

# **JOINT CONFERENCE ON REMITTANCES**

12-13 September 2005

ADB, Manila, Philippines

## **Presentation**

### **ADB's AML/CFT POLICY & ARS**

**RITA O'SULLIVAN**

**Counsel, Office of General Counsel**

**Asian Development Bank**

# CONFERENCE ON REMITTANCES

## Session III ADB's AML/CFT POLICY & ARS

**Rita O'Sullivan**

**Counsel, OGC**

12 September 2005



**ADB**

# Risks

- **Drive Underground-versus-Weak Link**
- **Not panacea to end misuse**
- **3 stages:**
  - *Placement stage* – First mile
  - *Layering stage* – Intermediary
  - *Integration stage* – Last mile

# ADB's AML/CT POLICY

- **'Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism ("ADB AML/CT Policy").**
- **Develop AML/CFT regime:**
  - technical assistance
  - projects
  - country-specific financial sector loans

# Regulatory Approach

- **2 Approaches**
  - **absorb informal into formal systems**
  - **register/license informal systems**
- **New ARS trends (cell phones)**

# ADB Toolkit

- **ADB'S AML TOOLKIT**  
[www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/aml0500.asp](http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/aml0500.asp)
- **TA needs Matrix**
- **Sequencing reforms**

# Remittance Channels/Controls

## Operational Guidance:

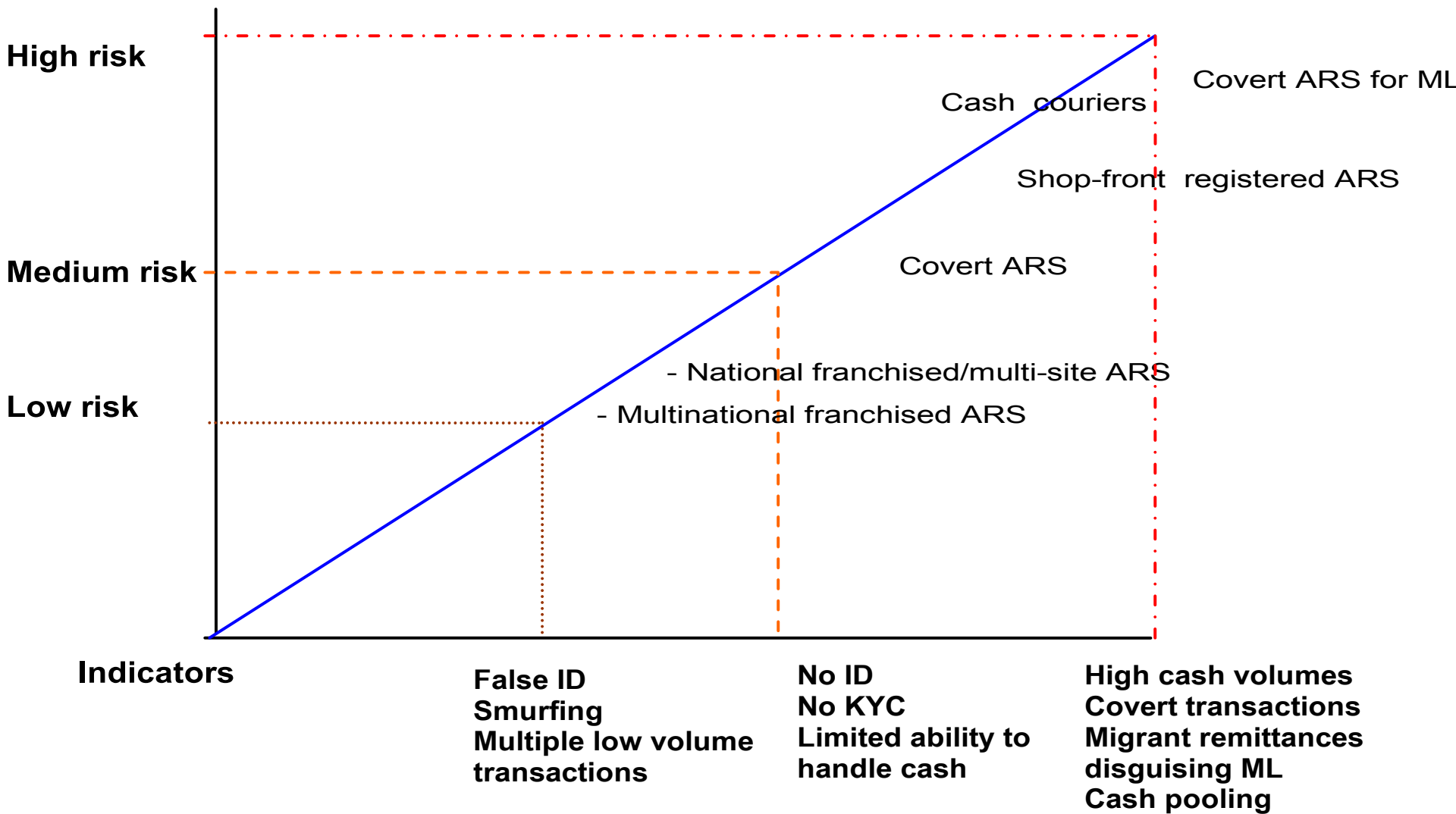
- **Harmonised/consistent approaches to legislative solutions - national and international regulations approaches**
- **FATF 40 Recommendations plus 9 Special Recommendations – SRVI**
- **Stronger international co-operation to detect criminal activities**

# Regulatory Systems

- **Regulation varies substantially**
- **Register money remitters versus licensing**
- **Supervision and Monitoring differences**
  - Site visits and reporting
  - Risk based

# Risk Areas

- ***Terrorist Financing*** – apply AML Policy
- ***Money Laundering*** – Factors
  - regulatory regime
  - criminal remittance corridors
  - number and types of ARS operators
  - banks provide accounts for ARS operations
- ***Risk Associated with Specific Types of ARS***
  - Franchised Multinational Companies
  - Covert ARS within Another Business
  - Covert ARS – No Premises



# Indicators

- **Regular high levels of cash deposits**
- **international transfers to 3rd party in country at the end of usual remittance corridors**
- **No business explanation for the size of business or cash volumes**
- **in excess of average income of migrant worker**
- **deposits structured to avoid reporting thresholds**

# The Role of the Regulator

- *Financial Intelligence Unit (FIU)*
- the Supervisor
- Active Detection by Law Enforcement and Customs Authorities
- Indicators for Law Enforcement

# Indicators for ARS Operators to Detect Criminal Misuse

- **excess of customer's socio-economic background**
- **remittances sent where no apparent family or business link**
- **Reluctance to give an explanation for remittance**
- **Remittances made outside migrant remittance corridors**

# Regulatory Challenges

- **Harmonised terminology**
- **Currency transaction reports**
- **Commercial operations – over/under invoicing**
- **Use of cash couriers**
- **Cash pooling accounts**

# Elements of An Efficient Regulatory Systems

- **Registration or licensing regime**
- **Identifying the ML/TF risks**
- **Regulatory arbitrage**
- **International co-operation on intelligence, investigation and regulation**

**Contact:**  
**Rita O'Sullivan**  
**Counsel**  
**Asian Development Bank**  
**[rosullivan@adb.org](mailto:rosullivan@adb.org)**