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CONFERENCE ON REMITTANCES

Session III ADB's AML/CFT POLICY & ARS

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ADB

Topics

- I. Background
- II. ADB's AML/CFT Policy
- III. ADB Projects/Toolkits
- IV. Regulatory Challenges For Remittance Channels**

Background

- ML & TF major concerns in regulation and overall efficiency of financial systems
- ML occurs in 3 stages
 - *Placement stage* – cash enters financial systems and is converted into monetary instruments (i.e. money orders, traveller's checks).
 - *Layering stage* – funds are transferred/moved into other accounts/financial institutions to separate money from its origin.
 - *Integration stage* – funds are reintroduced into the economy and used to purchase legitimate assets or fund other criminal activities or legitimate businesses.

ADB's AML/CT POLICY

- 'Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism ("ADB AML/CT Policy").
- Implementation is guided by several principles:
 - AML/CFT activities within context of existing goals, policies, and strategies for assisting DMCs;
 - Do not duplicate ongoing efforts /programs of IMF, World Bank, FATF, & APG;

ADB's AML/CT POLICY

- Identify additional measures through lending operations, training government officials and other technical assistance.
- Take into account the special problems and circumstances faced by DMCs.

ADB Projects/Toolkit

- Direct assistance to DMCs to develop their AML/CFT regime through a regional technical assistance (TA) project, and country-specific financial sector loans.
- ADB'S AML TOOLKIT
www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/aml0500.asp

Remittance Channels

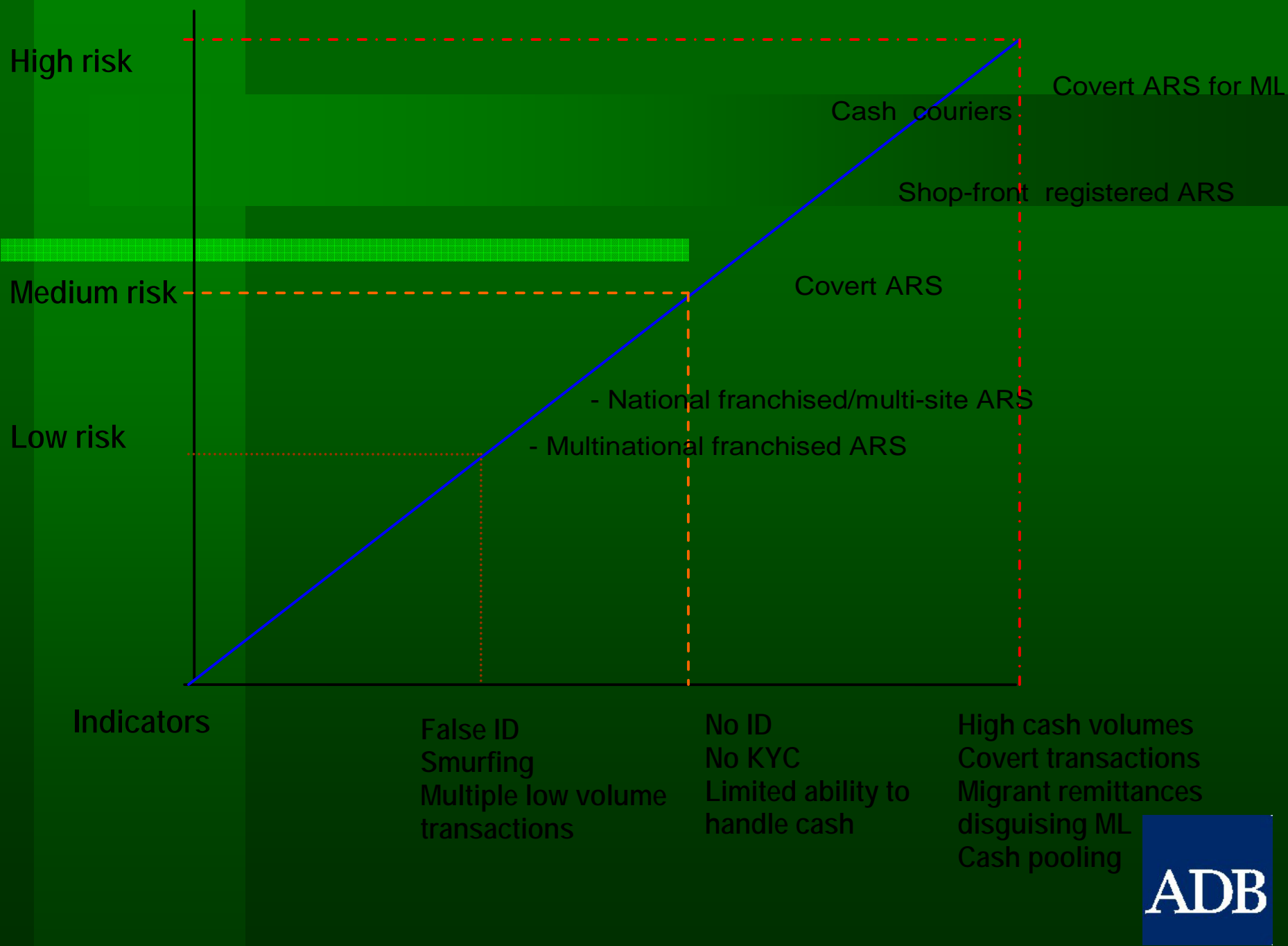
- FATF 40 Recommendations plus 9 Special Recommendations
- Harmonised approaches to legislative solutions
- Stronger international co-operation to detect criminal activities

Regulatory Systems

- Regulation varies substantially
- Registration of money remitters versus licensing procedure
- Supervision and Monitoring differences

Risk Areas

- *Terrorist Financing – use AML Policy*
- *Money Laundering – Factors*
 - *regulatory regime*
 - *criminal remittance corridors*
 - *number and types of ARS operators*
 - *banks provide accounts for ARS operations*
- **Risk Associated with Specific Types of ARS**
 - *Franchised Multinational Companies*
 - *Covert ARS within Another Business*
 - *Covert ARS – No Premises*



Indicators

- Regular high levels of cash deposits
- international transfers to 3rd party in country at the end of usual remittance corridors
- No business explanation for the size of business or cash volumes
- in excess of average income of migrant worker
- deposits structured to avoid reporting thresholds

The Role of the Regulator

- *Financial Intelligence Unit (FIU)*
- the Supervisor
- Active Detection by Law Enforcement and Customs Authorities
- Indicators for Law Enforcement

Indicators for ARS Operators to Detect Criminal Misuse

- excess of customer's socio-economic background
- remittances sent where no apparent family or business link;
- Reluctance to give an explanation for remittance
- Remittances made outside migrant remittance corridors

Regulatory Challenges

- Harmonised terminology
- Currency transaction reports
- Commercial operations – over/under invoicing
- Use of cash couriers
- Cash pooling accounts

Elements of An Efficient Regulatory Systems

- Registration or licensing regime
- Identifying the ML/TF risks
- Regulatory arbitrage
- International co-operation on intelligence, investigation and regulation

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