatf.org">www.cfatf.org</a>
ComSec	Commonwealth Secretariat	<a href="http://www.thecommonwealth.org">www.thecommonwealth.org</a>
FATF	Financial Action Task Force on Money Laundering	<a href="http://www.fatf-gafi.org">www.fatf-gafi.org</a>
GAFISUD	South American Financial Action Task Force (Grupo de Acción Financiera de Sudamérica)	<a href="http://www.minjusticia.gov.co/gafisud">www.minjusticia.gov.co/gafisud</a>
IMF	International Monetary fund	<a href="http://www.imf.org">www.imf.org</a>
IMoLIN	International Money Laundering Network	<a href="http://www.imolin.org">www.imolin.org</a>
UNODCCP	United Nations Office for Drug Control & Crime Prevention	
UNDCP	United Nations Drug Control Programme	
UNTOC	United Nations Convention Against Transnational Organized Crime	
UNICRI	United Nations Inter-regional Crime & Justice Research Institute	
	United Nations home page:	<a href="http://www.un.org">www.un.org</a>
OECD	Organisation for Economic Co-operation & Development	<a href="http://www.oecd.org">www.oecd.org</a>
PIFS	Pacific Islands Forum Secretariat	<a href="http://www.forumsec.org.fj">www.forumsec.org.fj</a>
SAARC	South Asian Association for Regional Co-operation	<a href="http://www.saarc.org">www.saarc.org</a>
World Bank	The World Bank Group	<a href="http://www.worldbank.org">www.worldbank.org</a>
WCO	World Customs Organisation	<a href="http://www.wcoomd.org">www.wcoomd.org</a>

## ACRONYMS

<b>AML</b>	Anti-money laundering
<b>APEC</b>	Asia Pacific Economic Co-operation
<b>ASEAN</b>	Association of South East Asian Nations
<b>ADB</b>	Asian Development Bank
<b>AFP</b>	Australian Federal Police
<b>AMLID</b>	Anti Money Laundering International Database (UNDCP)
<b>AusAID</b>	Australian Agency for International Development
<b>AUSTRAC</b>	Australian Transaction Reports & Analysis Centre
<b>ASEM</b>	Asia Europe Meeting
<b>CFT</b>	Combating the financing of terrorism
<b>CFATF</b>	Caribbean Financial Action Task Force
<b>Egmont Group</b>	Egmont Group of the Financial Intelligence Units of the world
<b>ESAAMLG</b>	Eastern and Southern Africa Anti-Money Laundering Group
<b>FIU</b>	Financial Intelligence Unit
<b>FATF</b>	Financial Action Task Force on Money Laundering
<b>FCO</b>	Foreign & Commonwealth Office (UK)
<b>GAFISUD</b>	South American Financial Action Task Force on Money Laundering (Grupo de Acción Financiera de Sudamérica)
<b>IMF</b>	International Monetary Fund
<b>MER</b>	Mutual Evaluation Report
<b>ML</b>	Money laundering
<b>MONEYVAL</b>	Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures
<b>NCCT</b>	Non Co-operative Countries & Territories (FATF initiative)
<b>OECD</b>	Organisation for Economic Co-operation & Development
<b>OGBS</b>	Offshore Group of Banking Supervisors
<b>SAARC</b>	South Asian Association for Regional Co-operation
<b>SEACEN</b>	South East Asian Central Banks Training Institute
<b>UNODC</b>	United Nations Office of Drug Control
<b>UNTOC</b>	United Nations Convention Against Transnational Organized Crime
<b>WCO</b>	World Customs Organisation