



Asian Development Bank

REPORT TO THE FATF PLENARY

Cape Town, February 2006

Ongoing Technical Assistance and Plans

1. Background

As previously reported, ADB has provided and is providing direct assistance to a number of DMCs for the development of their AML/CFT regime through a regional technical assistance (TA) project, country-specific financial sector loans which include AML/CFT reform measures, TAs, and ad hoc technical legislative drafting support. This work is undertaken ADB's policy on *Enhancing The Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*¹ was adopted on 1 April 2003 to enable ADB to respond effectively to developing member countries' (DMC) needs related to establishing and implementing their AML/CFT regimes. To date, TA activities have included country-specific research on AML regimes, training for officials involved in AML operations, assistance in drafting AML legislation, and technical advice to establish financial intelligence units (FIU). 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 systems.

2. Ongoing Technical Assistance

Current technical assistance being undertaken is as follows:

- Cambodia

The draft law on anti-money laundering (AML) and combating the financing of terrorism (CFT) has been with the Council Ministers since July 2005. IMF-TA helped National Bank of Cambodia (NBC) draft the regulations on AML/CFT to be issued after approval of AML/CFT law by the NA. An awareness seminar was held on AML/CFT for members of the National Assembly in May 2005 with support from the German government.

The Pre-FIU unit was established in June 23, 2005 with 6 staff members under the Banking Supervision Department of NBC. A workshop on AML/CFT was jointly conducted by NBC and AUSTRAC on 30-31 August 2005 for staff of the Banking Supervision Department and Pre-FIU. A workshop on procedures to assess suspicious transactions reporting was jointly organized by NBC and AUSTRAC, from 25-26 January 2006.

- Indonesia

ADB's second targeted TA aims to provide assistance for effective implementation of the AML regime that was established during phase I under ADB's TA 3849. Technical support for AML related activities will cover the following areas: (i) the development of nonbank AML supervision approaches, policies and procedures for the Directorate General of Financial Institutions (DGFI) in

¹ The four main components of the policy 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.

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.

- Lao PDR

The Bank of the Lao PDR has, as a reform measure under ADB's Banking Sector Restructuring Program, established an FIU Committee, which is the precursor to the FIU. The draft Law is currently under consideration by the Government and is expected to be submitted to the National Assembly shortly. The FIU will be established once the AML Law is enacted. AUSTRAC is undertaking a capacity building program for the FIU Committee and ADB is assisting with the coordination of further technical assistance to build capacity within the Government to implement the new Law once it is enacted. Further support is being proposed to assist the FIU to enter into AML information sharing and cooperation agreements with regulatory institutions in the Asian and Pacific region.

- Mongolia

Further to the Technical Assistance on Establishing an Effective Anti-Money Laundering Regime, the ADB Board has since approved the Financial Regulation and Governance Program which will enable the Government of Mongolia to issue 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. Delays in the passage of legislation is still an impediment to the progress of a functioning AML regime.

- Philippines

The first phase of technical assistance to the Philippines in support of strengthening its AML regime provided support for the establishment of key elements of an AML regime while phase two of the technical assistance is aimed at providing support for sustained, effective implementation of the regime. Phase II consists of several components: i) a process map that is intended to provide a comprehensive and common frame of reference for the Government as well as interested development partners to allow for a more systematic and coordinated approach to implementation issues; ii) a strategy and monitorable implementation plan for strengthening compliance with suspicious transactions reporting requirements; iii) 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.

A draft of the process map has now been completed and is being circulated to stakeholders for feedback. It is anticipated that activities under phase two will be completed by third quarter 2006.

- Sri Lanka

Under the ADB's Financial Markets Program for Private Sector Development (Loan No. 2138-SRI), support is being provided for the drafting of an Anti-Money Laundering Bill. Submission of the draft Bill to the Cabinet is a required reform measure under the Program, which is scheduled for June 2006. Introduction of the AML Bill in Parliament is expected soon after that. The IMF is also providing technical assistance to draft the AML Bill. ADB will assist with the coordination of further technical assistance to build capacity within the Government to implement the Law once it is enacted.

- Thailand

Proposed technical assistance will help Thailand achieve 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 will assist 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. The second component involves training sessions for officials in the Mekong region, including measures for establishing the legal and institutional framework for an AML-CFT regime and cross-border issues. Consultants have been fielded and have completed the first draft of the 3-year action plan. Their work is expected to resume in February 2006. The draft will be 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. The action plan is expected to be adopted by the Government in 2006. The training session is being planned and is expected to take place in May 2006.

- Viet Nam

The basis of the AML system in Vietnam is the Governmental Decree to Prevent and Combat Money Laundering which became effective on 1 August 2005. The draft Decree was originally prepared with assistance provided under an earlier ADB TA. The Anti-money Laundering Information Center (AMLIC- financial intelligence unit version of Vietnam) was established within the State Bank of Vietnam and a Director has been appointed to head it. However, the AMLIC is not yet fully operational and will need appropriate international donor support to provide training and technical assistance to get it running. Training for other relevant government agencies and for the financial sector must also be provided. AN ADB TA was approved last December 2005 to support the implementation of the AML regime in Vietnam. Australia's FIU, AUSTRAC has also offered considerable assistance and the timing and nature of this assistance needs to be coordinated with other donors in consultation with the Director of AMLIC.

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

- The Cooperation Fund for Regional Trade and Financial Security Initiative (the AML Fund) was approved in June 2004 and became operational with initial contributions from Japan and the United States of US\$1 million each, and Australia for A\$ 1.5 million.² 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. Two batches of proposed projects have been submitted to the three donors. Three technical assistance projects under Batch 1, as previously reported, are currently on-going. Batch 2, consisting of four technical assistance concept papers, was approved by the donors by end 2005: a) Capacity Building for Improving Indonesian Port Security System; b) Support for Customs, Immigration, Quarantine, & Security Harmonization; c) Port and Trade Security Working Group; and d) Harmonization of Pacific Civil Aviation Safety and Security Regulation. 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.

- A study on how to introduce effective AML safeguards on cell phone based value-transfer services, an area where the Philippines has been a pioneer in the application of technology was

² The AML Fund is expected to run for three years and is open to further contributions from other countries and organizations.

undertaken in 2005. With increasing usage and low transaction costs from such cell phone services, there is potential for money laundering. The report is now being finalized.

5. Publications/Presentations/ADB's Internal AML Measures

- ADB Staff made several presentations on AML/CFT to various audiences last year: ADB AML/CFT Policy and Alternative Remittance Systems; ADB AML CFT Work in Asia Pacific; Challenges for Courts-lawyers for International requirement on ML and Corruption; Remittance based Money laundering: Paradigm Shift; and The Asia Pacific III Corruption Initiative. These papers are available on the ADB Anti-Money Laundering Toolkit website (please see below).
- The 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 Enhanced Due Diligence Working Group has reviewed and approved the draft comprehensive AML Program for Compliance and Supervisory Procedures. The procedures, once adopted, will further strengthen ADB's internal control mechanisms and adherence to international best practices.

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

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/>

To date, 25 Asia-Pacific governments have endorsed the anti-corruption action plan⁴ (the Plan). Key objectives of the Initiative are aimed at supporting endorsing countries to implement the Plan on a national level. The Initiative also has a regional, web-based reference centre which publishes anti-corruption knowledge tools. See <http://www1.oecd.org/daf/ASIAcom/countries/> The Secretariat, which operates within ADB, provides technical advice to endorsing countries in the selection and implementation of priority reform areas and supporting projects, for each implementation phase. This support may include facilitating the liaison with the international donor community. The Secretariat may call upon the Initiative's Advisory Group for additional assistance if required.

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

⁴ See Plan at <http://www1.oecd.org/daf/ASIAcom/ActionPlan.htm>