

Countering Money Laundering and Financing of Terrorism Implementing ADB's Policy

Other Highlights

As part of its efforts to collaborate with other institutions, ADB works to ensure effective partnerships with the Financial Action Task Force in Money Laundering (FATF), World Bank, International Monetary Fund, United Nations Office on Drug and Crime (UNODC), Asia Pacific Group on Money Laundering (APG), and other institutions. These efforts include

- active involvement in regional donor conferences, such as the APG's technical assistance and training forum,
- participating in meetings of, and providing regular updates to, FATF and APG,
- mobilizing funding support, such as establishing the Cooperation Fund for Regional Trade and Financial Security Initiative, and
- supporting DMCs' use of UNODC-developed computer-based training programs on AML/CFT.

An essential aspect of the Policy involves strengthening ADB's internal controls capacity. To this end, ADB

- develops and harmonizes its internal control procedures with those of other MDBs,
- has established an AML/CFT enhanced due diligence working group,
- provides regular on-the-job training for ADB staff, and
- maintains a sanctions list.

ADB also carries out research and develops knowledge-based products. This includes:

- publishing a handbook for ADB staff regarding AML/CFT,
- undertaking a study on alternative remittance services and money-laundering risks,
- conducting a review of considerations for financial regulators in supervising compliance with AML/CFT requirements, and
- publishing a study on AML/CFT considerations arising from the use of mobile telephones for fund transfers.

Watchdogs of the global financial system have been increasingly vigilant in their efforts to eradicate the phenomenon of money laundering and terrorism financing. However, these activities continue to pose a significant threat to international markets and security and hinder economic development. According to some estimates, the amount of money laundered annually is 3–5% of the global gross domestic product, or about US\$2.17 trillion–\$3.61 trillion. This figure underscores the challenges faced by governmental and multinational institutions seeking to address the flow of criminal and terrorism-related funds through the financial sector. Stemming this flow requires authorities to understand the extent of the phenomenon and adapt to new vulnerabilities, such as the use of mobile phones for effecting fund transfers and internet gambling.

AML/CFT Activities of the Asian Development Bank (ADB)

ADB was one of the first multilateral development banks to focus on the destabilizing forces of money laundering and terrorism financing. Even prior to the 11 September 2001 attacks, which elevated the concerns with money laundering and financing of terrorism, ADB was already committed to assisting its developing member countries (DMCs) on anti-money laundering and combating the financing of terrorism (AML/CFT) matters.

On 1 April 2003, ADB reinforced its AML/CFT mandate by adopting the policy *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of*

Terrorism (Policy) (www.adb.org/documents/policies/ADB_Money_Laundering_Terrorism).

The Policy has four major components:

- assist DMCs in establishing and implementing legal and institutional regimes,
- increase collaboration with other international and development partners,
- strengthen internal controls, and
- upgrade ADB staff capacity.

ADB has provided substantial assistance to its DMCs since the adoption of this Policy. The assistance has focused on strengthening the AML/CFT regime of DMCs by developing AML/CFT law and policy; strengthening financial regulatory and supervisory frameworks; and introducing capacity-building measures, including setting up financial intelligence units (FIUs). Moreover, ADB has led region-wide AML/CFT initiatives and harmonized its internal procedures with those of other multilateral institutions. ADB has also undertaken research and developed knowledge-based products, and regularly coordinates its activities with other international institutions (www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/aml0300.asp).

The Policy mandated a review after 4 years of implementation and in April 2008, a review paper was published (Paper). The Paper:

- outlined and reviewed ADB's AML/CFT activities between April 2003 and March 2008, including the achievements and lessons learned; and
- identified priorities for ADB's future AML/CFT activities.

Participation of ADB Staff

ADB's AML/CFT activities are carried out by staff from various ADB departments, namely

- Central and West Asia Department,
- East Asia Department,
- Pacific Department,
- South Asia Department,
- Southeast Asia Department,
- Controller's Department,
- Regional and Sustainable Development Department,
- Treasury Department,
- Central Operations Services Office,
- Office of the Auditor General, and
- Office of the General Counsel (OGC).

OGC Staff serve as focal points for ADB's AML/CFT activities.

Contact Persons

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ADB is a multilateral development finance institution owned by 67 members, 48 from the region and 19 from other parts of the globe. ADB's vision is a region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their citizens.

ADB's headquarters is in Manila. It has 26 offices around the world and has more than 2,000 employees from over 50 countries.

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Illustrative AML/CFT Activities

Past and present ADB AML/CFT activities have taken place on a range of DMCs. ADB's efforts in AML/CFT developments also contributed to the removal of some of its DMCs from the FATF noncooperative countries and territories list (NCCT List). The following highlights the AML/CFT activities in ADB programs and technical assistance projects (TAs) approved between April 2003 and March 2008.

Bhutan Ongoing program focuses on developing AML/CFT policies and procedures, and establishing regulatory and supervisory capabilities.

Cambodia Assistance provided to improve the soundness and efficiency of the financial system by supporting the creation of an AML regime.

People's Republic of China Ongoing TA focuses on strengthening the AML framework, including enhancing the regulation and supervision of financial institutions, extending the application of the AML law to the non-financial sector, and revising relevant aspects of the criminal law.

Indonesia TA supported further improvement in the AML regime through strengthening the level of regulatory and supervisory capabilities for nonbank financial institutions, and improving the capacity of prosecutorial agencies.

Lao People's Democratic Republic Ongoing program to develop the banking sector provides support to draft an AML law and set up the FIU.

Mongolia The TA supported the promotion of a stable and sound financial system by assisting in the creation of an effective AML regime, passing an AML law, and establishing an FIU.

Pakistan Ongoing TA supports the development of AML/CFT regulatory and supervisory capacity in the State Bank of Pakistan.

Philippines Ongoing program builds upon previous assistance to strengthen the regulation and supervision of the nonfinancial sector.

Sri Lanka Ongoing work assists in the drafting of an AML law.

Thailand The TA assisted the establishment of a more efficient and effective AML/CFT regime and the achievement of a higher level of compliance with international standards.

Viet Nam The TA strengthened the financial system and improved governance in Viet Nam through reform of the AML regime.

Regional TA (RETA) on Customs, Immigration, Quarantine, and Security Harmonization in Brunei Darussalam, Indonesia, Malaysia, Philippines and the East-Asian growth area (BIMP-EAGA) Implementation of the RETA is currently underway to harmonize the customs, immigration, quarantine and security in ports in BIMP-EAGA to facilitate and strengthen the security of regional trade.

Going Forward

Further implementation of the Policy will take into account developments at the international level, particularly any changes pursuant to AML/CFT requirements under international law and standards. It is also important that AML/CFT activities continue to be carried out within the purview of ADB's work in financial sector and governance reform, taking into account the experiences gained and lessons learned from implementing the Policy thus far. To this end, ADB will continue to

- make use of its policy dialogues with DMCs to further AML/CFT developments,
- collaborate with other international organizations and development partners, particularly to ensure better coordination and prioritize activities that add value to its DMCs and the region,
- work on strengthening internal control procedures for ADB operations and integrity due diligence for its nonsovereign lending operations, while providing relevant training to ADB staff on a periodic basis, and
- keep abreast of AML/CFT developments generally, through participating in relevant forums and conferences, disseminating relevant information, and keeping the ADB AML/CFT Toolkit updated. ■

Relevant and up-to-date references and information on the ADB AML/CFT Toolkit is available online at www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering.