



Asia/Pacific Group  
on Money Laundering

APG ANNUAL MEETING 2014

[CAMBODIA PR 2014]

## SECRETARIAT NOTE

### 4<sup>TH</sup> ME FOLLOW UP PROGRESS REPORT: CAMBODIA

#### Purpose

1. In accordance with the *APG Mutual Evaluation Follow Up Procedures 2013*, this Secretariat Note presents for members' consideration Cambodia's 4<sup>th</sup> ME Follow Up Progress Report and the APG Review Team's Analysis Report (AR).

#### Background

2. Cambodia's mutual evaluation report (MER) was adopted in 2007. Cambodia was rated NC/PC in relation to all 16 core/key FATF Recommendations.
3. The Cambodia PR 2013 adopted at the 2013 Annual Meeting found that Cambodia had made limited progress since the 2012 Annual Meeting. Significant deficiencies remained in relation to 13 core/key Recommendations rated NC/PC in the MER.

#### Key findings

4. This AR finds that Cambodia has made substantial and commendable progress since the 2013 Annual Meeting. Cambodia's AML/CFT law was enacted in 2014 and the Sub-Decree on the Freezing of Property of Designated Terrorists and Organizations was enacted by the Prime Minister in March 2014. This important legislative progress, as well as demonstrated increased effectiveness in a number of areas (including suspicious transaction reporting and counter terrorism measures), has led the review team to conclude that R.1, R.3, R.13, R35, SR. 1, SR. III and SR.IV can now be considered to be at a level essentially equivalent to LC. However, significant deficiencies remain in relation to six core/key Recommendations rated NC/PC in the MER.

#### Documents

5. Attached are:
  - The AR prepared by the APG Review Team (dated 1 July 2014) which analyses the information provided by Cambodia in its 2014 progress report<sup>1</sup> and subsequently; and

#### Recommendation to Members

6. The AR (at paragraph 66) makes the following recommendation to members:

Based on the above analysis, it is **recommended** that:

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<sup>1</sup> Cambodia's 2014 progress report can be made available to members upon request. Cambodia chose not to provide a formal response to the Review Team's final draft of the 2014 AR.

- a) Cambodia exit the APG's enhanced follow-up process and be placed on regular follow-up (as compliance remains at the NC/PC level in relation to six core/key Recommendations);
  - b) In accordance with members' decision at the 2013 Annual Meeting (to phase out the APG's 2nd round follow-up process in 2014 for all members on regular follow-up), this marks the end of the follow-up process for Cambodia under the APG's 2<sup>nd</sup> round ME follow-up procedures.
7. Members are asked to consider the APG Review Team's recommendations and decide on the appropriate form of follow-up for Cambodia.

APG Secretariat  
1 July 2014

**N.B. - During the July 2014 APG Annual Meeting, the APG Plenary adopted the recommendations of this report.**

## 4<sup>th</sup> ME FOLLOW UP PROGRESS REPORT: 2014 ANALYSIS REPORT (AR) BY APG REVIEW TEAM

### Key points/issues for discussion

Cambodia's mutual evaluation report (MER) was adopted in 2007. Cambodia was rated NC/PC in relation to **all 16** core/key FATF Recommendations.

The 2013 progress report adopted at the 2013 Annual Meeting found that Cambodia had made limited progress since the 2012 Annual Meeting. Significant deficiencies remained in relation to **13 core/key Recommendations rated NC/PC in the MER.**

The review team finds that Cambodia has made substantial and commendable progress since the 2013 Annual Meeting. Cambodia's AML/CFT law was enacted in 2014 and the sub-decree on the Freezing of Property of Designated Terrorists and Organizations was enacted by the Prime Minister in March 2014. This important legislative progress, as well as demonstrated increased effectiveness in a number of areas (including suspicious transaction reporting and counter terrorism measures), has led the review team to conclude that R.1, R.3, R.13, R35, SR. 1, SR. III and SR.IV can now be considered to be at a level essentially equivalent to LC. However, significant deficiencies remain in relation to six core/key Recommendations rated NC/PC in the MER.

**Action: Members to consider the recommendations at paragraph 66 of this report – it is recommended that:**

- a. Cambodia exit the APG's enhanced follow-up process and be placed on regular follow-up (as compliance remains at the NC/PC level in relation to six core/key Recommendations);
- b. In accordance with members' decision at the 2013 Annual Meeting (to phase out the APG's 2nd round follow-up process in 2014 for all members on regular follow-up), this marks the end of the follow-up process for Cambodia under the APG's 2<sup>nd</sup> round ME follow-up procedures.

## I. INTRODUCTION

1. This review was conducted by the following APG Review Team:

- Legal issues: Mr Jose Carapinha, Macao;
- Financial/regulatory issues: Mr Syed Mansoor Ali, Pakistan;
- Law enforcement/FIU issues: Ms Claire Chen, Chinese Taipei;
- David Becker, APG Secretariat.

2. Cambodia's mutual evaluation report (MER) was adopted by the APG in July 2007.

3. Cambodia was rated NC or PC in relation to **43** of the 49 Recommendations, including all **16** of the 16 core/key FATF Recommendations, as follows:

<b>CORE Recommendations<sup>2</sup> rated NC or PC</b>	
PC	R4
NC	R1; R5; R13; R10; SR.II; SRIV
<b>KEY Recommendations<sup>3</sup> rated NC or PC</b>	
PC	R36; R40
NC	R3; R23; R26; R35; SRI; SR III; SR V

4. The 2011 Analysis Report concluded that progress with R.4 and R.10 had been equivalent to LC because of the AML/CFT law enacted in July 2007 and the AML/CFT Prakas of May 2008.
5. Cambodia is currently subject to enhanced follow-up. The 2013 AR adopted at the 2013 Annual Meeting found that Cambodia had made limited progress since the 2012 Annual Meeting, except that sufficient progress had been made on SR.II to be equivalent to a LC. Overall, 13 of the 16 core/key Recommendations remained at the NC/PC level.
6. Based on the findings of the Review Team, APG members agreed at the 2013 Annual Meeting that Cambodia would:
- Remain subject to enhanced follow-up, as there has only been sufficient progress in relation to three of 16 core/key Recommendations rated NC/PC in the MER and compliance remains at the NC/PC level in relation to 13 of the 16 core/key Recommendations;
  - The Co-Chairs write to relevant Ministers bringing their attention to the remaining deficiencies, in particular in relation to the core/key Recommendations, and strongly encouraging Cambodia to come into better compliance with the FATF standards as soon as possible; and
  - Cambodia be required to provide a further progress report by 31 January 2014 on progress made against the 13 core/key Recommendations remaining at the NC/PC level, including provision of comprehensive statistical information as appropriate.

## **II. INCLUSION IN THE FATF’S ICRG PROCESS**

7. Cambodia is currently subject to the FATF’s ICRG process. The FATF adopted a prima facie review report of Cambodia at its February 2011 plenary which recommended that Cambodia be subject to targeted review. The FATF subsequently adopted the targeted review report of Cambodia in June 2011, and at its latest plenary in June 2014 Cambodia remained in the category of “Improving Global AML/CFT Compliance: Jurisdictions Not Making Sufficient Progress”. However, the FATF indicated that it will conduct an on-site exit visit to confirm the substantial progress made against its action plan. The statement noted that:

*Since June 2011, when Cambodia made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Cambodia has made significant progress to improve its AML/CFT regime. Cambodia has substantially addressed its action plan, including by: adequately criminalising money laundering and terrorist financing; establishing procedures to identify and freeze terrorist assets; establishing procedures for the confiscation of funds related to money laundering; ensuring a fully operational and effectively functioning financial intelligence unit; and establishing effective*

<sup>2</sup> The core Recommendations as defined in the FATF procedures are R.1, SRII, R.5, R.10, R.13 and SRIV.

<sup>3</sup> The key Recommendations are R.3, R.4, R.26, R.23, R.35, R.36, R.40, SRI, SRIII, and SRV.

*controls for cross-border cash transactions. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.*

### **III. OVERVIEW OF PROGRESS MADE BY EVALUATED MEMBER**

8. The Review Team has analysed the progress made by Cambodia since the 2013 Annual Meeting for each core/key Recommendation remaining at the NC/PC level, using the information provided by Cambodia in its further progress report of January 2014, as well as supporting documents, to determine whether ‘sufficient progress’ has been made<sup>4</sup>.
9. In assessing whether sufficient progress has been made, effectiveness is taken into account to the extent possible in a paper-based desk review and primarily through a consideration of data provided by the member. It is also important to note that these conclusions do not pre-judge the results of future evaluations, as they are based on information which was not verified through an on-site process and was not, in every case, as comprehensive as it would be during a mutual evaluation.

#### ***Legal issues and international co-operation***

##### **Recommendation 1 (R1): ML offence**

10. Cambodia was rated NC on R.1. Deficiencies in Cambodia’s money laundering (ML) offence noted in the MER included the following:
  - a) The definition of ML was not in line with international standards
  - b) TF, counterfeiting of products, and piracy were not criminalized so as to be predicate offenses to ML
  - c) The sanctions stated in the law on drug control needed review to ensure that drug offences were predicates to ML
  - d) Not clear that the offense extended to conduct occurring abroad, and to self-laundering
11. The 2013 review team noted that at the date of the report, despite the recent and welcomed passage of the AML/CFT Amendment Law, due to the remaining gaps in criminalization of predicate offences and a lack of information regarding effectiveness of the previously existing ML offence, compliance with R1 could not be considered to be at a level essentially equivalent to LC or C.
12. In 2014 Cambodian authorities confirmed that the amendment to the AML/CFT law has been enacted (this was presented to the 2013 team in June 2013 but it was too late to assess at that time). As Cambodia has a civil law system, it is able to amend only the AML/CFT law (special laws like the AML legislation, always prevail over general laws such as the criminal code). The amendment of AML/CFT law passed on 3 June 2013 has provided the legal basis for criminalizing ML offences in compliance with R1 (this resulted in article 404 of the Criminal Code being tacitly repealed).
13. New article 3 (e) provides a new definition of predicate offence to include, “any felony or misdemeanor, even if committed abroad, as a result of which proceeds have been generated...” and lists 21 predicate offences consistent with the FATF Standards. Further, doubts concerning the underlying criminalization of some predicate offences have been clarified. As a result, the remaining gaps in criminalization of predicate offences have been addressed.
14. In terms of implementation, a training course on Intermediate Financial Investigation was conducted by UNODC and US Embassy in Phnom Penh from 19-23 August 2013. Furthermore four

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<sup>4</sup> Sufficient progress’ is made when the member has implemented a Recommendation at a level essentially equivalent to a C or LC using the FATF *AML/CFT Assessment Methodology 2004*, keeping in mind that this is not a formal re-rating.

awareness workshops on the new AML/CFT amendment law were conducted for municipal and provincial judges, prosecutors, police, and CAFIU. These workshops focused on:

- a) International standards regarding ML/FT criminalization, freezing, seizing and confiscation the properties relating to the crime and the proceeds of crime;
  - b) New revised provisions in the amendment law;
  - c) How to effectively implement the new law;
  - d) Internal coordination among Law Enforcement, Prosecution Authorities and FIU; and
  - e) Resource allocation for investigation
15. Cambodia has made significant progress through the enactment of the AML/CFT amendment law and has undertaken measures to implement the law. Therefore, at the date of this report, compliance with R1 can now be considered to be at a level essentially equivalent to LC.

### Recommendation 3 (R3): Confiscation and provisional measures

16. Cambodia was rated NC on R.3. The MER identified the following deficiencies:

- a) No comprehensive confiscation regime
  - b) No equal value confiscation and confiscation not applicable to all designated predicate offences
  - c) Needed wider law enforcement powers to identify and trace property under the draft criminal procedure code
  - d) No provision for the protection of the rights of bona-fide third parties to confiscated property
17. The 2013 review team noted that there were some doubts about the new contents of the newly enacted AML/CFT Law and it was impossible to assess effectiveness of this new law. It concluded that compliance with R.3 could not be considered to be at a level equivalent to LC or C.
18. Cambodian authorities have provided information that confirms the confiscation regime has been established in the amendment of AML/CFT law 2013. Article 30 new-1 and article 30 new-5 of the amended AML/CFT Law 2013 provides a legal basis for seizure and confiscation measures in compliance with R.3.
19. In conclusion, although it is too early to assess effectiveness, with the adoption of the AML/CFT law and the new provisions concerning confiscation, the team considers that compliance with R.3 can now be considered to be at a level essentially equivalent to LC.

### Special Recommendation III (SR III): Freezing of terrorist assets

20. Cambodia was rated NC on SR III because there was no mechanism in place to give effect to UNSCRs 1267 and 1373, and the requirements of SR.III. The MER set out that Cambodia needed a system that would include:
- a) a mechanism for reviewing terrorist lists of other countries and give effect to them if appropriate;
  - b) a procedure for disseminating the list among FIs, requirements for FIs and guidance on how to implement them;
  - c) procedures for unfreezing and for allowing access to funds for basic expenses;
  - d) protection of *bona fide* third party rights; and
  - e) a mechanism for monitoring compliance and imposing sanction in cases of failure to comply should also be established.
21. The 2013 review team noted that article 30-5 of the AML/CFT Amendment Law sets out broad powers to freeze under UNSCR 1267 and 1373. However there was no mechanism or procedure which would enable freezing without delay. The review team found that compliance with SR.III could not be considered to be at a level equivalent to LC or C.

22. Cambodia has since drafted a Sub-decree on the Freezing of Property of Designated Terrorists and Organizations which was approved by CAFIU BoDs on 4 February 2014 and on 17 February 2014, NCC convened a meeting to review and adopt it before sending it to Cabinet. The sub-decree has now been approved by the Cabinet and signed by the Prime Minister on 10 March 2014, with article 17 determining its immediate application. The draft Sub-decree provides mechanism and procedures for freezing property of terrorists and organizations according to the United Nations Security Council Resolutions (UNSCR) 1267 and 1373, and their Successor Resolutions.
23. Under article 4 of the Sub-Decree, a court order is required for the targeted financial sanctions against 1267 to enter into force. The mechanism requires the Ministry of Justice (MoJ) to issue a letter to the Supreme Court to obtain a freeze order to implement the UNSCR 1267; the Supreme Court to issue a freeze order; MoJ to publish the court order, freezing the properties of listed persons or organisations on the website of MOJ; and CAFIU to publish listing of terrorist persons or organisations on their website and alert all reporting entities of the freezing obligations. Cambodia issued the freezing order on 28 May 2014, so the UNSCR 1267 is now in effect in Cambodia.
24. The Sub-decree largely addresses the requirements under SR.III and it includes persuasive monetary and non-monetary administrative sanctions for non-compliance with its provisions.
25. In conclusion, at the date of this report compliance with SR.III can now be considered to be at a level essentially equivalent to LC.

#### Recommendation 35 and SR I: UN Conventions and Resolutions

26. Cambodia was rated NC for R.35 and S.RI. At the time of the ME, Cambodia had signed but not implemented the Palermo Convention and the FT Convention, and had not implemented UNSCRs 1267 and 1373. Cambodia is a party to the 13 CT Conventions.
27. The 2013 review team noted that despite some progress made, some technical deficiencies still remained and effectiveness of implementation had not been demonstrated. The review team found that compliance with R35/SRI could not be considered to be at a level equivalent to LC.
28. Since the last report, Cambodia made the following progress in regard to R.35 and S.RI:
  - a) ML laundering is criminalized in New AML/CFT Amendment Law (2013)
  - b) FT is criminalized in Law on Counter Terrorism and Law on Amendment Article 3, Article 29 and Article 30 of AML/CFT law.
  - c) Draft Sub-Decree on Freezing of Property of Designated Terrorists and Organizations was signed by the Prime Minister on March 10, 2014, with immediate application as per article 17. An implementing freeze order from the Supreme Court was obtained on 28 May 2014.
29. Based on the progress highlighted, the team considers that compliance with R.35/S.RI can now be considered at a level essentially equivalent to LC.

#### Recommendation 36 (R36) Mutual legal assistance and Special Recommendation V (SRV) International Cooperation:

30. Cambodia was rated PC for R.36 and NC SR.V in the MER. The MER reported that Cambodia had no legal basis for providing MLA in ML/FT cases – other than drug ML cases – and no legal rules for dealing with MLA requests outside of the ASEAN MLA framework, and assistance has been provided only in drug cases.
31. The 2013 review team noted that Cambodia had reported that a draft Law on MLA on criminal matters had been sent to the Ministry of Justice for consideration. The Review Team was not provided with a copy of this draft MLA law so is had been unable to provide any analysis as to whether the draft law met the requirements of the international standards. In relation to SR.V, Cambodia had not provided statistics or further information on how in practice the provisions were

applied or dealt with. The review team found that compliance with R.36 could not be considered to be at a level equivalent to LC or C.

32. Since the date of the last report Cambodia informed that the following progress was made concerning R.36 and SR.V:
- a) Cambodia ratified the ASEAN Treaty on Criminal Matters relating to MLA;
  - b) MLA is also provided in Article 51 to 54 of Law on Anti-Corruption (2010) that apply for ML relating to Corruption offences; and
  - c) A specifically dedicated MLA Law has been drafted but it has not been made available to the review team.
33. The dedicated MLA Law is at the drafting stage with content unknown to the review team, and this legal instrument is essential in the definition of a comprehensive regime for the widest possible cooperation between countries in the area of MLA in accordance with the requirements of R.36 and SR.V. The limited provisions currently existing in Cambodian law do not address effectively and comprehensively those requirements of R36 and SRV. At date of this report, compliance with R.36 and SR.V cannot be considered to be at a level essentially equivalent to LC.

#### Recommendation 40 (R40) Other forms of international cooperation

34. Cambodia was rated PC on R.40. The MER identified the absence of FIU and supervisory international cooperation as the underlying deficiencies.
35. The 2013 review team noted that Cambodia reported that an MOU on exchange of information had been signed with five foreign FIUs and that they were expecting to sign with another five. Requests for additional information had been received. Bilateral agreements had been reached with Malaysia and Thailand for sharing lessons and experience in banking supervision. However Cambodia had not provided any information about instances when it had engaged in informal cooperation. The review team found that compliance with R.40 could not be considered to be at a level equivalent to LC.
36. Since the date of the last report, Cambodia has signed new MOUs with the Korean Financial Intelligence Unit (KOFIU) and Anti-Money Laundering Office of the Kingdom of Thailand (AMLO). In terms of implementation of these international agreements, four cases on information sharing have been undertaken, with two requests made and two received.
37. Overall, while Cambodia continues to make progress with international cooperation, it is still primarily focused on FIU to FIU exchanges, whereas R.40 requires information exchanges across all AML/CFT competent authorities. In conclusion, at the date of this report, compliance with R40 cannot be considered to be at a level essentially equivalent to LC.

#### ***Financial/regulatory issues***

#### Recommendation 5 (R5): CDD

38. Cambodia was rated NC on R.5 in its MER owing to numerous deficiencies. Cambodia was required to ensure that the new CDD requirements set by the AML law were implemented and to clarify some of the requirements set out in law. The MER recommended that Cambodia set a threshold for occasional transactions, clarify the definition of beneficial owners and associated CDD measures, set detailed CDD requirements for PEPs and review the definition of the latter, broaden requirements related to higher risk categories, set a regime for correspondent banking, define information updating requirements, bring the NBC within the AML /CFT framework and clarify requirements for non-face-to-face business relationships.

39. Over a period of time, Cambodia addressed some of the deficiencies in the light of recommendations made in the MER with respect to R.5. The 2013 review team noted the remaining deficiencies especially with regard inconsistencies in the Articles of AML/CFT Law and AML/CFT Prakas and accordingly suggested modifications in AML/CFT Prakas to bring them in line with the requirements of the AML/CFT law. Moreover, the review team noted that the level of implementation of CDD measures were not adequate and effective. The 2013 review team found that compliance with R.5 could not be considered to be at a level equivalent to LC or C.
40. During the current review, the review team has not found any material change in the status of compliance to R.5. As pointed out in the review report of 2013, Article 8 of Prakas (2008) and Article 9 of Prakas (2010) both appear to be inconsistent with the Article 8 of AML/CFT Law. While Article 8 of AML/CFT Law requires identification of the ultimate beneficial owner as well as the verification of identity of beneficial owner, Article 8 of the Prakas (2008) and Article 9 of Prakas (2010) instead require banks, financial institutions and reporting entities to conduct CDD when they suspect a transaction is conducted on behalf of a beneficial owner and not the customer who is conducting such transaction. The suspicion that a transaction is being conducted for another beneficial owner is not sufficient to satisfy the requirement of R.5.
41. Cambodia has informed that the CDD requirement is the one of CAFIU examination criteria and that most of the examined banks and MFIs are implementing these requirements. However, considering the fact that only three reporting entities (3 banks only) were inspected in 2013 and two reporting entities (1 bank and 1 MFI) were inspected in 2014, it would be difficult to extrapolate an even level of implementation of CDD obligations across all reporting entities on the basis of examined reporting entities and effectiveness of CDD measures thereof. The demonstration of effectiveness is necessary to support a satisfactory level of compliance.
42. At the date of this report compliance with R.5 cannot be considered to be at a level essentially equivalent to LC because of remaining issues on technical compliance and effective implementation.

Recommendation 13 (R13) and Special Recommendation IV (SRIV): Suspicious transaction reporting

43. Cambodia was rated NC for R.13 and NC for SR.IV in the MER. The MER noted that the STR requirements were partial and confusing. Moreover, it was reported that no STRs had ever been received.
44. The 2013 review team noted the progress made by Cambodia, however, the team also cited some remaining deficiencies in relation to the scope of predicate offences and the definition of STRs in the AML/CFT law and Prakas. It was also pointed out that a good number of banks and financial institutions were not reporting STRs at all. The review team found that compliance with R.13/SR.IV could not be considered to be at a level equivalent to LC.
45. Cambodia has made progress by amending its AML/CFT law which in turn has a positive bearing on R.13 and SR.IV. The legal deficiencies as pointed out in the previous review reports have thus been addressed.
46. Cambodia has reported that an electronic reporting system has been put in place for banks and FIs to report CTRs and STRs to CAFIU which would be extended subsequently to DNFBPs. As per information provided by Cambodia, 193 STRs and 1,475,112 CTRs were reported to CAFIU in 2013 as compared to 76 STRs and 968,347 CTRs in 2012, which indicates an increasing trend in reporting. However, as the reporting is being made either by

banks or MFIs, the ML/TF vulnerability arising out of non-reporting by the other reporting entities cannot be discounted.

47. At the date of this report, technical compliance with R.13/SR.IV is fully met and effectiveness has improved. Therefore, progress can be considered to be at a level essentially equivalent to LC.

#### Recommendation 23 (R23): Supervision

48. Cambodia was rated NC for R.23 in the MER. The MER identified numerous deficiencies regarding the role, functions, duties and powers, including sanctioning authority, of the supervisory system in Cambodia with regard to AML/CFT.
49. The 2013 review team noted that a number of deficiencies identified in the MER remained unaddressed. The review pointed out a host of deficiencies both in onsite and off-site supervision of banks. It was also pointed out that AML/CFT supervision outside the banking sector is almost nonexistent. The review team found that compliance with R.23 could not be considered to be at a level equivalent to LC or C.
50. During the current review, the review team has not found any material change in the status of compliance to R.23. The banks and financial institutions are not subject to adequate AML/CFT supervision, considering the fact that only three banks have been inspected in 2013 and one bank and one MFI have so far been inspected in 2014. Cambodia has not provided sufficient information with respect to AML/CFT supervision of developing securities and life insurance industries. However, Cambodia indicated that public awareness has been provided to other FIs supervisors on 25-27 November 2013.
51. While there does not appear any significant AML/CFT supervision outside the banking sector, deficiencies in the supervision even in the banking sector are significant. Therefore, it cannot be assumed that the banks and FIs are complying with the legal and regulatory AML/CFT requirements. Also, there is no indication that off-site supervision is applied to all types of reporting entities.
52. The other significant regulatory and supervisory issues pointed out in the previous review reports do not appear to have been remedied i.e. shortcomings in the licensing process, internal control, guidance to financial sector, sanctions, etc.
53. At the date of this report, compliance with R.23 cannot be considered to be at a level essentially equivalent to LC because of significant deficiencies with effectiveness.

#### ***Law Enforcement/FIU issues***

#### Recommendation 26 (R26): Financial Intelligence Unit

54. Cambodia was rated NC for R. 26 in the MER. The MER concluded that no FIU was in place. The MER identified that the Cambodian authorities should establish an FIU, as contemplated in the new AML law and that they consider:
- setting strategic directions for the FIU;
  - formulating clear plans as to the resources, structure and information technology requirements of the FIU;
  - organizing for the collection and analysis of relevant statistics,; defining the precise role and responsibilities of the FIU board to ensure no interference with the day-to-day operation and autonomy of the unit;
  - drawing up a code of conduct and a set of regulations for the staff of the FIU; and
  - increasing outreach to the private sector on the Cambodian AML /CFT framework and issuing appropriate guidance.

55. The 2011 AR noted that Cambodia had established a Cambodian FIU (CAFIU) through the promulgation of three instruments, namely: (1) “Chapter IV: Financial Intelligence Unit” in the AML/CFT Law, enacted on 24 June 2007, provides the legal basis for Cambodian FIU (CAFIU); (2) Sub-Decree No 10, dated 29 January 2008, provides the basis for the institutional establishment of CAFIU within the National Bank of Cambodia (NBC); and (3) the NBC Governor’s “Prakas on Structures Duties and Functions of the Cambodia Financial Intelligence Unit”, dated 16 September 2009, provides details on the roles and organisational structure of CAFIU.
56. The 2012 Review Team noted that the allocation of staff to FIU functions vis-à-vis supervisory functions was uneven, given that CAFIU is both an FIU and AML/CFT supervisor. It also noted that there was limited information from other authorities on the quality of CAFIU’s STR/CTR analysis. Therefore, the 2012 Review Team found that compliance with R.26 could not be considered to be at a level equivalent to LC.
57. The 2013 review team noted resourcing of the CAFIU remains a serious issue, despite increasing staff numbers to ten, and as a result it was not able to fully perform its statutory functions. The review team found that compliance with R.26 could not be considered to be at a level equivalent to LC or C.
58. In June 2013, Cambodia established an electronic submissions for STR/CTRs. The Review Team recognises the CAFIU’s progress in developing this IT functionality. The relevant statistics are as follows:

Year	STRs				Onsite of REs		CTR	Reporting Entities		
	Received	Analyzed	Disseminated	Filing	Banks	MFIs		Banks	MFIs	NPO
2009	64	9		46	4	0	162,225	10	1	0
2010	101	4		95	12	0	431,141	20	1	0
2011	138	3		135	10	1	656,181	29	5	1
2012	76	3		73	11	5	968,347	36	23	1
2013	193	0	0	193	3	0	1,475,112	42	37	1

59. While the number of STRs has increased in 2013, the CAFIU did not process any STRs reported during this period. This is explained by CAFIU advising that the first stage of the electronic reporting system is to verify the accuracy of data collection from reporting entities. It is in the process of considering the purchase of analytical tools from the US Treasury to support its analysis function. In addition, CAFIU confirmed there are no other databases from which CAFIU can access to enhance its analysis function.
60. The CAFIU has been developing prototype electronic forms to facilitate law enforcement requests to the FIU. The Review Team recognises CAFIU’s progress on setting up additional communication channels to enhance the efficacy of ML/FT investigations. Statistics such as the frequency of requests are required to further analyse this communication channel.
61. The CAFIU has signed MOUs on cooperation with domestic authorities (Commissioner General of National Police of Ministry of Interior and General Department of Customs and Excise of Cambodia of the Ministry of Economy and Finance) and foreign counterparts (Malaysia, Sri Lanka, Bangladesh, Japan, South Korea and Thailand).

62. Under articles 6 and 29 of the AML Law, the CAFIU has the authority to obtain information from any persons and legal entities, including criminal sanctions for non-compliance.
63. In summary, although the CAFIU has made progress in enhancing its IT systems, the tool is only applied at the reporting stage, and no enhancement to its analysis and dissemination functions have been made. At the date of this report, compliance with R.26 cannot be considered to be at a level essentially equivalent to LC because of a continued lack of effective implementation of CAFIU's mandate.

#### IV. SUMMARY

64. The tables at Annex A summarise the APG Review Team's findings in relation to the 13 core/key Recommendations remaining at the NC/PC level as at the date of the 2013 Annual Meeting.
65. Cambodia has made substantial and commendable progress since the 2013 Annual Meeting. Cambodia's AML/CFT law was enacted in 2014 and the sub-decree on the Freezing of Property of Designated Terrorists and Organizations was enacted by the Prime Minister in March 2014. This important legislative progress, as well as demonstrated increased effectiveness in a number of areas (including suspicious transaction reporting and counter terrorism measures), has led the review team to conclude that R.1, R.3, R.13, R35, SR. 1, SR. III and SRIV can now be considered to be at a level essentially equivalent to LC.

#### V. RECOMMENDATION TO MEMBERS

66. Based on the above analysis, it is **recommended** that:
  - a) Cambodia exit the APG's enhanced follow-up process and be placed on regular follow-up (as compliance remains at the NC/PC level in relation to six core/key Recommendations);
  - b) In accordance with members' decision at the 2013 Annual Meeting (to phase out the APG's 2nd round follow-up process in 2014 for all members on regular follow-up), this marks the end of the follow-up process for Cambodia under the APG's 2<sup>nd</sup> round ME follow-up procedures.

APG Review Team  
1 July 2014

**Summary of Cambodia's progress in relation to core/key Recommendations rated NC or PC in the MER**

*Table 1: Sufficient progress made on core/key Recommendations?*

<b>Rec.</b>	<b>MER rating</b>	<b>Sufficient progress?</b>
<b>R1</b>	<b>NC</b>	<b>Yes</b>
<b>R3</b>	<b>NC</b>	<b>Yes</b>
<b>R4</b>	<b>PC</b>	<b>Yes (2011)</b>
<b>R5</b>	<b>NC</b>	<b>No</b>
<b>R10</b>	<b>NC</b>	<b>Yes (2011)</b>
<b>R13</b>	<b>NC</b>	<b>Yes</b>
<b>R23</b>	<b>NC</b>	<b>No</b>
<b>R26</b>	<b>NC</b>	<b>No</b>
<b>R35</b>	<b>NC</b>	<b>Yes</b>
<b>R36</b>	<b>PC</b>	<b>No</b>
<b>R40</b>	<b>PC</b>	<b>No</b>
<b>SRI</b>	<b>NC</b>	<b>Yes</b>
<b>SRII</b>	<b>NC</b>	<b>Yes (2013)</b>
<b>SRIII</b>	<b>NC</b>	<b>Yes</b>
<b>SRIV</b>	<b>NC</b>	<b>Yes</b>
<b>SRV</b>	<b>NC</b>	<b>No</b>

*Table 2: Current compliance with 16 core/key Recommendations*

No. of core/key Recs rated NC/PC in MER	<b>16</b>
No. of core/key Recs where 'sufficient progress' made	<b>10</b>
No. of core/key Recs remaining at NC/PC level	<b>6</b>