



Asian Development Bank

REPORT TO THE FATF PLENARY

Strasbourg, France, 21-23 February 2007

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. Once the AML Law has been enacted, further technical assistance is expected 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.

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

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.

prosecutors has been drafted and private sector consultations were undertaken by the Attorney General's Office.

- 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.

- 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.

- 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 were held in Beijing on 18-19 October 2006 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

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.

for 160 participants were held in the last quarter. Funding for additional training planned in 2007 is being processed.

- Thailand

Technical assistance to Thailand has been 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 is being provided under ADB's second TA following the establishment of the Anti-money Laundering Information Center (AMLIC- financial intelligence unit version of Vietnam) within the State Bank of Vietnam and the appointment of a Director.

3. Border Controls and Aviation and Port Security

A needs assessment of the BIMP-EAGA Customs, Immigration, Quarantine and Security (CIQS) fields will be developed focusing on meeting the ASEAN single window target of 2008. A \$600,000 CIQS grant is helping efforts 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. 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: (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.

5. 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 drafted a study on the development opportunities and challenges posed by wireless value transfer systems. These systems, with the advent of the third generation mobile phones, put the internet in everyone's hand. The study will show 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 report is expected to be published shortly.

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 three presentations have been made to staff by various expert speakers, including representatives of Globe G-Cash, a cell phone based value transfer system just two weeks after it launched the system. (G-Cash now exceeds 1.2 million subscribers.)

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 team last year 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. The GMS Business Forum has picked up on this initiative and is promoting the enhancements of systems to its GMS member countries.

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

ADB's AML team assisted with the Initiative's thematic review on mutual legal assistance, extradition and recovery of proceeds of corruption at the 9th Steering Group Meeting in Bangkok, Thailand, 27-29 November 2006. The review, which is to be released shortly, will be of interest to officials undertaking AML/CFT reform measures.

ADB's Anti-corruption Policy and activities are outlined on its website.³ 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 ADB's Anti-corruption Policy and anti-corruption activities are set out at <http://adb.org/Anticorruption/default.asp>