



**Asia/Pacific Group
on Money Laundering**

**Annual Report
1 July 2002 – 30 September 2003**

September 2004

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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 fifteen months ending 30 September 2003. This is the fourth annual report published by the APG.

This report covers a fifteen month period so that it can encompass the outcomes of the APG's 2003 Annual Meeting, which was held from 16 – 19 September 2003 in Macau, China. APG Annual Meetings, the primary decision-making forum of the APG, are normally held in May/June each year, but the 2003 meeting was postponed until September for a variety of reasons, including the SARS epidemic which was prevalent in the first half of 2003.

The primary purpose of the APG is to provide a regional focus 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 a further overall increase in the level of implementation of the international AML/CFT standards by APG members. Major achievements during the reporting period include:

- a further expansion of APG membership, to 26, with the addition of Brunei Darussalam;
- adoption by APG members at the 2003 Annual Meeting of the revised Forty Recommendations developed by the Financial Action Task Force (FATF) in June 2003;
- the completion of three comprehensive evaluations of jurisdictions in the region (Republic of Korea, Bangladesh and Palau);
- adoption by the APG of the standard global AML/CFT assessment methodology developed by the FATF, the International Monetary Fund, the World Bank and regional anti-money laundering bodies, including the APG;
- successful conduct of the APG's 2003 Annual Meeting in Macau, China. The meeting was the largest ever held, with agreement reached on a wide range of issues, including:
 - adoption of the revised Forty Recommendations;
 - adoption of a substantially revised APG Strategic Plan;
 - establishment of an advisory APG Steering Group, to provide high level advice to members, the Co-Chairs and the APG Secretariat;
 - adoption of three mutual evaluation reports;
 - development and adoption of an APG Alternative Remittance Implementation Package, to assist jurisdictions to combat money laundering and terrorist financing;
 - development and adoption of an enhanced APG Typologies Framework, including the establishment of an APG Typologies Working Group; and
 - establishment of an APG Implementation Issues Working Group, to undertake a series of coordinated and intensive examinations of particular AML/CFT implementation issues.

- further expansion of the APG’s work in the area of technical assistance and training and successful conduct of the 2003 Annual Forum on Technical Assistance and Training in September 2003 in conjunction with the APG Annual Meeting; and
- successful conduct of the APG Typologies Workshop in Vancouver, Canada in October 2002.

These developments and outcomes demonstrate the increasing cohesiveness of the APG and the more 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 our predecessors as Co-chairs: Mr Gary Crooke QC, whose term as Co-chair on behalf of Australia ended in September 2002, Dato’ Huang Sin Cheng, whose term as Malaysian Co-Chair ended in June 2002, and Mr Dong-Kyu Shin, Mr Gyu-Bok Kim and Mr Byung-Ki Kim, who have held the Korean Co-Chair position at various times since July 2002.

Finally, we would like to thank Rick McDonell and his 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.

Mick Keelty
Co-chair
Australia

Yangho Byeon
Co-chair
Republic of Korea



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, Thailand¹. 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 standards². 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 eight 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 allows for regional factors to be taken into account in the implementation of anti-money laundering measures and provides for peer review by means of a mutual evaluation process.

Nature

The APG is voluntary and co-operative in nature and is 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 26 members as at 30 September 2003. One jurisdiction joined the APG in 2002 – 03: Brunei Darussalam.

Membership currently comprises Australia; Bangladesh; Brunei Darussalam; Chinese Taipei; Cook Islands; Fiji Islands; Hong Kong, China; India; Indonesia; Japan; Korea (Republic of); Macau, China; Malaysia; Marshall Islands; Nepal; New Zealand; Niue; Pakistan; Palau; Philippines; Samoa; Singapore; Sri Lanka; Thailand; United States of America and Vanuatu. There are also 13 observer jurisdictions³ and 16 observer international and regional organisations⁴.

¹ This symposium was organised by the FATF Asia 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.

² A copy of the APG Terms of Reference is at Annex A.

³ Cambodia; Canada; France; Kiribati; Lao PDR; Maldives; Mongolia; Myanmar; Nauru; Papua New Guinea; Tonga; United Kingdom; Vietnam.

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;
- 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 were a number of changes to the APG Co-Chairs during the period under review, which are briefly outlined below.

Australian Co-Chair

Commissioner Mick Keelty became Co-Chair in January 2003. He replaced Mr Gary Crooke QC, who was APG Co-Chair from September 1999 to September 2002.

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.

Commissioner Keelty is also the Deputy Chair of the Australian National Council on Drugs and Co-Chair of the Board of Control of the Australian Institute of Police Management

Korean Co-Chair

At the APG's Fifth Annual Meeting in June 2002, it was agreed that the Republic of Korea would assume the rotating Co-Chair position for two years when Malaysia's term expired. Accordingly, on 1 July 2002 Dato' Huang In Cheng was replaced by Mr Dong-Kyu Shin, Commissioner, Korea Financial Intelligence Unit (KoFIU), Ministry of Finance and Economy, Republic of Korea, as the new APG Co-Chair. Following his appointment to the role of Deputy Minister for Finance in

September 2002, Mr Shin was replaced as Co-Chair by the new Commissioner of KoFIU, Mr Gyu-Bok Kim, who held the Co-Chair position until April 2003.

⁴ 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.

Mr Gyu-Bok Kim was in turn replaced by Mr Byung-Ki Kim in April 2003 when Byung-Ki Kim became the new Commissioner of KoFIU. Byung-Ki Kim served as APG Co-Chair for the remainder of the period under review⁵.

Mr Kim has a Master of Public Administration, and BA in Philosophy. He has served as the Secretary to the President for Economic Policy and has held several senior positions within the Ministry of Finance and Economy, including Director-General for the Director General of the Treasury Bureau, Tax Judge of the National Tax Tribunal and Deputy Director General for International Finance, Financial Policy Office. Mr Kim was also seconded to the World Bank between 1997 and 1999.

Mission Statement and Strategic Plan

Following an initial summary of the APG's 2003 Annual Meeting, this annual report is structured around the seven goals of the APG's Strategic Plan 2001 – 04, with detailed performance information contained in chapters 3 to 9. The mission and goals of the Strategic Plan 2001 – 04 are as follows:

Strategic Plan 2001 – 04

The APG's mission is to **contribute to the global fight against money laundering, organised crime and terrorist financing by enhancing anti-money laundering and anti-terrorist financing measures in the Asia/Pacific region.**

The **goals** of the APG are to achieve:

1. Develop a better understanding of the nature, extent and impact of money laundering in the region.
2. Expand regional awareness of money laundering issues and the role of the APG.
3. Identify and agree on comprehensive anti-money laundering measures appropriate to the region.
4. Oversee and facilitate the implementation of comprehensive anti-money laundering measures in all member jurisdictions.
5. Facilitate and co-ordinate the provision of technical assistance and training to jurisdictions in the region, where necessary, to assist them to implement comprehensive anti-money laundering measures.
6. Measure the level of implementation by each member of comprehensive anti-money laundering measures and monitor regional implementation of the measures.
7. Facilitate the implementation of the FATF Special Recommendations on Terrorist Financing and the relevant United Nations instruments in all member jurisdictions.

⁵ Mr Kim ceased to APG Co-Chair in March 2004. Following his appointment to the role of Deputy Minister for Finance in March 2004, Mr Kim was replaced as Co-Chair by the new Commissioner of KoFIU, Mr Young-Min Baang. Mr Baang was in turn replaced as Commissioner of KoFIU and APG Co-Chair by Mr Yangho Byeon in early June 2004.

While this report is structured around the Strategic Plan 2001 – 04, which was in place during the reporting period, it should be noted that members adopted a new Strategic Plan 2003 – 06 at the APG's sixth Annual Meeting in September 2003. The vision, mission, objectives and roles of the new 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.

In essence, the APG Strategic Plan 2003 – 06 is not a significant departure from the APG Strategic plan 2001 - 04. However, the new plan more clearly and succinctly articulates the APG's vision, mission, objectives and roles and better reflects the changes that have occurred in recent years, in particular the APG's inclusion of a focus on combating the financing of terrorism, the revision by the FATF of the Forty Recommendations and the APG's expanded role as the coordinating body for the delivery of AML/CFT technical assistance and training in the region. Future APG annual reports will be based on the revised Strategic Plan.

2. APG Annual Meeting 2003

Because of its significance to the APG's work program each year, this chapter reports on the general outcomes of the APG's annual meeting in some detail. Further information concerning particular subjects discussed at the annual meeting can be found in other chapters of this report.

The sixth Annual Meeting of the Asia/Pacific Group on Money Laundering, held in Macau, China from 16 – 19 September 2003, was a very successful four-day meeting. The meeting was opened by Ms Florinda da Rosa Silva Chan, Secretary for Administration and Justice of the Macao SAR Government and chaired by APG Co-Chairs Commissioner Mick Keelty of Australia and Commissioner Byung-Ki Kim of Korea.

In attendance were over 250 participants representing 26 member jurisdictions, eight observer jurisdictions and 11 international and regional organisations. The meeting brought together senior official representatives from the legal, financial/regulatory and law enforcement sectors of government and provided an opportunity to discuss the practical issues associated with the implementation of AML/CFT measures in the region.

The meeting was broadly structured around the goals of the APG's Strategic Plan. The major outcomes and highlights of the 2003 Annual Meeting of the APG included:

- the welcoming of Brunei Darussalam to its first annual meeting as a member, having been admitted as a member out of session in December 2002;
- a detailed discussion and formal adoption of the revised (June 2003) FATF Forty Recommendations;
- adoption of:
 - the APG Yearly Typologies Report for 2002;
 - the Alternative Remittance Implementation Package developed by the APG Working Group on and Underground Banking Systems as a guide for member and observer jurisdictions when implementing and enforcing Special Recommendation VI;
 - an enhanced APG Typologies Framework and the Management Plan;
 - a proposal to establish a standing APG Typologies Working Group to conduct in-depth studies of particular methods and trends, give support to a network of experts and provide practical advice on some aspects of the APG's typologies program;
- consideration and adoption of a report by the APG Working Group on Information Sharing;
- updates from the UNODC, the IMF and World Bank on relevant developments;
- establishment of an APG Working Group on Implementation Issues to undertake a series of coordinated and intensive examinations of particular AML/CFT implementation issues;
- a discussion and formal adoption of the standard AML/CFT Assessment Methodology developed in October 2002, for APG mutual evaluation purposes;
- discussion and adoption of three evaluation reports of member jurisdictions – Republic of Korea, Bangladesh (an IMF/World Bank-led assessment to which the APG contributed two evaluators), and Palau. Members heard progress reports from all previously evaluated jurisdictions and agreed on a program of evaluations for 2003 – 04. Members also agreed to further enhance the APG mutual evaluation procedures to reflect the adoption of the standard AML/CFT Assessment Methodology, and to work cooperatively with the IMF and World Bank in order to reduce duplication of assessments of members;
- the provision of short oral updates by member and observer jurisdictions provided short oral updates on progress in their jurisdictions over the past 12 months in the implementation of AML/CFT laws and related measures;

- a special presentation on the Regulation of Islamic Banking in Malaysia by Madam Rohana Yusof, Senior Manager, Operations and Legal Section of Islamic Banking and Takaful Department, Bank Negara Malaysia;
- a discussion of membership expansion and outreach activities under taken in 2002 – 03 and agreement that while the APG now has fairly comprehensive coverage of the region, efforts to further expand the membership to include significant jurisdictions should continue;
- presentations on and plenary discussion of the outcomes of the highly successful Annual Forum on Technical Assistance and Training held immediately prior to the Annual Meeting. Members also considered APG technical assistance and training activities over 2002 – 03 and the key activities planned for 2003-04;
- decisions in relation to the structure and organisation of the APG:
 - establishment of the advisory APG Steering Group. Members agreed on the following nominations to serve on the APG Steering Group, together with the APG Co-Chairs, until June 2004: Fiji Islands, Bangladesh, Hong Kong, China, Thailand and the United States;
 - adoption of the APG Strategic Plan July 2003 to June 2006;
 - report against the APG Business Plan 2002 – 03 and adoption of the Business Plan 2003 – 04;
 - adoption of an increased APG Budget for 2003 – 04 and agreement to enhance the capacity of the APG Secretariat through the recruitment of two new staff in order to meet the increased demand from, and to improve the range and quality of services available to, APG members; and
 - the status of the APG Secretariat.

3. A better understanding of the nature, extent and impact of money laundering in the region

This chapter outlines progress made in achieving Goal 1 of the APG's Strategic Plan 2001 – 04, which is to *develop a better understanding of the nature, extent and impact of money laundering in the region*.

There are a number of ways in which the APG seeks to achieve this goal, including through:

- conducting an annual Typologies Workshop in which particularly members are invited to report on trends and methods of money laundering in their jurisdiction;
- as appropriate, establishing Working Groups to examine and report on aspects of money laundering; and
- undertaking, encouraging, contributing to and/or sponsoring studies to measure the extent and impact – both economic and social – of money laundering in the region.

2002 Typologies Workshop

The fifth Typologies Workshop of the Asia/Pacific Group on Money Laundering (APG) was held on 29 and 30 October in Vancouver, Canada, hosted by the Royal Canadian Mounted Police (RCMP).

The Workshop, the APG's largest ever, was attended by more than 120 law enforcement and regulatory experts from 28 jurisdictions and seven international and regional organisations. The Workshop was co-chaired by Superintendent Garry W. G. Clement, RCMP and Mr Rick McDonnell, Head of the APG Secretariat.

Opening address

Deputy Commissioner Bev Busson of the RCMP gave the Opening Address. Ms Busson welcomed participants to the Workshop, noting it was a unique opportunity for Canada as it was the first APG event it had hosted. This showed Canada's continued commitment to the APG, its work and its members. Ms Busson referred to events of 11 September 2001 and the impetus it had given to global efforts to combat terrorist financing, including through the sharing of experiences in trends and methods in these activities. Ms Busson noted that the work of the APG had been responsible for bringing about policy changes on money laundering in many jurisdictions in the Asia- Pacific Region. She also noted that criminal organisations were constantly updating their methods in response to enforcement measures, making it very important for bodies such as the APG to recognise the evolving nature of money laundering and terrorist financing techniques. Ms Busson stated that the RCMP and Canada were committed to the implementation of the 40 Recommendations and to working with others in sharing information, enforcement strategies and training.

Workshop highlights

The Workshop was held in the context of an increased global focus on money laundering and terrorist financing and their implications. Highlights of the Workshop included:

- special presentations on underground banking and alternative remittance systems by representatives of the RCMP, the US Financial Crimes Enforcement Network (FinCEN) and The World Bank;
- special presentations on information sharing by representatives of Interpol, The Egmont Group of Financial Intelligence Units and the Anti-Money Laundering Office of Thailand;

- intensive breakout sessions to discuss issues relating to alternative remittance systems and information sharing as they relate to money laundering and terrorist financing;
- special presentations on tracing the proceeds of terrorist financing and money laundering by representatives of the FATF Secretariat, the RCMP, and the US Federal Bureau of Investigation;
- development of a clearer picture of current money laundering methods and trends in the region; and
- agreement that further intensive work continue so as to improve information sharing between countries.

Participants also discussed possible topics for future typologies workshops and the merits of a global typologies exercise with the FATF and other regional anti-money laundering bodies.

The participants in the Workshop extended their gratitude to Canada, and in particular to the Royal Canadian Mounted Police, for the arrangements they made in hosting the Workshop.

APG Working Group on Alternative Remittance and Underground Banking Systems

Background and membership

The APG Typologies Working Group on Alternative Remittance and Underground Banking Systems (AR/UBS) was established at the Second APG workshop on money laundering typologies, held in Tokyo, Japan in March 1999. The mission of the APG Working Group was to conduct “a coordinated and intensive examination of money laundering through underground banking and alternative remittance systems”.

The focus of the Working Group was to assist in the development of law enforcement’s knowledge and understanding of methods of alternative remittance and underground banking. This was achieved largely via the sharing of a body of case studies between jurisdictions and through creation of the Alternative Remittance Regulation Implementation Package.

Seventeen jurisdictions participated in the Working Group, namely: Australia, Canada, Chinese Taipei, Hong Kong, China, India, Indonesia, Japan, Kingdom of Cambodia, Malaysia, New Zealand, Pakistan, Republic of Korea, Republic of the Philippines, Singapore, Thailand, the United States of America and Vietnam. Three international organisations; the Commonwealth Secretariat, Interpol and the World Customs Organisation, were also APG Working Group members.

Australia and Thailand were the first co-Chairs of the Working Group and Japan also held the Working Group co-chair role. The Working Group was co-chaired by Hong Kong, China and Australia during the period under review in this annual report.

The Alternative Remittance Regulation Implementation Package

The 2002 APG Annual Meeting gave the Working Group a mandate to continue work for another 12 months and decided that it was very important that further work be done on *implementation* issues.

In 2002 and 2003 the Working Group examined strategies to implement the recommendations made in the October 2001 Working Group Report. This took on added urgency and importance in the light of the expansion of both the FATF’s and the APG’s mandates to combat terrorist financing.

The work resulted in the creation of the Alternative Remittance Regulation Implementation Package ('the Implementation Package'), which built on previous experience and typologies work to provide practical information and strategies to aid countries in implementing measures to regulate alternative remittance and underground banking systems.

The purpose of the Implementation Package, which was formally adopted by APG members at the 2003 APG Annual Meeting, is to provide practical guidance, information and examples for jurisdictions to draw upon in implementing regulatory systems for alternative remittance providers.

The Implementation Package is designed to answer questions including:

- what does 'regulation' of alternative remittance and underground banking providers mean in practice?
- what does 'licensing' of alternative remittance and underground banking providers mean in practice?
- what legislation is in place in Working Group countries to deal with registration/licensing of and reporting by alternative remittance providers?
- what models can be implemented for registration and licensing of alternative remittance providers?
- how can alternative remittances providers be identified?
- what reporting and record keeping by alternative remittance providers is needed?
- how can reporting by alternative remittance providers be ensured?

The Implementation Package has been developed with the following objectives in mind:

- provide strategies for effective monitoring and control of alternative remittance systems;
- outline a standard which, if applied by all countries, would make jurisdictions' systems collectively more resistant to abuse by international money launderers and financiers of terrorism;
- provide an approach which is highly effective but still within the capacity of most jurisdictions to implement;
- recognising that in most jurisdictions alternative remittance systems have legitimate uses, limit as far as possible the burden placed on alternative remittance operators in introducing and complying with these strategies.

Copies of the Implementation Package can be found on the APG Website: www.apgml.org

Other contributions made by the Working Group during the period under review

Through development and release of the Implementation Package, the APG Working Group has made significant progress in assisting in developing law enforcement's knowledge and understanding of methods of alternative remittance and underground banking. The FATF and other bodies such as World Bank and ASEAN have been seized with the issue of alternative remittance. FATF has now set and elucidated on a global standard to be met.

The APG Working Group actively participated in the FATF's Working Group on Terrorist Financing during 2002 – 03. The Working Group co-chairs attended three of the FATF Working Group on Terrorist Financing meetings, contributing to the development the Interpretative Note and the Best Practices Paper for FATF Special Recommendation VI which deals with alternative remittance. The Best Practices Paper issued by the FATF specifically acknowledges that it draws on the work of the APG Working Group and on the Implementation Package.

Contribution was also made to the FATF Working Group on Terrorist Financing's development of interpretative notes and best practices papers on other Special Recommendations.

Completion of work

At the 2003 Annual Meeting, the APG Working Group indicated to APG members that with this work completed, it was an appropriate time to refocus the APG Working Group's activities. It was proposed, and agreed, that the APG's efforts be put into broader typologies work, including, but not limited to, exploration of underground banking and alternative remittance systems. The Working Group on Alternative Remittance and Underground Banking Systems thus ceased to exist in its current form in September 2003, leaving the APG able to focus fully on the APG Typologies Working Group.

APG members commended the work of the Working Group on Alternative Remittance and Underground Banking Systems and, especially, of its co-chairs: Ms Rachelle Boyle of Australia and Mr Mark Butler of Hong Kong, China.

Future APG typologies work: the APG Typologies Framework and creation of the APG Typologies Working Group

At the 2003 Annual Meeting, the APG Secretariat proposed the adoption of an enhanced APG Typologies Framework and associated Management Plan. The aim of the Typologies Framework is to:

- enable the APG to provide enhanced and expanded typologies information to its members;
- involve more frequent and systematic collection of typologies information;
- include a Typologies Working Group to conduct in-depth studies of particular methods and trends, give support to a network of experts and provide practical advice on some aspects of the APG's typologies program;
- involve individual members or small groups of members volunteering to study particular typologies topics through typologies projects;
- continue to include annual APG Typologies Workshops;
- include an expanded yearly report of the APG's typologies activities produced by the APG Secretariat; and
- include closer cooperation with various other members within the global AML/CFT network, in particular the FATF and the Egmont Group.

APG members supported the proposal, formally endorsing the Typologies Framework and the Management Plan and committing to regularly provide typologies information in accordance with the proposed Typologies Framework Collection Categories. Members also agreed to establish the APG Typologies Working Group at the 2003 APG Annual Meeting, endorsing the Typologies Working Group Terms of Reference and the outline for initial work to be undertaken by the group. This included work on:

- *the financing of terrorism* - methodologies and trends: this theme would build on previous studies of use of UB/ARS and is in support of the initial tasking for the new APG Typologies Working Group. The first major task of the Typologies Working Group is to examine methods and trends in the financing of terrorism;
- *cash couriers* – cash economy issues: a number of jurisdictions have previously highlighted the need for more work to be done in these important areas; and

- *money laundering trends and methods pursuant to corruption*: the importance of this theme has been highlighted by the revision to the FATF Forty Recommendations and the development of the UN Convention against Corruption. Corruption remains a significant source of illicit proceeds throughout the world.

APG Working Group on Information Sharing

At the APG's 2001 Annual Meeting, APG members decided that a working group should be established to examine ways to improve the efficiency and effectiveness of information sharing between jurisdictions.

This matter was further discussed at the APG's Typologies Workshop held in Singapore on 17 – 18 October 2001, at which the Working Group was formally established.

The primary objective of the Working Group was:

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

The Working Group was Co-Chaired by the United States and Australia and comprised representatives from the following jurisdictions: Australia; Chinese Taipei; Hong Kong, China; Japan; Korea (Republic of); Malaysia; New Zealand; Pakistan; Philippines; Singapore; Thailand; United States; and Vanuatu. The Egmont Group and the FATF were also members of the Working Group.

A draft Preliminary Report was prepared for the 2002 APG Annual Meeting. It set out the initial findings and recommendations of the Working Group. APG members agreed at the 2002 Annual Meeting that the Working Group should continue its work for another 12 months.

The Information Sharing Working Group prepared a draft Report for the 2002 APG Typologies Workshop held in Vancouver, Canada in October 2002. Some changes and additions were made to the report as a result of the in-depth discussions held during the Typologies Workshop.

At the 2003 Annual Meeting, members heard a report from Working Group Co-Chair Ms Linda Samuel, Asset Forfeiture Money Laundering Section Deputy Chief, United States Department of Justice. Ms Samuel:

- reported that the Working Group had developed some concrete recommendations to improve information sharing;
- outlined the various methods of information sharing examined by the Working Group, as well as some of the obstacles to effective information sharing. The most common complaint was of time delays. Others included use restrictions on information, the fact that confidentiality cannot be guaranteed, that assistance cannot always be provided in the absence of a mutual legal assistance agreement and a lack of resources in requested jurisdiction;
- advised that the Working Group's report did a good job of canvassing the issues, but did not canvass key developments over the previous 12 months, nor did it fully spell out the different types of information sought. Therefore, the report was useful but had become somewhat dated. The Working Group had therefore recommended that its work be taken up by the proposed APG Implementation Issues Working Group.

At the 2003 Annual meeting, APG members:

- considered and adopted the Report to the 2003 APG Annual Meeting prepared by the APG Working Group on Information Sharing;
- noted the recommendations contained in the Report; and

- noted that it was proposed that the work arising from the Report by the APG Working Group on Information Sharing be taken up by the proposed APG Implementation Issues Working Group.

APG Implementation Issues Working Group

As noted previously, at the 2003 Annual Meeting, immediately following the abolition of the APG Working Group on Information Sharing, APG members agreed to establish the APG Working Group on Implementation Issues.

At the Annual Meeting, the following jurisdictions indicated their interest in joining the Implementation Issues Working Group: Cook Islands; India; Indonesia; Japan; Marshall Islands; Pakistan; the Philippines; the United States; and Vanuatu.

The purpose of the new working group is to:

- undertake a series of coordinated and intensive examinations of particular AML/CFT implementation issues;
- support and develop a network of APG experts on key implementation issues (for example, experts on proceeds of crime legislation); and
- act as an informal consultation group to provide practical advice to APG members on AML/CFT implementation issues.

In achieving these aims, the Working Group on Implementation Issues will:

- liaise with relevant jurisdictions and organisations to exchange information and case studies on priority implementation issues;
- collect implementation information and case studies relating to best practice and impediments to effective implementation;
- develop guidance materials to assist jurisdictions to effectively implement the global AML/CFT standards; and
- support a network of APG experts to develop and maintain expertise on key implementation topics.

Members also agreed that the Implementation Issues Working Group will initially undertake two concurrent tasks:

- refocus on the work, and follow up on the recommendations contained in the Report, of the Information Sharing Working Group; and
- undertake a coordinated consideration of APG implementation issues arising from the revised FATF Forty Recommendations. Members have been asked to consider particular implementation issues arising from the revised Forty Recommendations and refer such matters to the Working Group for initial study.

4. Expanding regional awareness of money laundering issues and the role of the APG

This chapter reports on progress made to achieve Goal 2 of the Strategic Plan, which is to *expand regional awareness of money laundering issues and the role of the APG*.

Strategies to achieve this goal include:

- developing and implementing a comprehensive communications strategy for the APG;
- raising awareness through consultation and exchange of relevant information with member jurisdictions in the region and providing relevant information using a range of communication tools including the APG's web site and APG publications; and
- raising awareness of the money laundering situation in the Asia/Pacific region in relevant regional and international organisations and forums.

Communications strategy and action plan

At the 2002 APG Annual Meeting members adopted an APG Communications Strategy and Action Plan for 2002 – 03. The APG Communications Strategy and Action Plan for 2002 – 03 outlined the objectives, stakeholders and primary tools and activities of the APG's overall communications and listed key communications actions to be undertaken during 2002 - 2003. It was also agreed that the APG Communications Strategy should be reviewed each year in light of the progress made by the APG to meet the tasks in the Communications Action Plan and to reflect the changing communication challenges and needs of the APG's stakeholders.

Highlights of progress in 2002 – 03

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, in particular through the establishment of a regular meeting between the Secretariat Heads of the FATF-style Regional Bodies and the Head of the FATF Secretariat and through increased cooperation with the Egmont Group.

The APG website (www.apgml.org) has been further developed to be 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 significantly increased over the year. The volume of contact between stakeholders and the APG initiated by information obtained from the APG Website has significantly increased. Further resources (human and financial) will be required to keep the website up to date and to further improve its comprehensiveness and ease of use.

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

During 2002 – 03 two newsletters of improved quality were produced and distributed via the APG website and email. The APG Business Plan 2002 – 03 had a stated goal to produce four newsletters, but due to resource constraints, the APG Secretariat was only able to produce two newsletters.

The launch of a communications survey to all APG Members and Observers to determine future communication needs regionally and assess understanding and awareness levels of APG goals and work has been carried over into the Communications Action Plan for 2003 – 04.

APG Communications Action Plan 2003 – 04

APG members adopted a Communications Action Plan for 2003 – 04 at the 2003 Annual Meeting. The APG calendar for 2003 – 04 has a number of significant APG projects and new business to be undertaken which will rely on effective communication. 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 2003 – 04 requiring systematic communication support include:

- the APG Steering Group;
- the APG Working Group on Typologies and the APG Working Group on Implementation Issues;
- the 2004 APG Annual Meeting;
- the 2003 APG Typologies Workshop;
- the 2003 APG Mutual Evaluators Training Workshop;
- establishing the new APG Typologies Framework;
- supporting the conduct of outreach projects to up to five jurisdictions;
- supporting the development of a coordinated awareness raising ‘mission’;
- developing and delivering a number of regionally specific technical assistance and training projects and ‘products’.

Attendance at conferences and seminars etc in 2002 – 03

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, Paris; 9 – 11 October 2002;
- FATF Working Group on Forty Recommendations, Paris, 13 – 15 November 2002;
- FATF/OECD Typologies Workshop (Joint Technical Workshop on Fiscal Affairs), Rome, Italy, 21 November 2002;
- Regional World Bank/IMF Global Dialogues, 23 and 24 October and 12 November 2002;
- AFP Trans-national Crime Seminar – Nuku’Alofa Tonga, 18 – 21 November 2002;
- Regional Training Course sponsored by Australian Federal Police, Myanmar, 25 – 26 November 2002;
- Indonesia Seminar on Establishment of an FIU – sponsored by Japan International Cooperation Agency (JICA), Indonesia Office, Jakarta, Indonesia 16 December 2002;
- Regional Money Laundering Conference, Bali, Indonesia, 17 – 20 December 2002;
- FATF Working Group on Terrorist Financing, Washington, DC, 13 – 14 January 2003;
- -17 Jan 2003 FATF Working Group on Forty Recommendations, Washington, DC, 13 – 14 January 2003;
- Regional Counterterrorism Finance Workshop Singapore, 21 – 22 January 2003;
- IMF Drafting Seminar for Anti-Money Laundering and Combating the Finance of Terrorism Measures, Suva, Fiji, 27 – 31 January 2003;

- FATF Plenary Meeting and FATF Working Group on Terrorist Financing, Paris, France, 10 – 14 February 2003;
- Pacific Islands Forum Secretariat's Expert working Group, 24 – 28 February 2003;
- Pacific Rim International Conference on Money Laundering and Financial Crime, Bangkok, Thailand, 24 – 26 March 2003;
- FATF Plenary Meeting and FATF Working Group on Terrorist Financing, Paris, France, 5 – 9 May 2003;
- 2003 APEC Future Economic Leaders Think –Tank – “Cross Border Financial Transactions: Co-Operation For Effective Surveillance Systems & Good Governance”- Sydney, Australia, 13 June 2003.

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 provide technical assistance and to generally support the APG's mission.

5. Agreement on comprehensive measures to address the problem of money laundering

This chapter briefly reports on progress made to achieve Goal 3 the Strategic Plan, which is to *identify and agree on comprehensive anti-money laundering measures appropriate to the region.*

There are a number of ways in which the APG seeks to achieve this goal, including through:

- adopting the FATF Forty Recommendations as guiding principles for APG activity;
- contributing to the development, including any reviews, of the Forty Recommendations and representing members' views at relevant international forums; and
- as appropriate, developing and adopting regionally-specific anti-money laundering measures/recommendations.

Review and adoption of the revised Forty Recommendations

As part of the APG's Terms of Reference, all APG members have committed to implementing the FATF's Forty Recommendations according to their particular cultural values and constitutional frameworks.

As report in last year's Annual Report, in 2001 the FATF commenced a review of the Forty Recommendations that was completed in June 2003 with the formal adoption by the FATF of the revised Forty Recommendations. The review process was an extensive one, open to FATF members, non-members, observers, financial and other affected parties, including industry consultation.

The APG contributed to the Review, drawing on its experience in the region. An APG representative attended all meetings of the FATF working group established to review the Forty Recommendations. All APG members were kept informed of progress on the review by the APG Secretariat and the revised Recommendations were provided to APG members on 24 June 2003. A copy of the revised Forty Recommendations can be found on the APG's website at www.apgml.org.

Two detailed presentations on the revised Forty Recommendations were made by the FATF at the 2003 APG Annual Meeting with detailed discussion of some of the issues arising.

Key changes in the revised Forty Recommendations include:

- in relation to legal systems and international conventions, Recommendation 21 focuses on criminalising money laundering on the basis of the Palermo and Vienna Conventions, but puts in place a stronger standard for predicate offences, which must cover some 20 listed categories;
- in relation to the obligations of financial institutions, there are significantly expanded obligations relating to customer due diligence for both permanent and casual customers. For example Recommendation 5 outlines enhanced customer due diligence going beyond initial identification and verification measures to include the conduct of ongoing scrutiny and due diligence of customers;
- there are enhanced measures for high risk situations, firstly for politically exposed persons in Recommendation 6 and for correspondent banking in Recommendation 7. Recommendation 8 requires enhanced customer identification in the case of non-face to face transactions;

- reporting of suspicions has been expanded at Recommendation 13 to include terrorist financing as well as money laundering. More generally, this expansion to cover terrorist financing is broadly applied across the revised Forty Recommendations;
- in relation to regulation and supervision there is increased clarity regarding coverage of Non-Banking Financial Institutions that are covered in the revised Recommendations and subject to the full range of supervision. Other financial institutions are subject to supervision, but under a risk-based approach;
- the coverage of Professionals and Non Financial Businesses represents a significant change to the Recommendations. Designated Non Financial Businesses now covered include casinos, real estate agents, gems/ precious metal dealers, lawyers and trust providers, all of which are now subject to customer due diligence and record keeping obligations and are required to report suspicions in certain situations;
- a new section in the revised Recommendations deals with the powers of financial intelligence units (FIUs), law enforcement and supervisory authorities. Several recommendations relate to establishing appropriate powers for FIUs, law enforcement and supervisory authorities;
- regarding international cooperation, Recommendation 35 relates to ratifying all relevant International Conventions and Recommendations 36 and 37 call for the widest possible range of mutual legal assistance. Recommendation 38 relates to the need to have authority to freeze and confiscate proceeds.

Following discussion of the revised Forty Recommendations and their implications at the Annual Meeting, a number of APG members outlined their proposed approach to implementing the new standards. Several emphasised the importance of taking a co-ordinated, whole-of-government approach to implementation and also of engaging the private sector in this effort.

APG members formally adopted the revised Forty Recommendations on 16 September 2003. In so doing, the APG joined other groups which had already endorsed the revised Forty Recommendations, including the FATF, South American Financial Action Task Force on Money Laundering (Grupo de Acción Financiera de Sudamérica or GAFISUD), MONEYVAL, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the Offshore Group of Banking Supervisors (OGBS).

Implementation of the updated and expanded Forty Recommendations will represent a significant challenge to APG members over the next few years.

6. Implementation of comprehensive measures to address the problem of money laundering

This chapter reports on progress made to achieve Goal 4 the Strategic Plan, which is to *oversee and facilitate the implementation of comprehensive anti-money laundering measures in all member jurisdictions*.

Strategies to achieve this goal include:

- creating a co-ordination committee in each member jurisdiction to ensure input from all relevant ministries and agencies and to ensure uniform national policy; and
- facilitating sharing of information and experience concerning implementation strategies between member jurisdictions.

The main way that the APG attempts to 'facilitate the implementation of comprehensive anti-money laundering measures in all member jurisdictions' is through its Technical Assistance and Training Strategy. Because of the importance of technical assistance and training in the region, it has now been made a Goal of the Strategic Plan (Goal 5) in its own right. Technical assistance and training issues are discussed in the next chapter of the report.

Creation of national co-ordination committees

National co-ordination committees (NCCs), which are known by various names, now exist in a majority of APG member jurisdictions. At least 19 out of 26 APG members have a mechanism performing most or all of the functions of an NCC.

Sharing of information and experience

One of the primary aims of the APG's website is to provide APG members and others with ready access to resource material which will assist them to implement comprehensive anti-money laundering measures in accordance with international standards. Various sections of the website are designed to achieve this aim, including the sections on:

- model and comparative legislation (eg UN model legislation, Commonwealth model money laundering law, comparative legislation from six APG member jurisdictions);
- prevention guidelines and practices (eg Wolfsberg Principles, guidelines of the Monetary Authority of Singapore and Hong Kong Monetary Authority);
- relevant anti-money laundering conventions and standards (eg UN, FATF, Council of Europe) and FATF best practice documents; and
- numerous links to other relevant websites.

In addition, The Asian Development Bank's Anti- Money Laundering Manual was added to the APG website and promoted through the APG Secretariat, and a number of guidance and best practice documents were added to the website.

As well as placing useful information on the APG website, the APG Secretariat tries to act as a 'clearing house' or contact point for information of this sort, 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 jurisdictions. In the year under review, some prominent examples of information dissemination include:

- the dissemination to all APG members of material concerning the review of the FATF 40 recommendations and development and implementation of the 8 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 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 members and observers which are on the NCCT list.

7. Technical assistance and training

This chapter reports on progress made in achieving Goal 5 of the Strategic Plan, which is to *facilitate and co-ordinate the provision of technical assistance and training to jurisdictions in the region, where necessary, to assist them to implement comprehensive anti-money laundering measures.*

Strategies to achieve this goal include:

- assessing the training and technical assistance needs of APG members and using the results of the needs assessment, determining what training and technical assistance is required;
- consulting and co-ordinating with all international and regional organisations and any jurisdictions that have provided, or anticipate providing, technical assistance and training in the region; and
- co-ordinating the delivery of training and technical assistance, both in accordance with the APG's Technical Assistance and Training Strategy and in response to ad hoc requests from jurisdictions.

Technical assistance and training (TA&T) has been a major focus of the APG since its inception in 1997. The Secretariat has sought to act as a focal point for AML/CFT assistance and training in the region on behalf of the APG members. This role was endorsed at a meeting of anti-money laundering bodies and various donor and provider organisations jointly hosted by the World Bank and the IMF in Washington, DC, in April 2002. That meeting reached consensus that the immediate AML/CFT needs of jurisdictions should be identified; and that models and mechanisms for co-ordination of technical assistance to meet those needs should be organised on a regional basis through the FATF-style regional bodies (FSRBs).

The TA&T demands from APG members and the regional co-ordination responsibilities have increased significantly over the past year and will continue to do so as international pressure mounts for APG member and observer jurisdictions to fully implement and comply with the revised FATF Forty Recommendations and the Special Recommendations on Terrorist Financing.

The APG aims to take a strategic approach to the implementation of TA&T to assist with the introduction of AML/CFT laws and measures in the region. This is so that the quite limited resources available are deployed in an efficient, effective and co-ordinated manner. As part of this approach, in early 2002 the APG established the APG Donors and Providers (DAP) Group on Technical Assistance and Training. The purpose of the DAP Group is to provide a mechanism for co-ordinating the AML/CFT needs of APG members and observers, with the provision of technical assistance and training.

Technical assistance and training highlights for 2002 – 03

2003 APG Annual Forum on Technical Assistance and Training

The second APG Annual Forum on Technical Assistance and Training was held on Monday 15 September 2003, in Macau, China in association with the APG Annual Meeting.

The Forum Agenda involved three aspects which provided the opportunity for:

- (i) all APG member and observer jurisdictions to meet directly with the APG DAP Group members to discuss the TA & T priorities for each jurisdiction;
- (ii) a meeting of the APG DAP Group to discuss mandates, priorities and coordination of TA & T delivery across the region; and

- (iii) a series of small and focused individual meetings with priority jurisdictions to discuss specific needs and coordinate donor delivery.

The 2003 Forum and, particularly, the side meetings, received extremely positive feedback, especially from the donor organisations and jurisdictions. In 2002, 83 participants from 29 jurisdictions and nine international organisations attended the Forum. In 2003, approximately 165 participants from 36 jurisdictions and nine international organisations attended. The jurisdictions were required to bring an update on TA & T priorities and the jurisdictional reports prepared for the Plenary also covered TA & T matters for the first time.

As an outcome of the Forum, the material collected from the tour de table during the Forum, the written reports provided to the Plenary and the discussions in the side meetings, were all highly useful in enabling a timely updating of the APG TA & T Needs Matrix.

Other highlights

A technical assistance Consultant, Ms Bronwyn Somerville has been provided, on assignment, by the Commonwealth Secretariat for two years from July 2002. This position is funded from the Commonwealth Fund for Technical Co-operation and has been of considerable benefit to APG members and the APG Secretariat.

Flowing on from the first APG Annual Forum on Technical Assistance and Training in the margins of the June 2002 APG Annual Meeting, member and observer TA & T needs assessment matrices were developed and circulated for donor and provider information and action. Two further requests for updates have been circulated.

The APG provided advice and assistance in the development and implementation of the World Bank/IMF Global AML/CFT TA & T Database.

A TA&T co-ordination meeting was held in December 2002, in Bali, and attended by Indonesian officials and donors from the APG DAP Group. This resulted in the establishment of a model in-country co-ordination process and AML TA & T needs matrix.

Three significant AML needs assessment projects were carried out in the region and supported by the APG Secretariat and members. Twelve APG member and observer jurisdictions were studied over the spread of the International Monetary Fund, Asian Development Bank and ASEM (Asia-Europe Meeting) projects.

A collaborative needs assessment and TA & T delivery project has been initiated between the APG Secretariat, the ASEAN Secretariat, the IMF, the World Bank and the ADB, which will be progressed during 2003 – 04.

The APG Secretariat and APG members have contributed to a number of seminars and workshops on money laundering and terrorist financing held in the region including: APG Typologies Workshop; Pacific Islands Forum Secretariat (PIFS) Expert Working Group; IMF Legislative Drafting Seminar; Australian Federal Police Financial Investigator Training Program; Australian Federal Police Seminar on Transnational Crime; APEC Future Economic Leaders Think-Tank; Indonesia-Australia Joint Conference on Combating Money Laundering and Terrorist Financing; Singapore Counter-Terrorism Financing Workshop and the IMF/World Bank Global Dialogue Series.

APG members and the APG Secretariat provided drafting assistance/advice and copies of comparative laws to Indonesia, Bangladesh, Sri Lanka, Nepal, Myanmar and Vietnam.

Significant APG Secretariat effort and resources have been dedicated to meeting the APG's regional technical assistance and training co-ordination responsibilities and attempting to meet the ever increasing TA & T demand from APG members and observer jurisdictions.

The APG Secretariat provided input to PIFS Expert Working Group covering United Nations Counter Terrorist and TNC Convention and the FATF Special 8 Recommendations in February 2003. In addition, the APG Secretariat provided input to the Bali CFT Conference December 2002.

8. Systematic review of measures and levels of implementation

This chapter reports on progress made against Goal 6 of the Strategic Plan, which is to *measure the level of implementation by each member of comprehensive anti-money laundering measures and monitor regional implementation of the measures.*

Strategies to achieve this Goal include:

- conduct self-assessment exercises regularly by means of a questionnaire; and
- adoption of a schedule for a first round of APG mutual evaluations and undertaking of mutual evaluations in accordance with the schedule.

Self-assessment Exercise

The APG, like other anti-money laundering bodies, now conducts regular self-assessment exercises. The APG's self-assessment exercise is designed to supplement the APG's mutual evaluation process in determining the level of implementation of the FATF Forty Recommendations by APG members. While the mutual evaluation process is the primary means for evaluating APG members' progress toward effective AML/CFT systems, the objective of the self-assessment exercise is to determine what AML/CFT measures have been put into place.

As reported in the 2001 – 02 Annual Report, the APG commenced its second self-assessment exercise in March 2001. This exercise used the FATF's self-assessment questionnaire and the APG would like to thank the FATF for its assistance in the conduct of the exercise.

Following the receipt of updated information from APG members in early 2002, a revised draft Self-Assessment Report was prepared for the 2002 APG Annual Meeting. The draft report was not a full and conclusive report, partly because the Secretariat had not received responses from all jurisdictions in time to make it a comprehensive document. APG members agreed at the 2002 Annual Meeting that completion and release of the report should be delayed until members had checked the accuracy of the draft results; members yet to provide the Secretariat with their responses (including new APG members) had done so; and the Secretariat had had a further chance to analyse the results and compile a revised report.

In December 2002, the final report for the 2002 Self Assessment Exercise was distributed to members. Eleven members updated their 2002 responses after June 2002 Annual Meeting: Australia; Hong Kong, China; Japan; Korea (Republic of); Macau, China; Malaysia; New Zealand; Niue; and the Philippines.

At the 2003 Annual Meeting, members postponed a decision on whether and when to conduct another self-assessment exercise until the APG's 2004 Annual Meeting, pending revision of the self-assessment methodology by the FATF to reflect the revised Forty Recommendations.

Mutual Evaluations

Introduction

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. 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 September 2003 had completed 13 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. So far therefore 19 of the APG's 26 members have undergone some form of mutual evaluation process

Mutual evaluations remain a core activity of the APG's work program, and a primary membership requirement. Further progress was made during the period under review, with a further three APG members being subject of evaluation extensively revised APG mutual evaluation procedures being adopted at the 2003 Annual Meeting. APG members also agreed to adopt for APG purposes an AML/CFT assessment conducted of APG member Bangladesh by an IMF/World Bank-led team of experts, to which the APG contributed two law enforcement experts. In addition, the 10 jurisdictions evaluated in previous years provided progress reports at the 2003 Annual Meeting on their response to the recommendations contained in their reports.

Mutual Evaluations conducted in 2002 – 03

Three APG members were evaluated in 2002 – 03, as follows:

- *Korea*. An APG Evaluation Team visited Korea in August 2002;
- *Bangladesh*. An IMF/World Bank-led team, including two APG experts, visited Bangladesh in October 2002;
- *Palau*. An Evaluation Team visited Palau in March 2003.

The reports on these evaluations were adopted at the APG's 2003 Annual Meeting in September 2003. In each case, members:

- received an oral report on the mutual evaluation from the Evaluation Team, highlighting the major findings and recommendations contained in each report.
- heard a response from the jurisdiction being evaluated;
- heard questions from Intervenors concerning matters canvassed in the report and the jurisdiction's answers to those questions; and
- formally adopted the mutual evaluation report.

The conclusions and recommendations contained in each evaluation report are reproduced at Annex C.

APG Mutual Evaluation Procedures

As noted in chapter 2 of this report, during 2002 – 03 APG members adopted the standard global AML/CFT assessment methodology developed by the FATF, the International Monetary Fund, the World Bank and regional anti-money laundering bodies, including the APG. APG members can now be assessed, using the standard Methodology and associated standard documentation, either by an APG mutual evaluation or by an assessment led by the International Monetary Fund or the World Bank.

It therefore became necessary to review the APG's Mutual Evaluation Procedures to take account of the adoption by the APG of the standard Assessment Methodology and by the APG's participation in the new, more co-ordinated and consistent global approach to AML/CFT assessments. As part of the review of procedures, the APG Secretariat also took into account further lessons learned in the course of APG mutual evaluations.

In the interests of promoting a more consistent global approach to AML/CFT assessment, whether by the FATF, a FATF-style regional body such as the APG, or by the International Monetary

Fund/World Bank (Fund/Bank), a set of standard documents was developed in 2002 – 03 to support use of the standard AML/CFT Assessment Methodology.

Taking into account this set of standard documents, and the APG's decisions both to use the standard Assessment Methodology and to work in cooperation with the Fund/Bank, the APG's new package of mutual evaluation documentation is now as follows:

- *Revised APG Mutual Evaluation Procedures* – these continue to describe the general procedures used for APG mutual evaluations;
- *the standard AML/CFT Assessment Methodology* (October 2002);
- *APG Guidelines for Using the Standard AML/CFT Assessment Methodology* – this document, which is very closely based on the standard Guidelines developed by the FATF Working Group on International Financial Institution Issues, provides further detail specifically on use of the Assessment Methodology;
- *Criterion by Criterion Worksheet/Mutual Evaluation Questionnaire and Supplementary Questionnaire* – these documents have been developed for use globally with the AML/CFT Assessment Methodology and replace the Standard Mutual Evaluation Questionnaire previously used by the APG;
- *Detailed/Assessment/Mutual Evaluation Report template* – this report format has been developed for use globally with the AML/CFT Assessment Methodology and replaces the standard mutual evaluation report template used by the APG up until now;
- *Report on Observance of Standards and Codes (ROSC) templates* – two versions of this document have been prepared for use globally with the AML/CFT Assessment Methodology, one for FATF/FSRB-led evaluations and another for Fund/Bank-led assessments. Preparation of ROSCs is a new requirement for the APG but is necessary in order to meet the Fund/Bank procedures and thereby avoid duplication of assessments;
- *APG Participation in International Monetary Fund and World Bank-led: Assessments of APG Members: Procedural Issues* – while using the same Assessment Methodology and supporting documentation, there are some procedural and practical differences in the conduct of APG mutual evaluations of APG members versus APG participation in a Fund/Bank-led assessment of an APG member. This document outlines procedural issues relating to APG involvement in Fund/Bank-led assessments of APG members.

Notwithstanding the APG's adoption of the Assessment Methodology and the associated standard documentation (and the inclusion of CFT issues in the assessment), it should be noted that the conduct of APG mutual evaluations remains essentially the same: APG members will be assessed in a mutual and transparent manner by an expert team drawn from APG members; a comprehensive questionnaire will be completed prior to the visit; an on-site visit will occur involving an agreed schedule of meetings; a detailed draft report containing recommendations will be written and the jurisdiction will have an opportunity to comment; and the detailed report will be distributed to, considered and adopted by APG members at an APG Annual Meeting.

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 report at APG annual meetings on the progress they have made in implementing the recommendations in the evaluation report.

At the 2003 APG Annual Meeting, APG members received written and oral progress reports from the jurisdictions previously evaluated by the APG: Vanuatu (evaluated in 2000), Samoa, Chinese Taipei, Macau, China, Malaysia and the Labuan Offshore Financial Centre, and the Cook Islands (all evaluated in 2001); and Fiji, Indonesia and Thailand (evaluated in 2002).

Members noted the progress made by each jurisdiction in response to the recommendations contained in their mutual evaluation reports and commended the jurisdictions for their commitment.

Schedule of future mutual evaluations

A full program of mutual evaluations is planned for 2003 – 04, with all remaining APG members due to be evaluated by the end of 2004 or early 2005.

9. Counter-terrorist financing measures

This chapter reports on progress made against Goal 7 of the Strategic Plan, which is to *facilitate the implementation of the FATF Special Recommendations on Terrorist Financing and the relevant United Nations instruments in all member jurisdictions*.

Strategies adopted to achieve this goal include:

- in conjunction with the FATF and FATF members, raise awareness of and assist APG members to comply with the FATF's Plan of Action for implementation of the Special Recommendations including conducting a self-assessment of members and observers and obtaining a commitment from members and observers to come into compliance with the Special Recommendations; and
- consulting and co-ordinating with all international and regional organisations and any jurisdictions that have provided, or anticipate providing, technical assistance and training in the region in this area and co-ordinate the delivery of such assistance.

Awareness raising, commitment and self-assessment

Following the adoption by the FATF of the eight Special Recommendations on Terrorist Financing in October 2001, the Special Recommendations were promptly distributed to APG members and placed on the APG website.

As report in last year's Annual Report, a commitment to combat the financing of terrorism was included in the *APG Strategic Plan July 2001 – June 2004*, a revised version of which was finalised in February 2002. Changes to the APG Terms of Reference were agreed at the 2002 APG Annual Meeting to reflect members' commitment to comply with the eight Special Recommendations and relevant UN resolutions. This is now one of the requirements for membership of the APG.

During the period under review, the APG has made a significant contribution to the FATF's Working Group on Terrorist Financing, particularly through the contribution to the Interpretative Note and Guidance Note on Special Recommendation VI (which relates to Alternative Remittance Systems) by the APG Working Group on Alternative Remittance and Underground Banking Systems. This included direct participation by APG members and the APG Secretariat in the four meetings of the FATF Working Group on Terrorist Financing held during the year.

A significant development in relation to the APG's work on combating the financing of terrorism was the adoption by members at the 2003 Annual Meeting of the standard AML/CFT Assessment Methodology (referred to in chapters 2 and 8 above). This is because the Assessment Methodology covers not only the FATF's Forty Recommendations, but also the eight Special Recommendations on terrorist financing. This means that in future, and for the first time, APG mutual evaluations will include an assessment of members' compliance with the global anti-terrorist financing standards.

Technical assistance and training issues

As reported in chapter 7, terrorist financing issues are included as part of the APG's comprehensive Technical Assistance and Training Strategy and will remain a major focus over the next 12 months.

In August 2002, a TA & T matrix outlining the anti-terrorist financing needs of APG members and observer was circulated to donors. Ongoing co-ordination is being carried out with the World Bank, the International Monetary Fund and other donors over possible TA & T regional opportunities in this area.

During the period under review, the APG was actively involved in coordinating TA & T relating to combating the financing of terrorism, particularly in Indonesia, Malaysia, the Philippines and Thailand.

APG Secretariat staff also took part in a number of seminars and other activities which had combating the financing of terrorism as their focus:

- on 21 and 22 January 2003, the Head of the APG Secretariat, Rick McDonell, took part in a *Regional Counterterrorism Finance Workshop*, held in Singapore and jointly organised by Singapore and the United States. Mr McDonell made a presentation at the Workshop on the FATF's eight Special Recommendations and regional progress towards compliance;
- from 24 to 28 February 2003, APG Consultant Bronwyn Somerville took part in a meeting of an *Expert Working Group* formed by the Pacific Islands Forum Secretariat to co-ordinate the development of a regional framework, including model legislation, to address terrorism and trans-national crime (including money laundering) in the Pacific. Beneficiary jurisdictions of this project include Fiji; the Cook Islands; the Federated States of Micronesia; Kiribati; Nauru; Niue; Palau; Papua New Guinea; Republic of the Marshall Islands; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

10. Support services and financial statements

APG Secretariat

The work of the APG is supported by a small Secretariat based in Sydney, Australia. The work of APG Secretariat has expanded considerably since it was established in February 1997, with a current focus on providing information and advice on a daily basis to APG members.

Role of the Secretariat

The role of the Secretariat is to assist jurisdictions in the Asia/Pacific region to introduce internationally accepted anti-money laundering measures. Responsibilities of the Secretariat include:

- providing expertise and material concerning money laundering to member jurisdictions and other interested parties;
- organising/conducting the APG's annual and other meetings;
- preparing, conducting and chairing specialist law enforcement typology workshops (methods, trends and case studies on money laundering);
- reporting to and advising the APG annual meeting and Working Groups and the FATF;
- providing advice and information to and linkages between agencies (especially financial, legal and law enforcement agencies) on anti-money laundering 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;
- implementing the APG's technical assistance and training strategy including improvements to information exchange mechanisms and financial investigation skills;
- preparing assessment mechanisms and conducting evaluations of the anti-money laundering systems in jurisdictions in the Asia/Pacific region.

Staff

As at 30 June 2003, the staffing of the Secretariat was as follows:

Mr Rick McDonell	Head of APG Secretariat
Mr Eliot Kennedy	Executive Officer
Mr David Shannon	Policy Officer
Ms Helen Newell	Administrator

In addition, as noted previously, a technical assistance Consultant, Ms Bronwyn Somerville has been provided, on assignment, by the Commonwealth Secretariat for two years from July 2002.

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 January 2003.

Contact details for the Secretariat are as follows:

APG Secretariat

1st Floor, 201 Elizabeth Street, Sydney 2000, Australia
GPO Box 5260, Sydney 2001, Australia

Telephone: 61 2 9373 2438

Facsimile: 61 2 9373 2499

Email: mail@apgml.org

Website: www.apgml.org

Budget and Financial Statements

At the APG's 2002 Annual Meeting, a 'core' budget for the financial year 2002–03 of **US\$401,210** (the then equivalent of AU\$757,000) was approved and adopted.

The contributions required from members to meet that budget were calculated using the revised APG funding formula adopted at that meeting. This formula calculates contributions using an 80/20 combination of GDP and GDP per capita.

Summary of Budget Outcomes for 2002–03

The major budget outcomes for the period 1 July 2002 to 30 June 2003 are as follows:

- the APG commenced the financial 2002–03 year with net assets of AU\$92,780
- total revenue for the year was AU\$1,091,713, including required and voluntary contributions from members and revenue from other sources (eg donations from sponsors to support the attendance of delegates from less developed APG member jurisdictions at APG events);
- total expenditure for the year was AU\$879,248, including AU\$819,985 in expenditure from members' contributions (against the budget figure of AU\$757,000) and AU\$59,263 in expenditure using funds from other revenue sources;
- the main areas where expenditure exceeded budget were travel (including FATF event-related travel) and Secretariat salaries (with several unforeseen salary and related costs being incurred during the year);
- despite expenditure being AU\$62,885, or 8.3%, above the approved budget figure for 2002–03 of AU\$757,000, the APG achieved a significant operating surplus for the year arising from the receipt of voluntary contributions and arrears from some members. The total operating surplus for 2002–03 was AU\$212,465;
- the APG therefore had net assets of AU\$305,245 as at 30 June 2003.

A copy of the financial statements for the financial year 2002 – 03 is at Annex B.

11. Future directions and priorities

Considerable progress has been made by the APG and its members during the period under review, but much remains to be done. Significant opportunities exist over the next few years to consolidate the APG into a more focused and strategic body.

The technical assistance and training demands from APG members and observers and the regional co-ordination responsibilities have increased significantly over the past year and will continue to do so 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.

As noted above, APG members have adopted a revised APG Strategic Plan July 2003 – June 2006 which will provide a firm and clear basis for the APG's work over the next few years.

The APG Annual Business Plan 2003–2004 outlines in some detail the APG's work program to be pursued. Major tasks to be undertaken in 2003 – 04 include:

- a Typologies Workshop in Kuala Lumpur in December 2003;
- between 50 and 60 APG assessors will be trained at the APG Mutual Evaluation Training Workshop in Kuala Lumpur in December 2003;
- up to five APG mutual evaluations and/or Fund/Bank-led assessments will be conducted;
- the APG Steering Group will perform an advisory role for members and the Co-Chairs and encourage participation and involvement of neighbouring member jurisdictions in their geographic area and in the APG's work generally;
- up to five specific outreach missions are to be undertaken to potential members to encourage full membership;
- the APG Working Group on Implementation Issues will provide broader support to APG members on AML/CFT implementation issues, including an initial task to consider implications of the revised FATF Forty Recommendations;
- the APG will establish an integrated framework of typologies collection, analysis and dissemination. This will include more regular collection of reports of trends and methods, ongoing collection of AML/CFT case studies from members, and the production of typologies reports. The APG Working Group on Typologies will support the broader typologies collection program;
- priority assistance, including in-country assistance, will be provided to selected jurisdictions and further work will be done to enhance the delivery of TA&T to the region;
- initial planning and preparations will be undertaken in support of a planned coordinated 'mission' to South Asia jurisdictions to raise awareness and assist with the development and implementation of their AML/CFT systems;
- conduct of the 2004 Annual Meeting in Seoul, Republic of Korea in June 2004; and
- continued co-operation with related organisations and bodies, including the FATF, other regional anti-money laundering bodies, international and regional financial institutions, the UNODC, Interpol, World Customs Organisation, the Commonwealth Secretariat and the Pacific Islands Forum Secretariat.

Given the late timing of the 2003 APG Annual Meeting, a number of the above tasks may have to be carried over to 2004 – 05.



**Asia / Pacific Group
on Money Laundering**

**Annual Report
1 July 2002 – 30 September 2003**

ANNEXES



ANNEX A: APG Terms of Reference⁶

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

⁶ 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.

- The Financial Action Task Force on Money Laundering has adopted Eight Special Recommendations on Terrorist Financing; and

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

ASIA/PACIFIC GROUP ON MONEY LAUNDERING STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2003

	Notes	2003 \$	2002 \$
Revenues from ordinary activities			
Contributions from members	3A	1,009,094	803,467
Other Contributions	3B	82,618	178,504
Revenues from ordinary activities		<u>1,091,712</u>	<u>981,971</u>
Expenses from ordinary activities			
Employees	4A	553,826	481,779
Suppliers	4B	325,421	517,952
Expenses from ordinary activities		<u>879,247</u>	<u>999,731</u>
Net surplus/(deficit) from ordinary activities		<u>212,465</u>	<u>(17,760)</u>

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

These extracts have been taken from the statement audited and approved by the Australian National Audit Office (ANAO). All amounts are expressed in Australian dollars.

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING
STATEMENT OF FINANCIAL POSITION
as at 30 June 2003**

	Notes	2003 \$	2002 \$
ASSETS			
Financial Assets			
Cash	5A	389,225	63,837
Receivables	5B	321,487	231,253
Total financial assets		<u>710,712</u>	<u>295,090</u>
Total Assets		<u>710,712</u>	<u>295,090</u>
LIABILITIES			
Provisions			
Employees	6	295,018	202,310
Total provisions		<u>295,018</u>	<u>202,310</u>
Payables			
Suppliers	7A	16,277	-
Other Payables	7B	94,172	-
Total payables		<u>110,449</u>	<u>-</u>
Total Liabilities		<u>405,467</u>	<u>202,310</u>
NET ASSETS		<u>305,245</u>	<u>92,780</u>
EQUITY			
Contributed Equity		-	-
Reserves		-	-
Accumulated surpluses (deficits)		305,245	92,780
TOTAL EQUITY	8	<u>305,245</u>	<u>92,780</u>
Current assets		710,712	295,090
Current liabilities		384,989	202,310
Non Current liabilities		20,478	-

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 2003

	Notes	2003 \$	2002 \$
OPERATING ACTIVITIES			
Cash received			
Contributions		1,091,712	932,953
Total cash received		<u>1,091,712</u>	<u>932,953</u>
Cash used			
Employees		553,826	461,704
Suppliers		212,498	517,952
Total cash used		<u>766,324</u>	<u>979,656</u>
Net cash from / (used by) operating activities	9	<u>325,388</u>	<u>(46,703)</u>
Net increase/(decrease) in cash held		325,388	(46,703)
Cash at the beginning of the reporting period		63,837	110,540
Cash at the end of the reporting period		<u>389,225</u>	<u>63,837</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 2003***

The APG has no known commitments.

**ASIA/PACIFIC GROUP ON MONEY LAUNDERING
SCHEDULE OF CONTIGENCIES
*as at 30 June 2003***

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 2003***

Note	Description
1.	Summary of Significant Accounting Policies
2.	Events Occurring after Reporting Date
3.	Operating Revenues
4.	Operating Expenses
5.	Financial Assets
6.	Provisions
7.	Payables
8.	Equity
9.	Cash Flow Reconciliation
10.	Contingent Liabilities and Assets
11.	Executive Remuneration
12.	Remuneration of Auditors
13.	Average Staffing Levels
14.	Act of Grace Payments, Waivers and Defective Administration Scheme
15.	Financial Instruments
16.	Special Accounts
17.	Abbreviations

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 Eight 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 measures and provides for peer review by means of a mutual evaluation process.

1.2 Basis of Accounting

The financial statements are a special purpose report for the members of the Asia/Pacific Group on Money Laundering.

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 2002, except for the treatment regarding Cash and Other Payables (refer Note 7B).

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 other members are recognised as revenue when received. Previously the Australian contribution had been recorded under Contributions from Australian Government. For the 2002/03 financial year this contribution has been included along with all other member contributions.

(b) *Other Contributions*

Revenue from the sale of goods and services is recognised upon the delivery of goods or service to members.

1.5 Employee Entitlements

(a) *Leave*

The liability for employee entitlements includes 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 of the Group 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 2003 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 2003. 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*

Staff contribute to the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme of Australia. Employer contributions amounting to \$65,792 (2002: \$56,969) 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 extinguish the accruing liability which is assumed by the Commonwealth of Australia.

Employer superannuation Productivity Benefit contributions totalled \$8,839 (2002: \$6,650).

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

1.9 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.

1.10 Insurance

National Crime Authority has insured on behalf of the Group's Australian assets and employees for risks through the Australian Government's insurable risk managed fund, called "Comcover". Workers' compensation is insured through Comcare Australia.

1.11 Comparative Figures

Comparative Figures have been adjusted to conform to changes in presentation in these financial statements where required.

1.12 Rounding

Amounts have been rounded to the nearest dollar.

Note 2: Events Occurring after Reporting Date

There were no events occurring after the balance date that have an impact on the Asia Pacific Group for 2003.

Note 3: Operating Revenues

Note 3A: Contributions from members

	2003 \$	2002 \$
Members' Contribution		
Australia	257,244	250,000
Brunei Darussalam	4,386	-
Chinese Taipei	47,936	44,162
Cook Islands	4,439	4,792
Fiji Islands	4,193	4,481
Hong Kong, China	38,607	37,478
India	123,205	-
Japan	125,915	145,533
Korea	53,820	75,427
Macau, China	4,487	5,058
Malaysia	13,652	16,623
Nepal	4,431	1,491
New Zealand	17,015	12,597
Niue	4,071	4,956
Pakistan	8,429	10,285
Palau	4,367	-
Philippines	10,504	12,822
Samoa	4,456	5,076
Singapore	27,150	16,707
Thailand	4,518	4,716
United States	239,625	148,876
Vanuatu	6,644	2,387
Total member contributions	1,009,094	803,467

	2003	2002
	\$	\$
<u>Note 3B: Other Contributions</u>		
Other Contributions		
ADB Presentation in Nepal – ISGR Reimbursement	-	2,019
Asian Development Bank – 2003 APG Typologies Workshop	18,200	-
AUSTRAC – APG Annual Meeting 2002	-	10,000
Australian Agency for International Development – APG Annual Meeting 2002	-	50,000
Australian Customs Service – APG Annual Meeting 2002	-	18,182
Australian Federal Police – APG Annual Meeting 2002	-	32,018
Australian Federal Police – 2003 APG Typologies Workshop	50,000	-
Australian Federal Police - other	2,962	-
Australian Prudential Regulation Authority – APG Annual Meeting 2002	-	4,545
Australian Taxation Office – APG Annual Meeting 2002	-	5,000
Dewey Ballantine – ADB RETA Expenses – APG Annual Meeting 2002	-	22,194
National Crime Authority – APG Annual Meeting 2002	-	20,000
QLD Premiers Department – APG Annual Meeting 2002	-	10,000
Reserve Bank of Australia – APG Annual Meeting 2002	-	4,546
World Bank	11,456	-
Total other contributions	82,618	178,504
Total contributions	1,091,712	981,971

Note 4: Operating Expenses

Note 4A: Employee Expenses

Wages and Salary	396,285	333,218
Superannuation	74,631	63,618
Separation and redundancy	-	-
Leave and Other Entitlements	61,129	61,832
Other employee expenses	18,189	23,111
Total employee benefit expenses	550,234	481,779
Workers compensation premiums	3,592	-
Total employee expenses	553,826	481,779

Note 4B: Suppliers Expenses

Temporary Employee Services and Recruitment	7,415	41,247
APG Annual Meeting – Host Meeting Costs and Staff Travel	-	173,449
APG Sponsored Mutual Evaluation	35,683	90,816
Travel – Secretariat Staff APG Typologies	29,321	19,224
Travel – Secretariat Staff APG Mutual Evaluations	15,162	41,602
Travel – Secretariat Staff Asia/Pacific Missions	62,103	25,859
Travel – Secretariat Staff FATF Meetings	70,067	38,782
Travel – Secretariat Staff Domestic and Regional Meetings	8,797	14,247
Travel – Overseas APG Sponsored Attendees	54,305	38,662
Postage and Freight	1,171	3,946
Office Equipment & Data Communications	9,157	4,063
Motor Vehicle Costs	14,425	8,190

Office Requisites/Printing of APG Documents	10,723	7,834
Other Expenses	3,904	10,031
Conferences	3,188	-
Total supplier expenses	325,421	517,952
	2003	2002
	\$	\$

Note 5: Financial Assets

Note 5A: Cash

Cash on Hand:		
Special Account	389,225	63,837
Departmental (other than special accounts)	-	-
Total cash	389,225	63,837

Note 5B: Receivables

Goods and Services	321,487	231,253
Less: Provision for Doubtful Debts	-	-
Total receivables (net)	321,487	231,253

Receivables is represented by:

Current	321,487	231,253
Non-Current	-	-
Total receivables (net)	321,487	231,253

Receivables (gross) are aged as follows:

Overdue by:		
Less than 30 days	321,487	231,253

Note 6: Provisions

Note 6: Employee Provisions

Leave	295,018	202,310
Current	274,540	202,310
Non-current	20,478	-

Note 7: Payables

Note 7A: Suppliers Payable

Trade Creditors	3,144	-
Accrued Expenses	13,133	-
Total suppliers payable	16,277	-

Suppliers Payable are represented by:

Current	16,277	-
Non Current	-	-
Total supplier payables	16,277	-

Settlement is usually made net 30 days.



Note 7B: Other Payables

Payable to Australian Crime Commission	94,172	-
Total other payables	94,172	-

All other payables are current liabilities.

The 2002-03 other payable recognises the APG operating expenses that have been paid by the ACC on behalf of the APG. The APG reimburses the ACC on a periodic basis. The payable is the amount of expenses to be reimbursed at balance date. In previous financial years the payable has been set-off against cash.

2003	2002
\$	\$

Note 8: Equity

Note 8A: Analysis of Equity

Item	Accumulated results		Total Equity	
	2003 \$	2002 \$	2003 \$	2002 \$
Opening Balance as at 1 July	92,780	110,540	92,780	110,540
Net surplus/ deficit	212,465	(17,760)	212,465	(17,760)
Closing balance as at 30 June	305,245	92,780	305,245	92,780

Note 9: Cash Flow Reconciliation

Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	389,225	63,837
Statement of Financial Position items comprising above cash: "Financial Asset – Cash"	389,225	63,837

Reconciliation of net surplus to net cash from / (used by) operating activities:

Net surplus (deficit)	212,465	(17,760)
Increase in receivables	(90,234)	(49,018)
Increase in employee liabilities	92,708	20,075
Increase in supplier payables	110,449	-
Net cash from / (used by) operating activities	325,388	(46,703)

Note 10: Contingent Liabilities and Assets

The APG has no known contingencies.



Note 11: Executive Remuneration

The number of Executive who received or were due to receive total remuneration of \$100,000 or more:

	Number	Number
\$220,001 to \$230,000	-	1
\$230,001 to \$240,000	1	-
 The aggregate amount of total remuneration of executives shown above.	 \$234,792	 \$223,878
 The aggregate amount of separation and redundancy/termination benefit payments during the year to executives shown above	 NIL	 NIL
	 2003	 2002
	\$	\$

Note 12: Remuneration of Auditors

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

The audit for the 2003 financial statements for Asia Pacific Group was not completed until 2004. Therefore the audit remuneration of \$2,500 for 2003 is included in the 2004 statements.

No other services were provided by the Auditor-General.

Note 13: Actual Staffing Levels

The actual staffing levels as at the 30 June 2003 for the agency were:

<u>5</u>	<u>3</u>
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Note 14: Act of Grace Payments, Waivers and Defective Administration Scheme

No 'Act of Grace' payments were made during the reporting period, and there were no amounts owing as at year end.

No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of *the Financial Management and Accountability Act 1997*. (2002: No payments made)

Nil	Nil
<u> </u>	<u> </u>

No payments were made under the 'Defective Administration Scheme' during the reporting period. (2002: No payments made)

Nil	Nil
<u> </u>	<u> </u>



Note 15: Financial Instruments

Note 15A: Terms, Conditions and Accounting Policies

Financial Instrument	Notes	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	5A	Deposits are recognised at their nominal amount.	The department invests funds with a commercial bank at call. Monies in the Agency's bank accounts are swept into the Official Public Account nightly and interest is earned on the daily balance at rates based on money market call rates. Since December 2003 interest is retained by the Department of Finance and Administration. Rates have averaged 2% for the year (2002: 4%).
Receivables for goods and services	5B	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less rather than more likely.	All receivables are with entities external to the Commonwealth. Credit terms are net 30 days (2002: 30 days).
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	7	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).	All creditors are entities that are not part of the Commonwealth legal entity. Settlement is usually made net 30 days.

Note 15: Financial Instruments (cont.)

Note 15B: Interest Rate Risk

It is considered that there is no interest rate risk.

Note 15C: Net Fair Values of Financial Assets and Liabilities

	Notes	2003		2002	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
Departmental Financial Assets					
Cash	5A	389,225	389,225	63,837	63,837
Receivables for goods and services (net)	5B	321,487	321,487	231,253	231,253
Total Financial Assets		710,712	710,712	295,090	295,090
Financial Liabilities (Recognised)					
Trade Creditors	7	110,449	110,449	-	-
Total Financial Liabilities (Recognised)		110,449	110,449	-	-

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 15D: 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	2003 \$	2002 \$
Asia Pacific Group on Money Laundering		
<i>Legal Authority:</i> Financial Management and Accountability Act 1997; s20		
<i>Appropriation:</i> Financial Management and Accountability Act 1997;		
<i>Purpose:</i> for the receipt of all moneys and payment of all expenditure related to the operation of the APG.		
Balance carried forward from previous year	63,837	110,539
Appropriations for reporting period	-	-
Members' contributions	1,091,712	803,467
Other costs recovered	-	178,505
GST credits (FMA s30A)	-	-
Available for payments	1,155,549	1,092,511
Payments made to suppliers	766,324	999,731
Balance carried to next year	389,225	92,780
<i>Represented by:</i>		
Cash held in APG Bank Account	389,225	63,837
<i>Add:</i> Receivables net GST	-	231,253
<i>Less:</i> Payables Net GST	-	202,310
Total	389,225	92,780

The Asia Pacific Group Secretariat special account is prepared on a cash basis for the 2002/2003 comparative. As a result, the opening balance for the 2002/2003 financial year has been restated in order to comply with the FMO's.

Note 17: Abbreviations

ADB	Asian Development Bank
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
FMO's	Finance Ministers Orders
ISGR	Institutional Support for Governance Reform
QLD	Queensland
RETA	Regional Technical Assistance Programme

ANNEX C: Summaries of mutual evaluation reports adopted in 2002 – 2003

Mutual Evaluation of Korea

The Evaluation Team visited Seoul, Korea from 26 to 29 August 2002.

Conclusions

The Evaluation Team has made a number of recommendations which, if adopted, would further strengthen South Korea's anti-money laundering system. However, the Evaluation Team wishes to conclude by recognising the many important measures the South Korean authorities have taken to ensure that the risk of money laundering is minimised.

The Evaluation Team also wishes to acknowledge the professional and co-operative attitude of the South Korean authorities with whom it dealt in the course of this mutual evaluation.

Recommendations

In order to address the issues identified during the mutual evaluation, the Evaluation Team recommends that South Korea take steps to implement the following recommendations. Some of these matters were already in train at the time of the Evaluation Team's on-site visit and further progress has been made since that time. Where work is underway or a recommendation has already been addressed, this is noted.

Legal

1. South Korea should consider enacting civil confiscation laws, although it appears that the criminal seizure and confiscation laws provide a basic system on which to build. International asset sharing is an important tool and should be added to appropriate laws and agreements.
2. The STR reporting threshold should be lowered from US\$40,000 to US\$10,000 to match the threshold for foreign currency transactions. This should be done immediately so as to enhance the effectiveness of the AML regime in detecting money laundering in financial institutions and in conjunction with Recommendations 9 and 11 below.
3. Article 9, Paras 2 and 3 of the FTRA prohibit information provided in the STRs from being used as evidence in prosecutions and allow bank employees to refuse to testify. The Evaluation Team recommends that the Prosecutor General be given discretion to allow the use of SFT information as evidence where necessary in specific criminal cases.

Financial

4. The Guidelines and Explanatory Notes on Anti-Money Laundering Work should make reference to the types of customer identification documents stipulated in the Act and Enforcement Decree on Real Name Financial Transactions and Guarantee of Secrecy. The guidelines should also incorporate the documents required to verify the identity and legal existence of entities such as client accounts opened by solicitors or accountants, trust, nominee and fiduciary accounts. In addition, the guidelines should include the customer identification procedures for verification of customer identity in situations where there is no face-to-face contact.

5. The relevant agencies should, wherever possible, provide further guidance through examples of suspicious transactions to aid the financial institutions in their identification of such transactions.
6. The supervisory authorities should strengthen their fit and proper screening of principal shareholders and senior management of financial institutions by conducting checks with the relevant law enforcement agencies. They should also conduct fit and proper checks on persons and the beneficial owners who wish to engage in money-changing business.
7. The Korea Financial Intelligence Unit (KoFIU) is encouraged to conduct joint inspections with other supervisory bodies and government agencies during the initial phase of South Korea's anti-money laundering regime.
8. The Evaluation Team recommends that Korea make the legislative changes to allow supervisory authorities to have unrestricted access, under conditions of secrecy, to customers' records.
9. Legislation should be reviewed to determine if smaller financial institutions ought to remain partially exempted from establishing internal control systems.
10. FSS should enhance its on-site inspection approach in its inspections of financial institutions. Specifically, the checklist used during its on-site examinations should be revised to include periodic checks by bank internal auditors on the effectiveness of the bank's anti-money laundering efforts as well as checks to ensure that financial institutions perform adequate screening procedures when hiring employees. FSS should require its examiners to perform random sampling of customers' files during their on-site inspections to evaluate the financial institutions' customer due diligence standards and anti-money laundering practices. FSS should also consider conducting inspections that focus on the anti-money laundering systems and controls in banks.
11. BOK should require money-changers to retain customer transaction records for at least 5 years, as stipulated in Recommendation 12 of the FATF 40 Recommendations.
12. The government should consider increasing the number of money-changers inspected each year.

Law Enforcement

13. Although it is not a specific requirement of the FATF 40 Recommendations, the introduction of significant cash transaction reporting would have the potential to improve the rate of detection of money laundering and revenue evasion in South Korea, particularly if this information was subject to computerised data mining techniques of the type being developed by KoFIU. The Evaluation Team recommends that South Korea consider the introduction of a significant cash reporting system.
14. The Evaluation Team recommends that KoFIU and the law enforcement agencies to which it refers SFT information work closely together to improve access to and use of SFT information by law enforcement agencies.
15. The Evaluation Team recommends that there needs to be: 1) a national strategy established jointly by the Prosecutor General and KoFIU with input from all relevant agencies to address money laundering and the strategic use of asset forfeiture to fight money laundering; and 2) the establishment of an interagency review team to routinely review STR data and other information to ascertain trends; develop countermeasures, establish priorities for investigation.

IMF/World Bank-led Assessment of Bangladesh

In October 2002, a detailed assessment of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime of Bangladesh was prepared by a team of assessors that included staff of the International Monetary Fund (IMF) and the World Bank (WB) and experts under the supervision of IMF and WB staff, and other experts not under the supervision of IMF and WB staff who were selected from a roster of experts in the assessment of criminal law enforcement and non-prudentially regulated activities, provided by the Asia/Pacific Group on Money Laundering.

This assessment was conducted as part of a broader Financial Sector Assessment Program (FSAP) of Bangladesh conducted by the IMF and WB. As part of this process, the AML/CFT Assessment Team prepared both a detailed FSAP report, and a summary Report on the Observance of Standards and Codes (ROSC) for the FATF 40 Recommendations for Anti-Money Laundering and 8 Special Recommendations Combating the Financing of Terrorism.

The recommendations outlined below are taken from the ROSC.

Since the law has just been passed, it is not possible to say with accuracy the effectiveness of implementation. However, it is clear that the capacity and resources for the implementation and enforcement of the new Law need to be greatly enhanced. Thus, the current AML law and AML/CFT regime is materially non compliant with the FATF 40+8 Recommendations.

Recommended Action Plan to Improve Compliance with the FATF Recommendations

Reference FATF Recommendation	Recommended Action
40 Recommendations for AML	
General framework of the Recommendations (FATF 1-3)	Amend the law and associated circulars to enable compliance with FATF 40 + 8 recommendations.
Scope of the criminal offense of money laundering (FATF 4-6)	Amend the law to more clearly define ML/FT offences.
Provisional measures and confiscation (FATF 7)	Ratify Vienna Convention, have more detailed regulations on the legal and administrative conditions for provisional measures, such as freezing, seizing, and confiscation.
General role of financial system in combating ML (FATF 8-9)	AML Act should be enlarged to cover insurance companies and money remittance/transfer companies. The circular should be enhanced to include nonbank financial institutions and other relevant entities subject to AML Act.
Customer identification and record-keeping rules (FATF 10-13)	Ensure that financial institutions should be prohibited from keeping anonymous accounts or accounts in fictitious names and that they should be required to identify customers. Tighten requirements in the Circular for keeping of accounts for others and monitoring of accounts in general

Reference FATF Recommendation	Recommended Action
Increased diligence of financial institutions (FATF 14-19)	Establish the protection of financial institutions from breach of any restriction on disclosure of information to FIU, prohibition on tipping off, making suspicious transaction reporting as legal obligation, and requirement for financial institutions to pay special attention to suspicious transactions and to develop program for AML.
Measures to cope with countries with insufficient AML measures (FATF 20-21)	Amend circular to provide rules on this.
Other measures (FATF 22-25)	Cross border movement of currency should be better monitored. <i>Greater cooperation be established between Customs and Bangladesh Bank (BB)</i> . Data need to be collected and shared.
Implementation & role of regulatory and other administrative authorities (FATF 26-29)	The financial institutions other than banks need to be brought within the Circular and Law.
Administrative Cooperation – Exchange of general information (FATF 30-31)	Amend law to expressly provide for exchange of information between supervisors, BB and enforcement agencies within and outside Bangladesh.
Administrative Cooperation – Exchange of information relating to suspicious transactions (FATF 32)	Set clear rules and procedures for exchange of information and keeping of information.
Other forms of cooperation – Basis & means of cooperation in confiscation, mutual assistance, and extradition (FATF 33-35)	Amend the law to provide for special provisions on mutual assistance and extradition.
Other forms of cooperation – Focus of improved mutual assistance on money laundering issues (FATF 36-40)	Establish clear rules and procedures on mutual assistance be established for expediting sharing of information, freezing of assets, extradition.
8 Special recommendations on terrorist financing	
I. Ratification and implementation of UN Instruments	Ratify the UN International Convention for the Suppression of the Financing of Terrorism 1999.
II. Criminalizing the financing of terrorism and associated money laundering	Amend law to criminalize FT.
III. Freezing and confiscating terrorist assets	Mechanisms be put in place to enable freezing and confiscation.
IV. Reporting suspicious transactions related to terrorism	The law ought to make reporting compulsory. The reporting be extended to other financial institutions and also to other entities.
V. International Cooperation	See recommendations in relation to FATF 33 – 40 above.
VI. Alternative remittance	Money changers need to be monitored and investigation need to be undertaken to detect Hawala systems.
VII. Wire transfers	Ensure that financial institutions, conduct enhanced scrutiny and monitor funds transfers which do not contain complete originator information.
VIII. Non-profit organizations	Relevant ministry in Government needs to ensure that NGOs are properly registered and are held accountable for their action.

Other Recommended Actions

Reference	Recommended Action
Capacity of Bangladesh Bank and the enforcement agencies	Improve the resources and capacity of BB to carry out the AML/CFT measures
Inter agency relationship	Improve cooperation between the various agencies within Bangladesh. Interagency training is needed with judges, prosecutors and State and local level law enforcement, with bank examiners, on how to conduct ML/FT investigations. Further, a task force approach to these types of investigations should be part of the training agenda.
AML/CFT awareness and knowledge	Intensify training for all relevant parties.

Mutual Evaluation of Palau

An APG Evaluation Team visited Palau from 10 to 13 March 2003.

Conclusions

The Republic of Palau at this time does not meet all of the anti-money laundering standards set out in the Financial Task Force's 40 Recommendations. If adequate resources are provided and Palau puts its desire into practice, Palau should be able to reach the international standards within a reasonable time frame. Although a basic legislative platform has been put in place, which avoided the inclusion of Palau on the FATF's NCCT list, there is a need for amendments to the law if Palau is to fully meet international standards. The potential money laundering threat to Palau, from both external and internal sources, is considered significant at this time.

The Evaluation Team has made a number of recommendations which, if adopted, would significantly strengthen Palau's anti-money laundering system. However, the Evaluation Team wishes to conclude by recognising the important measures Palauan authorities have taken to ensure that the risk of money laundering is reduced.

The Evaluation Team also wishes to acknowledge the frank, professional and co-operative attitude of the Palauan authorities with whom it dealt in the course of this mutual evaluation.

Recommendations

In order to address the issues identified during the mutual evaluation, the Evaluation Team recommends Palau take steps to implement the following recommendations. Some of these matters were already in train at the time of the Evaluation Team's on-site visit and further progress has been made since that time. Where work is underway or a recommendation has already been addressed, this is noted.

Co-ordination, overall resourcing

1. Palau should establish an officials committee (eg National Anti-Money Laundering Officials Committee) involving all stakeholders – including heads/senior representatives of BPS, FIC, OAG, Ministry of Finance, Bureau of Immigration and the Head of the FIU – to develop and maintain cross-agency protocols:
 - (i) for operational intelligence, information sharing, investigation and prosecution of significant financial crime/money laundering matters and
 - (ii) to ensure a better balanced, whole-of-government approach to considerations of money laundering issues.
2. Palau should ensure that sufficient skills and expertise are identified to effectively carry out the responsibilities assigned to the FIU, the FIC, the OAG and the BPS, noting that this may involve:
 - (i) full utilisation of existing resources;
 - (ii) increased budgetary resources;
 - (iii) assistance from international and regional bodies.

Legal

3. Palau should amend the Money Laundering and Proceeds of Crime Act (MLPCA) so that:

- i it applies to foreign offences;
 - ii a seizure order can be extended while a matter is under trial;
 - iii a seizure order can be lifted to the extent necessary to provide for legal and other reasonable expenses to be paid for the owner of the property;
 - iv seized assets must be managed appropriately;
 - v property derived from the proceeds of crime can be confiscated, subject to appropriate safeguards for innocent third parties;
 - vi a pecuniary penalty can be ordered if proceeds of crime are not available for confiscation;
 - vii existing customers of financial institutions must be identified;
 - viii it should not be possible to hold an anonymous account or one in a fictitious name;
 - ix records kept for the MLPCA must be available for inspection by the FIU without the need for a court order;
 - x reports required to be kept under section 5 of the MLPCA must be given to the FIU;
 - xi a financial institution must report transactions that are more than the prescribed limit either on their own or in aggregation with other contemporary transactions;
 - xii a financial institution is required to report suspicious or unusual transactions, regardless of the amount;
 - xiii the amount that triggers the requirement to notify a cash transaction is reduced;
 - xiv customer identification and originator information is required for any wire transfer;
 - xv a member of the FIU can be a person who is currently employed in a government agency;
 - xvi bank secrecy cannot be invoked as grounds to refuse to provide information about customer identification and transactions to the FIU.
4. Palau should bring the Extradition and Transfer Act of 2001 into effect by making regulations and obtaining approval from the President.

Financial/regulatory

5. Palau should promulgate implementing regulations for the Financial Institutions Commission to set out the reporting, record-keeping, know your customer, internal controls, procedures, and other measures that financial service providers have to put in place to fully comply with the MLPCA.
6. The FIC and the FIU should provide guidance and training to financial service providers on the various anti-money laundering requirements such as the recognition of suspicious transactions.
7. The FIC/FIU should develop policy and procedures for on-site inspections of financial service providers to verify compliance with anti-money laundering requirements.
8. The law should require the reporting of large currency transactions and international wire transfers and remittances (including aggregate transactions within a short time frame) by financial service providers and develop a form to be used for this purpose. Reporting time frame requirements should also be established.
9. International wire transfers and remittances should be included in the suspicious transaction reporting requirements.
10. The definition of suspicious transaction should be broadened to beyond just a known criminal act.

11. The definition of financial institution/cash dealer within the MLPCA should be amended to include persons acting as “money remitters” (“hawala”) along with the current reporting requirement for “money transferors”.
12. Palau should extend supervision, regulation, and the on-site inspection regime to all financial service providers subject to the anti-money laundering laws.
13. Palau should broaden the definition of entities subject to reporting requirements to include vehicle and boat dealers, real estate brokers, precious metals/gems dealers, accountants, attorneys, travel agents, and notaries.
14. Palau should require monitoring and reporting to the FIU for large cross-border currency and monetary instrument shipments, to better identify unusual currency and monetary instrument flow trends.
15. Palau should require financial institutions to maintain a separate log/register for aggregate monetary instrument transactions exceeding \$3,000 in order to help identify suspicious transactions and aid in audit procedures.
16. Palau should adopt anti-terrorist financing legislation with criminal penalties provided, and implement the use of United Nations, US, and other lists for customer searches. [Work in progress]
17. Palau should include in implementing regulations the definition of books and records to be kept as well as a de-minimus threshold for record-keeping of all customer transactions such as \$100 or less.
18. Palau should require within the FIA that audit committees of financial institutions include only outside directors (non-operational management) as members.
19. Palau should include “Fit and Proper” guidelines in implementing regulations for directors, officers, and shareholders of financial institutions.
20. Palau should provide a prohibition within the FIA and implementing regulations against conducting transactions with shell banks.
21. Palau should require within the FIA the identification of non-resident controlling shareholders of financial institutions. Also, in Section 54 (a)(2) of the Act prohibit the use of bearer shares for the stock of financial institutions and cash dealers.
22. Palau should require enhanced due diligence on passthrough/payable through accounts and private banking customers.
23. Palau should require a suspicious transaction report to be filed if a customer or other entity refuses to complete a transaction as a result of a request for information.
24. Palau should add employee background screening requirements to section 13 of the MLPCA and implementing regulations for internal anti-money laundering programs at financial institutions. Also, add large currency transactions to section 13 (a) of the Act and implementing regulations for centralisation of information requirements.
25. Palau should provide for comprehensive identity verification requirements on non-resident customers.
26. Palau should ensure that the Foreign Investment Board has comprehensive investigative processes relating to foreign business investment with enhanced background checks, verification of funding sources, and follow-up procedures to verify compliance with conditions imposed.

27. Palau should provide for information sharing among financial institutions with a safe harbour provision against civil liability.
28. Palau should consider introducing a national identification document requirement for all residents of Palau.
29. Palau should remove the Supreme Court order requirement for the collection and examination of records and other evidence.
30. Section 25 (disallowance of bank secrecy) in the MLPCA should also reference section 19 (suspicious transaction reporting) of the Act.

Law Enforcement/FIU

31. The implementation of the MLPCA is hampered by the failure to create the FIU which is the primary government agency tasked to investigate money laundering activities. This explains the failure of Palau to fully assess the impact of its law. It is therefore imperative that the FIU be established as soon as possible to make the anti-money laundering system of the country a reality.
32. Palau should consider housing the FIU within the FIC for efficiency purposes, and establish the operational readiness of the FIU as soon as possible including staffing, training, computer resources, international cooperation and coordination, and budget.
33. A lack of funding appears to be the basic cause for the non-existence of the FIU. Obviously, the absence of funds effectively precludes the government from hiring and training FIU personnel, financing its operation, and procurement of relevant logistics. It is suggested that the FIU should enjoy financial autonomy to meet its mandate.
34. The reporting requirement of the law is given the highest priority as this is the first step in its implementation. But there are no systems and policies in place to monitor the sources of funds due primarily to the non-creation of the implementing agency. Such systems and policies should be developed and implemented as a matter of priority.
35. The absence of the FIU has created a legal vacuum. In its place, the investigation of money laundering offence is being undertaken by the CIDE or OAG which presently conduct wide-ranging investigation. Such exercise lacks legal foundation. This may necessitate amendment of the law.
36. Since money laundering investigation involves probing the financial aspect of illegal financial transactions, the ordinary policeman is ill-equipped to investigate money laundering offence given his basic police training. The assistance of the Ministry of Finance or the FIC Commission (which is the regulatory agency over banks) should make up for the lack of CIDE skill in this regard.

Training/assistance

37. Palau should develop operating guidelines for the financial sector in relation to anti-money laundering systems and procedures, and all reporting institutions as well as regulatory and enforcement staff involved in the anti-money laundering system should be provided training in this area.
38. The capability of the CIDE and/or FIU may be enhanced through international legal assistance and cooperation that would allow training of its personnel in investigative techniques in other countries. Exchange of information and of personnel must be encouraged.

ANNEX D: 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	www.adb.org
APEC	Asia Pacific Economic Co-operation	www.apecsec.org.sg
APG	Asia/Pacific Group on Money Laundering	www.apgml.org
ASEAN	Association of South East Asian Nations	www.aseansec.org
CFATF	Caribbean Financial Action Task Force	www.cfatf.org
ComSec	Commonwealth Secretariat	www.thecommonwealth.org
FATF	Financial Action Task Force on Money Laundering	www.fatf-gafi.org
GAFISUD	South American Financial Action Task Force (Grupo de Acción Financiera de Sudamérica)	www.minjusticia.gov.co/gafisud
IMF	International Monetary fund	www.imf.org
IMoLIN	International Money Laundering Network	www.imolin.org
ODCCP	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:	www.un.org
OECD	Organisation for Economic Co-operation & Development	www.oecd.org
PIFS	Pacific Islands Forum Secretariat	www.forumsec.org.fj
SAARC	South Asian Association for Regional Co-operation	www.saarc.org
World Bank	The World Bank Group	www.worldbank.org
WCO	World Customs Organisation	www.wcoomd.org

ACRONYMS

AML	Anti-money laundering
APEC	Asia Pacific Economic Co-operation
ASEAN	Association of South East Asian Nations
ADB	Asian Development Bank
AMLID	Anti Money Laundering International Database (UNDCP)
AusAID	Australian Agency for International Development
AUSTRAC	Australian Transaction Reports & Analysis Centre
ASEM	Asia Europe Meeting
CFT	Combating the financing of terrorism
CFATF	Caribbean Financial Action Task Force
CSCAP	Council for Security Co-operation in the Asia Pacific
COE	Council of Europe
ESCAP	Economic & Social Commission for Asia and the Pacific (UN)
EEC	European Economic Community
Egmont Group	Egmont Group of the Financial Intelligence Units of the world
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FIU	Financial Intelligence Unit
FSA	Financial Services Authority (UK)
FINCEN	Financial Crimes Enforcement Network (USA)
FATF	Financial Action Task Force on Money Laundering
FCO	Foreign & Commonwealth Office (UK)
FEMM	Finance and Economic Ministers Meeting (a South Pacific body)
GAFISUD	South American Financial Action Task Force on Money Laundering (Grupo de Acción Financiera de Sudamérica)
IMF	International Monetary Fund
IDLI	International Development Law Institute
IOSCO	International Organisation of Securities Commissions
ME	Mutual Evaluations
ML	Money laundering
MONEYVAL	Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures
NCCT	Non Co-operative Countries & Territories (FATF initiative)
OECD	Organisation for Economic Co-operation & Development
OGBS	Offshore Group of Banking Supervisors
RETA	Regional Technical Assistance (ADB)
SAARC	South Asian Association for Regional Co-operation
SEACEN	South East Asian Central Banks Training Institute
UNODC	United Nations Office of Drug Control
UNTOC	United Nations Convention Against Transnational Organized Crime
WCO	World Customs Organisation