



Asian Development Bank

REPORT TO THE FATF PLENARY

February 2008

Ongoing Technical Assistance and Plans

1. Background

ADB continues to provide assistance to a number of its developing member countries (DMCs) to enhance their AML/CFT regimes. Such assistance is occurring via focused technical assistance (TA) projects, financial sector program support which includes AML/CFT reform measures, and ad hoc technical legislative drafting and legal advice support. This work is undertaken in accordance with ADB's policy on *Enhancing The Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*¹. TA activities have included country-specific enhancement of AML regimes involving training for officials involved in AML operations, assistance in drafting AML legislation, technical advice to establish or enhance financial intelligence units (FIU), and support for trade based money laundering, customs enhancement, and cash courier measures. Much of ADB's assistance to DMCs to combat money laundering has been undertaken within the broader context of its existing policies and strategies to facilitate poverty reduction, promote good governance, reduce corruption, and strengthen national financial and border control systems.

2. Ongoing Technical Assistance

Current technical assistance being undertaken since the last report is as follows:

- **Cambodia**

An ADB expert supported the National Bank of Cambodia (NBC) to prepare for the introduction of the FIU, with the development of terms of reference and a training program for staff. A pilot Financial Intelligence Unit was established in June 2005 with six staff under NBC's Bank Supervision Department to help with the initial preparations. Throughout 2005 and 2006, NBC and AUSTRAC conducted joint training workshops on AML and CFT in general, including procedures to assess suspicious transactions reports, the roles of compliance officers at banks and financial institutions, and conducted an AML and CFT assessment. The AML and CFT Law was enacted in June 2007 and to be followed by the adoption of the subdecree through further technical assistance to be provided as part of ADB's ongoing financial sector program reforms.

- **Indonesia**

ADB's second targeted TA project has covered: (i) the development of nonbank AML supervision approaches, policies and procedures for the Directorate General of Financial Institutions (DGFI) in the Ministry of Finance; (ii) capacity building for financial sector supervisory agencies (Bapepam and DGFI); (iii) capacity building for Attorney General's Office and Judges; (iv) public awareness and education campaigns and programs; and (v) the development of a process for conducting AML computer-based training in outer provinces.

¹ The four main components of the policy, which was adopted on 1 April 2003, are: (i) assisting DMCs in establishing and implementing effective legal and institutional systems for AML/CFT; (ii) increasing collaboration with other international organizations; (iii) strengthening internal controls to safeguard ADB funds; and (iv) upgrading ADB's staff capacity.

Training and mentoring to the Attorney General's Office in Jakarta in the area of prosecution and adjudication was undertaken and content material for the planned UN-ODC Computer Based Training (CBT) modules on asset forfeiture prepared. A draft Indonesian AML manual for prosecutors has been drafted and private sector consultations were undertaken by the Attorney General's Office. TA support for Bapepam-LK (the capital market regulatory authority) is being considered.

- **Lao PDR**

The Bank of the Lao PDR has, as a reform measure under ADB's Banking Sector Restructuring Program, established an FIU Committee pursuant to the AML Decree but concerns relating to the very limited application of the Decree are still outstanding. Amendments are required to extend the application of the AML Decree to strengthen the AML regime while rules, procedures, and implementation guidelines must be issued to support the implementation of the Decree². Working with Bank Negara, Malaysia, support has been provided to the State Owned Commercial Banks to enhance their internal AML procedures and measures. ADB is funded a separate TA to assist with judicial training, which includes raising the awareness of the AML/CFT provisions. TA support for Bank of the Lao PDR is being considered.

- **Mongolia** As well as ADB's Technical Assistance on Establishing an Effective Anti-Money Laundering Regime, the Financial Regulation and Governance Program includes reforms to assist the Government of Mongolia to issue implementing regulations; invest in IT-MIS for the FIU; train the FIU staff; and train financial institutions in compliance, and relevant agencies in investigation and prosecution of money laundering.

- **Nepal**

The Interim Parliament of Nepal passed the Money Laundering Prohibition Bill on 14 January 2008. ADB Loan 1861-NEP: Governance Reform Program, implemented from 2001 to July 2007, organized a major conference on anti-money laundering in March 2002 in collaboration with the Asia Pacific Group and the Anti-Money Laundering Office of Thailand which resulted in the appointment of a task force to develop a draft bill for anti-money laundering act. The tabling of the anti-money laundering legislation in Parliament was an agreed condition under the Program Loan.

Judiciary: Support to Special Court - ADB approved the TA 4962-NEP: Support to Anticorruption Institutions in August 2007. The TA, which will be implemented in 2008, will support the Government's initiatives in strengthening the institutional capacity of five anticorruption institutions. Under the TA, ADB will also strengthen the capacity of the Special Court. The Special Court is legally authorized to effectively and swiftly dispense with corruption cases that are filed with it. The Court is also mandated to consider cases of crimes against the State, and review decisions taken by the Commission for the Investigation of Abuse of Authority.

- **Pakistan**

ADB is supporting the State Bank of Pakistan (SBP) with technical assistance of \$1.5million to strengthen the country's AML/CFT regime including (i) effective consolidation of AML/CFT monitoring and analytical measures within a single financial intelligence unit, (ii) implementation of the AML law including preparation of implementing regulations as needed; (iii) enhancing the

² These include rules and procedures under Article 4 to specify how the detection, combating and deterring of money laundering shall be conducted. Article 13 requires a regulation to be issued to specify details of data collection while Article 24 requires a regulation to issue to specify the staffing structure of the FIU, and Article 25 requires a number of regulations and directions to issue regarding rights and duties. BOL and the Ministry of National Security must also issue the guideline for implementing the Decree under Article 34.

capacity of the financial intelligence unit (FMU) in SBP for a comprehensive STR reporting and analysis with capacity for cross-border sharing of information; (iv) organization and the design of the FMU monitoring and database systems, including preparation of a detailed action plan and budget; (v) training and capacity building of FMU and concerned agencies staff, including in the areas of forensic accounting and auditing procedures; (vi) preparation of an analytical report on AML typologies in Pakistan; and (vii) promotion of public awareness and understanding of AML/CFT under the new regime.

- **People's Republic of China**

Technical Assistance is being provided to help strengthen the AML system in the People's Republic of China. An International Symposium supported by the International Monetary Fund, the German Federal Financial Supervisory Authority and the World Bank was held in Beijing with domestic workshops held leading up to the Symposium. Phase II of the TA will review any conflicting legislation and recommend amendments. It also aims to develop an implementation manual to guide the implementation of the new AML Law.

- **Philippines**

Phase two of the technical assistance provides support for sustained, effective implementation of the regime. Phase II consists of several components which have developed: i) a process map to provide a comprehensive and common frame of reference for the Government as well as interested development partners to ensure a more systematic and coordinated approach to implementation of the AML regime issues; ii) a strategy and monitorable implementation plan for strengthening compliance with suspicious transactions reporting requirements; iii) a strengthened legal and regulatory framework for AML including development of complementary legislation and regulation; iv) locally-based training programs and computer-based training materials to allow for sustainable, cost-effective capacity building; and v) strengthened relationships between Philippine AML authorities and counterparts in selected other jurisdictions in the region.

During 2006, ADB funded 14 CFT training sessions ranging from 2 to 5 days for 640 participants. 6 of these class totaling approximately 240 participants were held in the last quarter, together with Anti-Money Laundering Council, Philippine Bureau of Customs, US Treasury's Office of Technical Assistance (OTA), US Homeland Security and the FBI. Additionally there were 6 Bulk Cash smuggling classes comprising approximately 240 participants held in 2006, four of these classes for 160 participants were held in the last quarter. Funding for additional training is being considered.

- **Thailand**

Technical assistance to Thailand targeted at achieving a higher level of compliance in the area of international cooperation within the framework of established international standards. The first of the two TA components assisted the Government to: (i) reassess the legal, institutional, and procedural requirements for conforming to the FATF recommendations on international cooperation; and (ii) formulate an action plan through consultation with all stakeholders, including government agencies, the private sector, and international and regional AML-CFT related organizations. Consultants completed the draft of the 3-year action plan which was revised with additional technical inputs from the relevant government officials concerned and discussions on the feasibility of the action plan with the AML/CFT working group, which has now been adopted.

- **Viet Nam**

Capacity building and FIU support was provided under ADB's second TA following the establishment of the Anti-money Laundering Information Center (AMLIC- financial intelligence unit) within the State Bank of Vietnam and the appointment of a Director. Funding for additional training is being considered.

- **Pacific**

ADB's TA 6360-REG Strengthening Governance and Accountability in Pacific Island Countries is supporting the design of the Pacific Regional Audit Initiative (PRAI). This targets raising the public auditing in the Pacific to uniformly high standards. A second phase RETA is programmed for 2008.

- **Bhutan**

ADB's Loan No. 2279-Financial Sector Development Program is to provide assistance to the Government to review and revise, as necessary, the existing AML laws and regulations. It will also help Royal Monetary Authority (central bank) establish a Financial Intelligence Unit to address AML/CFT related issues. EOIs have been received and the Government is expected to shortlist and recruit the consultants soon.

- **Sri Lanka**

Loan No. 2138- Financial Markets Program for Private Sector Development, overall progress meets all AML related policy actions under the financial markets program. The IMF has just issued a detailed progress report on AML in Sri Lanka.

- **Bangladesh** : Under Loan No. 2362- Good Governance Program, while there is no specific component on trade based money laundering, support is being provided to the Anticorruption Commission to link up with relevant agencies (such as the National Board of Revenue, the Bangladesh Bank, etc.) on corruption related and other matters. ADB is also assisting the Government of Bangladesh to implement the UN Convention Against Corruption, which also touches on the matter of money laundering.

3. Border Controls and Aviation and Port Security

A regional technical assistance is underway to harmonize the BIMP-EAGA Customs, Immigration, Quarantine and Security (CIQS) fields and focuses meeting the ASEAN single window target of 2008. The RETA aims to secure and facilitate regional trade by addressing some of the demand driven needs identified. The CIQS forum enabled the BIMP-EAGA countries to become aware of sub-region wide donor activity as well as ensuring donor activity is well placed and demand driven. It is expected that the participatory process will serve to ensure more rapid and effective development of trade and security issues in the sub-region as well as serve as a template for other sub-regional configurations.

The Pacific Aviation Safety/Security Office (PASO) project is the first ADB regional aviation sector loan and technical assistance grant and will serve as a template for further development and will harmonize the application of the International Civil Aviation Organization's (ICAO) Annex 17 security provisions throughout the eight PASO countries. The grant to PASO has now leveraged US\$200,000 from ICAO and NZ\$200,000 from New Zealand to complement and extend the project.

4. Countering the financing of Terrorism

- **Bangladesh, Lao PDR and Cambodia**

ADB staff joined the UNCTED assessment team in Bangladesh to monitor the implementation of Security Council resolution 1373 which requires Member States to take appropriate actions to counter terrorism. During 2008, staff plan to join the assessments for Lao PDR and Cambodia.

5. Status of APEC Cooperation Fund for Regional Trade and Financial Security Initiative

ADB's Cooperation Fund for Regional Trade and Financial Security Initiative (the AML Fund) seeks to further strengthen assistance to DMCs to establish effective AML/CFT structures and systems

and strengthen trade security regimes in line with international requirements. ADB continues to collaborate with local FRTFSI and non-FRTFSI donors to ensure maximum outcomes for expenditures made. There are several concept papers in the pipeline such as country specific support for 5 APEC countries and thematic areas such as: (i) computer-based training program for the international ships and port facilities security (ISPS) code; (ii) regional port security enhancements; and (iii) regional trade transparency capacity building for trade data collection and AML targeting. Further donor support is under consideration.

6. Publications/Internal Measures

ADB's online AML/CFT toolkit is being continually updated to expand the available reference materials in order to facilitate research on AML/CFT topics and to provide more links to relevant websites. See <http://www.adb.org/documents/others/anti-money-laundering-toolkit/>

The AML/CFT team has pulished a study on the development opportunities and challenges posed by wireless value transfer systems on the AML/CFT Toolkit³. These systems, with the advent of the third generation mobile phones, put the internet in everyone's hand. The study shows that the developing technology will have a huge impact on AML/CFT operations, particularly regarding changes in determining what is evidence, jurisdictional issues, such as where does value lies, and will affect current money laundering investigation and prosecution operations.

The AML Enhanced Due Diligence Working Group has revised its draft report to improve ADB's internal due diligence and Know Your Customer (KYC) capability. Discussions are underway amongst the multilateral development banks to harmonize procedures.

An AML/Cross Border Security Network was established to better inform ADB staff on AML/CFT capacity building activities and trade and port security topics. Twenty-six presentations have been made to staff by various expert speakers, including a representative from IMF advising of the IMF AML/CFT related activities.

The AML/CFT team has assisted ADB's Private Sector Operations Division on AML/Anti-fraud program architecture for emerging private sector financial institutions and the wireless value transfer within the region.

The AML/CFT assisted the Mekong Regional Department's evaluation of border controls along the East West Economic Corridor (EWEC) straddling Vietnam, Laos and Thailand across Greater Mekong Subregion (GMS). This evaluation highlighted the need for strengthening enforcement targeting capability, border enforcement systems, data collection efforts, communications capability along the highway as well as at border crossings, and the use of Radio Frequency Identification Devices (RFID) in promoting safe and secure trade along the corridor. ADB's transport projects are reviewing this work and the GMS Business Forum has picked up on this initiative and is promoting the enhancements of systems to its GMS member countries.

7. ADB/OECD Anti-Corruption Initiative for Asia-Pacific

ADB's Anti-corruption Policy and activities are outlined on its website.⁴ Support for governments' efforts toward effective and transparent systems for public service, anti-bribery and business integrity, and active public involvement is occurring through the ADB/OECD Anti-Corruption Initiative for Asia-Pacific. See <http://www1.oecd.org/daf/ASIAcom/>

³ See <http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/documents/Working-Paper-March2007.pdf>

⁴ ADB's Anti-corruption Policy and anti-corruption activities are set out at <http://adb.org/Anticorruption/default.asp>