

JOINT CONFERENCE ON REMITTANCES

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Presentation

ALTERNATIVE REMITTANCE SYSTEM: CHALLENGES AND STRATEGIES

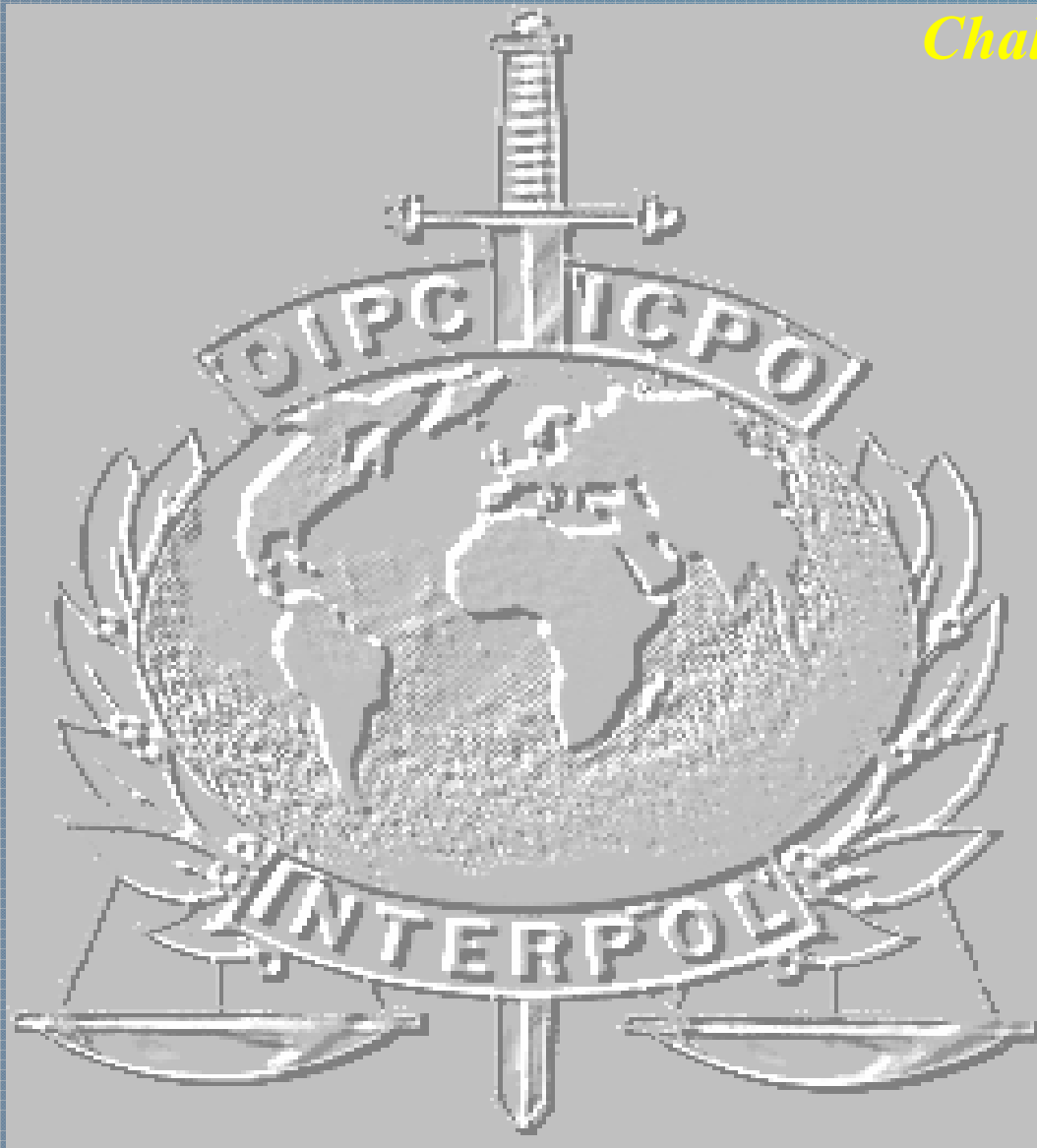
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ALTERNATIVE REMITTANCE SYSTEM

Challenges & Strategies

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BRAND NAMES

ASIAN ORIENTAL

Chinese

hui kuan → to remit sums of money

chiao hui → overseas remittances

phoe kuan → message houses

nging sing kek → money letter shop

Fei chien → flying money
also chop shop

Indonesian → Bangelap (dark bank)

China → di xia qian zhuang”
(underground money shop)

Vietnam → hui

Thailand → poey kuan

INDIAN SUB-CONTINENT

HAWALA OR HUNDI

MIDDLE EAST

No indigenous system-conduit for other systems

MONEY LAUNDERING IN ASIA

-Reasons for thriving

- Political and economic stability
- Existence of cash intensive criminal proceeds in the region
- Presence of major financial centers with access to banking ...facilities, communications, and financial markets
- Lack of regulatory controls over financial sectors and legal provisions against money laundering in a few territories
- Need for hard currency in transitional economies
- Prevalence of cash economy

HAWALA MINTS

DEVELOPING ECONOMIES + Exchange Controls

- ❖ Misinvoicing of imports/exports
- ❖ Illegal imports
- ❖ Proceeds of crime
- ❖ Bribes/commissions
- ❖ Capital Flight/Tax evasion
- ❖ Tourists-local expenses assured
- ❖ Educational/medical costs

FREE MARKET ECONOMIES minus Exchange controls

- ❖ Legal earnings immigrants
- ❖ Illegal imports
- ❖ Over-invoicing of exports and bogus exports
- ❖ Proceeds of criminal and revenue offences



PROFITS

➤ *Exchange Rate Manipulation*

- *Lower business overhead than banks*
- *Foreign exchange speculation/ black market currency dealing*
- *Lower rates on exchange in return for laundering services*

➤ *Commissions*

NATURE OF FUNDS LAUNDERED



- Drugs Profits & Operating Funds- 11
- Arms-3
- Precious Stones Gold-3
- Terrorism-3
- Corruption/bribery extortion-6
- Gambling-4
- Human Traffic-4

OVERVIEW

- Drug & Corruption proceeds
Laundered evenly
- Indian sub continent launders
funds from arms, gold & terrorism
- Asian Oriental region launders gambling
& human traffic profits

CASE STUDIES-INDIA

❖ RED FORT BLAST CASE 2000

Confession of prime accused

Operations funds through hawala on instructions of leader in India from controllers in Dubai

❖ BOMBAY BLAST CASE '93

Mumbai based hawaladar routed money to Account of prime accused

Pattern

- Arrested accused in possession of counterfeit currency, so drugs and weapons & addresses of hawala dealers in ci where operations planned*
- Hawala as preferred mode of payment extortionists/kidnappers in several cases over '94-'99*

CASE STUDIES-INDIA

Russian Export Scam 1996- (Fraud of US \$ 90 million)

- ❖ Soviet Union Credit Scheme - state credit for exports to Russia
- ❖ Non existent or fly by night exporters dumped junk goods
- ❖ Value of exports inflated
- ❖ Money sent by hawala & received back through banking channels

DEBT SETTLEMENT



■ Banking System

➔ Physical smuggling

■ Gold Smuggling

● Reciprocal Remittance

◎ Invoice Manipulation

➤ *Indian sub continent systems favour*
..Reciprocal remittance, Invoice
..manipulation and Gold smuggling

➤ *Asian Oriental region favours*
..Conventional banking sector &
..Physical repatriation

DEBT SETTLING

Debt Settling Method	Country Group	
	Hawala-Hundi	Asian-Oriental
Reciprocal Remittance	•••	•
Invoice Manipulation	••••	•
Gold smuggling	••	
Conventional Banking	•• (<i>Rarely</i>)	••••••
Physical Smuggling of Cash	•	•••

Note • = One country of the Asia/Pacific region

FATF GUIDELINES

- ***Licensing/Registration***
- ***Identification and Awareness Raising***
 - Identification Strategies*
- ***Anti-Money Laundering Regulations***
 - Customer Identification*
 - Record Keeping Requirement*
 - Suspicious Transaction Reporting*
 - Profiling Financial Intelligence
 - Targeting Certain Cash Transactions
 - Other indicators
- ***Compliance Monitoring***
- ***Sanctions***
 - Civil, criminal or administrative sanctions depending on severity of offence*

COUNTERING ARS

Jurisdiction	Ban	No Action	Some Obligations (e.g. reporting or customer identification)	Registration & Some Obligations	Registration Full Obligations
Australia			✓		
Bhodia			✓		
Canada			✓		
Chinese Taipei		✓			
Hong Kong China					✓
India	✓				
Indonesia			✓		
Japan	✓				
Lea				✓	
Malaysia				✓	
New Zealand			✓		
Pakistan					✓
Philippines			✓		
Singapore					✓
Switzerland			✓		
Taiwan					✓

HAWALA CHECKS

- *Continuing Banking Sector Reforms*
- *More Proactive Border Control & Customs work to check reconciliation*
- *Standard enforcement techniques- closer monitoring of suspect businesses*
- *Law penalising ARS/UGB when aiding & abetting ML/TF*



THANK YOU FOR YOUR KIND ATTENTION

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