

April 2008

Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism

ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
APG	–	Asia/Pacific Group on Money Laundering
ASEAN	–	Association of Southeast Asian Nations
BAPEPAM	–	Badan Pengawas Pasar Modal (Capital Market Supervisory Agency)
BIMP-EAGA	–	Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area
CFRTFSI	–	Cooperation Fund for Regional Trade and Financial Security Initiative
CFT	–	combating the financing of terrorism
CIQS	–	Customs, Immigration, Quarantine and Security
DMC	–	developing member country
FATF	–	Financial Action Task Force on Money Laundering
FIU	–	financial intelligence unit
FSRB	–	FATF-style regional body
GMS	–	Greater Mekong Subregion
IMF	–	International Monetary Fund
IT	–	information technology
Lao PDR	–	Lao People's Democratic Republic
NBC	–	National Bank of Cambodia
NCCT	–	non-cooperative countries and territories
PPATK	–	Pusat Pelaporan dan Analisis Transaksi Keuangan (Center for the Reporting and Analysis of Financial Transactions)
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RETA	–	regional technical assistance
STR	–	suspicious transaction report
TA	–	technical assistance
UNODC	–	United Nations Office on Drugs and Crime

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CONTENTS

	Page
EXECUTIVE SUMMARY	i
I. BACKGROUND	1
II. SYNOPSIS OF AML/CFT DEVELOPMENTS IN THE DEVELOPING MEMBER COUNTRIES	1
III. KEY AREAS OF ADB AML/CFT ACTIVITIES CARRIED OUT BETWEEN APRIL 2003 AND MARCH 2008	4
A. Assisting DMCs in Establishing and Implementing Legal and Institutional Systems for AML/CFT	4
B. Increasing Collaboration with Other International and/or Bilateral Organizations	7
C. Strengthening Internal Controls to Safeguard the Use of ADB's Funds	8
D. Upgrading ADB's Staff Capacity	9
IV. REVIEW OF ADB'S AML/CFT ACTIVITIES RELATED TO THE FOUR COMPONENTS OF THE AML/CFT POLICY	10
V. GOING FORWARD	12
APPENDIX	
ADB PROJECTS AND TECHNICAL ASSISTANCE WITH AML/CFT COMPONENTS APPROVED BETWEEN APRIL 2003 AND MARCH 2008	14

EXECUTIVE SUMMARY

Pursuant to the policy *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism* of 1 April 2003, the Asian Development Bank (ADB) has carried out a review of its activities under the policy following 5 years of implementation.

ADB has, in general, carried out a substantial level of activities in anti-money laundering and combating the financing of terrorism (AML/CFT) under the policy. In particular, ADB has (i) through its programs, projects, and technical assistance projects, assisted the developing member countries (DMCs) to develop and strengthen their AML/CFT regimes; (ii) collaborated closely with relevant international organizations and donor agencies to foster and coordinate AML/CFT development activities, share international and regional best practices with DMCs, and share experiences of working with the DMCs; (iii) focused on strengthening its internal control procedures for due diligence on AML/CFT issues; and (iv) raised its staff's level of knowledge and understanding of AML/CFT matters.

Since April 2003, the DMCs have made substantial progress toward meeting AML/CFT requirements. Fifteen DMCs have undergone and completed external assessments of their AML/CFT regimes, whether carried out by the Financial Action Task Force on Money Laundering (FATF) or a FATF-styled regional body, by the International Monetary Fund, or the World Bank. In 2003, five DMCs were on FATF's list of non-cooperative countries and territories. By October 2006, following the FATF's review of non-cooperative countries and territories, no DMC remained on this list.

In view of the AML/CFT developments at the international level, the needs and priorities of the DMCs, and the longer-term strategic priorities of ADB, the focus of ADB's work going forward under the policy will be to (i) further AML/CFT developments in DMCs through continuing with calibrated interventions to support the efforts of the DMCs in meeting international standards, particularly with regard to the circumstances in the individual DMCs and in the region; (ii) continue collaboration with international organizations and donor agencies through coordinating efforts and sharing experiences with the DMCs and contributing to broader AML/CFT development from the regional perspective; (iii) continue enhancing and implementing internal control procedures; and (iv) ensure that staff keep abreast of AML/CFT developments and disseminate relevant information for ADB staff capacity building to optimize the support provided to DMCs.

I. BACKGROUND

1. The Asian Development Bank (ADB) was one of the first multilateral development banks to address risks to financial sectors arising from money laundering through regional and country-specific assistance programs. These efforts included encouraging reforms in the context of financial sector-related programs in Indonesia and Vanuatu in 1998 and providing technical assistance (TA) to nine developing member countries (DMCs) from the Asia and Pacific region through regional TA (RETA) in 2000.¹

2. In September 2000, the Asian Development Fund donors requested ADB to prepare a policy paper proposing a larger role for ADB in the field of anti-money laundering. Taking into account the events in the United States of 11 September 2001 and related developments at the international level, a working paper was discussed by ADB's Board of Directors on 13 September 2002. On 1 April 2003, ADB adopted a policy on anti-money laundering and combating the financing of terrorism (AML/CFT) activities: *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism* (the AML/CFT Policy).

3. Under the AML/CFT Policy, ADB should (i) assist DMCs to establish and implement effective legal and institutional systems for AML/CFT, (ii) increase collaboration with other international and donor organizations, (iii) strengthen internal controls to safeguard ADB's funds, and (iv) upgrade ADB's staff capacity. The AML/CFT Policy indicated that ADB should (i) locate and implement its AML/CFT activities within the broader context of its existing goals, policies, and strategies for assisting DMCs; (ii) not attempt to duplicate any efforts and programs of other multilateral agencies but seek to identify additional measures to complement the efforts of those other agencies; and (iii) take into account the special problems and circumstances faced by DMCs in the region. The AML/CFT Policy also required a comprehensive review of all aspects of policy implementation after 4 years.

4. The details of this implementation review are set out in this paper. Section II provides a synopsis of the current level of AML/CFT developments in the DMCs. Section III sets out in more detail ADB's AML/CFT activities under the AML/CFT Policy between April 2003 and March 2008. Section IV provides a review of ADB's AML/CFT activities relating to the four components of the AML/CFT Policy, including lessons learned from the experience to date in implementing the AML/CFT Policy. Section V sets out the priorities for ADB's AML/CFT activities going forward.

II. SYNOPSIS OF AML/CFT DEVELOPMENTS IN THE DEVELOPING MEMBER COUNTRIES

5. When the AML/CFT Policy was adopted in April 2003, most DMCs were in varying stages of implementing AML/CFT requirements. Five DMCs were at that time regarded by the Financial Action Task Force on Money Laundering (FATF)² as non-cooperative countries and

¹ A summary of ADB's AML/CFT activities prior to introducing the AML/CFT Policy is set out in paras. 49–55 of ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

² The FATF is an intergovernmental body established by the Group of Seven Summit held in Paris in 1989. FATF's purpose is to develop and promote international policies and strategies to combat money laundering and terrorism's financing. ADB has observer status at the FATF, and ADB staff attend its meetings. Staff provide periodic updates of ADB's AML/CFT activities to FATF and are members of relevant working groups within FATF.

territories (NCCTs).³ By way of background, the FATF had undertaken a separate exercise to identify jurisdictions with notably weak AML/CFT regimes between 2000 and 2001. A list of these jurisdictions was set out in the so-called NCCT List (sometimes described as the FATF blacklist) and the FATF carried out regular reviews of AML/CFT developments in these NCCTs. ADB's contributions to AML/CFT activities in the DMCs have helped to achieve a situation where by October 2006, following the FATF's fifth review of NCCTs, none of ADB's DMCs continued to be regarded by the FATF as NCCTs.

6. The period between April 2003 and March 2008 was also one of change in the development of international AML/CFT law and standards. In particular, the FATF 40 Recommendations were substantially revised to raise the bar for AML/CFT requirements in June 2003 and the United Nations Convention against Corruption was adopted in October 2003. A summary of the changes introduced by the revised FATF 40+9 Recommendations was set out in ADB's *Staff Training Handbook on AML/CFT* (2004), which was also used for a training program for ADB staff from 11 to 19 February 2004.⁴ Box 1 provides a summary of current key requirements for an effective AML/CFT regime emanating from the body of international law and standards, including the FATF 40+9 Recommendations,⁵ which all countries are expected to meet for reducing their vulnerabilities to money laundering and financing of terrorism.

Box 1: Key AML/CFT Requirements

Countries are expected to have adequate AML/CFT legal frameworks, adequate institutional regimes for implementing AML/CFT requirements, and procedures in place for supporting international cooperation. Specifically they are required to:

- 1. Recognize money laundering and terrorism's financing as criminal offenses.** Countries are required to criminalize the laundering of proceeds of criminal activities and activities relating to financing of terrorism.
- 2. Apply the money laundering offense to a wide range of predicate offenses.** This includes such corruption-related offenses as obstruction of justice, bribery of public officials and in the private sector, embezzlement or misappropriation of property, and abuse of functions.
- 3. Institute a comprehensive regulatory and supervisory regime for banks and nonbank financial institutions.** Such a regime should have requirements for customer identification, record keeping and reporting of suspicious transactions, and adequate regulatory and supervisory capabilities for ensuring compliance with the requirements.
- 4. Ensure that national authorities tasked with AML/CFT responsibilities can cooperate and exchange information at the national and international levels.** This should include establishment of a national financial intelligence unit for the collection, analysis, and dissemination of AML/CFT-related information.
- 5. Enable the freezing, seizing, and confiscation of proceeds and instrumentalities of crime and terrorism-related assets.** This includes freezing without delay funds and other financial assets of persons and entities designated as persons or entities associated with terrorism.
- 6. Require the detection and monitoring of cross-border movements of cash and negotiable instruments.**
- 7. Ensure that countries afford one another the widest forms of cooperation in mutual legal assistance and extradition.**

AML = anti-money laundering; CFT = combating the financing of terrorism.

Sources: Available: <http://www.imf.org/external/np/leg/amlcft/eng/aml4.htm>.

³ See the FATF Report at: http://www.fatf-gafi.org/pages/0,2987,en_32250379_32235720_1_1_1_1_1,00.html.

⁴ Additional training continues to be provided to staff, as discussed more fully in section III below.

⁵ Available: http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236920_1_1_1_1_1,00.html

7. Since April 2003, the DMCs have made substantial progress toward meeting AML/CFT requirements. Fifteen DMCs have undergone and completed external assessments of their AML/CFT regimes, whether carried out by the FATF or a FATF-styled regional body (FSRB),⁶ by the International Monetary Fund (IMF), or the World Bank. These country assessments offer a detailed and systematic review of the level of compliance against requirements under the current FATF 40+9 Recommendations. A detailed common methodology has been developed for all assessments by the FATF, a FSRB, the IMF, or the World Bank (the assessments are also described as mutual evaluations when carried out by the FATF or a FSRB).

8. In general, the DMCs have done relatively well to (i) enact into law basic money laundering offenses; (ii) adopt regulatory and supervisory measures for the financial sector, particularly the banking sector; and (iii) adopt requirements for dealing with transactions suspected to involve proceeds of criminal activities, such as in requiring financial institutions to file suspicious transaction reports (STRs) and establishing financial intelligence units (FIUs) to process the STRs. Areas for improvement as identified during a number of assessments include the needs to ensure that (i) financing of terrorism is properly addressed through legislation for prosecuting financing of terrorism and for freezing and seizing terrorism-related assets; and (ii) regulatory and supervisory measures are applied across the range of financial institutions (and not just in the banking sector) and cover such relevant areas of the nonfinancial sector as casinos and dealers in precious stones and metals where they involve cash transactions above a certain threshold.

9. More importantly, undertaking an AML/CFT assessment reflects the willingness of a country to be evaluated publicly and to recognize areas for further improvement, whether through law and policy reform, institutional development, or capacity building. The DMCs that have undergone, or are in the process of undergoing, these assessments need to be further supported in their efforts towards meeting AML/CFT requirements.

10. By October 2006, following the FATF's fifth review of NCCTs (as indicated above), none of the DMCs remained on the NCCT List. Moreover, on 29 June 2007, the People's Republic of China (PRC) became the 34th member country of the FATF. This is a significant development, as the PRC joins other ADB regional members (namely, Australia; Hong Kong, China; Japan; New Zealand; and Singapore) as part of the community for AML/CFT standard-setting.⁷ It was also the first country to be considered for FATF membership based on more stringent requirements under the revised FATF 40+9 Recommendations. India and the Republic of Korea are currently observer members of the FATF, and it is anticipated that they will become full members in the near future.

11. In considering the impact of donor-driven AML/CFT activities, it is difficult to attribute overall progress in a DMC to a single donor or to identify specifically the impact of a particular intervention. In many instances, DMCs receive TA from more than one donor. Moreover,

⁶ FSRBs are bodies associated with the FATF and tasked with assisting to implement the FATF 40+9 Recommendations at the regional level. The FSRBs principally carry out mutual evaluations of countries from their regions and assist with coordinating donor assistance. The FSRBs for the DMCs are the Asia/Pacific Group on Money Laundering (APG, of which 36 DMCs are members), the Eurasian Group (which has five DMCs as its members, namely, People's Republic of China, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan), and the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (which has three DMCs as its members, namely, Armenia, Azerbaijan, and Georgia).

⁷ The other FATF member countries are Argentina, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Mexico, Netherlands, Norway, Portugal, Russian Federation, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.

AML/CFT requirements cover a broad spectrum of areas, including criminal law and procedure, regulation of the financial sector and certain nonfinancial sectors, law enforcement, and international cooperation.

12. It may be fair to say, however, that ADB's efforts in the region have contributed to the efforts toward removing the DMCs from the NCCT List and to AML/CFT developments generally. In Indonesia and the Philippines, for instance, a combination of reform measures undertaken pursuant to ADB financial sector programs and support from related TA projects assisted to advance development of their respective AML/CFT regimes. For an illustration of AML/CFT activities undertaken in Indonesia and the Philippines, see boxes 2 and 3 below.

13. As true of countries in other parts of the world, the current AML/CFT requirements represent benchmarks to be met. Thus, continuing efforts are expected to enhance DMCs' respective AML/CFT regimes. The revised FATF 40+9 Recommendations have also set more rigorous AML/CFT requirements and, hence, further requests for assistance in their implementation can be anticipated. The gaps identified in DMCs' current levels of AML/CFT development, along with the experience from implementing ADB's activities under the AML/CFT Policy, will contribute to prioritizing ADB's AML/CFT activities going forward.

III. KEY AREAS OF ADB AML/CFT ACTIVITIES CARRIED OUT BETWEEN APRIL 2003 AND MARCH 2008

A. Assisting DMCs in Establishing and Implementing Legal and Institutional Systems for AML/CFT

14. In assisting the DMCs in developing and strengthening their AML/CFT regimes, the key activities area is in policy dialogue between ADB and individual DMCs in developing financial-sector and governance-related projects and TA (including RETA). At one level, these dialogues (and particularly the incorporation of AML/CFT-related components into reform programs) help the authorities to devise and implement AML/CFT policies. At another level, ADB staff adds value by sharing technical expertise and experience regarding international law and standards pertaining to AML/CFT requirements and as regards the application of these requirements (including in other DMCs in the region).

15. Between April 2003 and March 2008, AML/CFT components were incorporated into a number of ADB programs and TA projects. Specifically, nine programs, nine TA projects, and two regional RETA projects were approved. The details of these programs and TA projects (as well as the respective AML/CFT components) are set out in the Appendix. In mainstreaming the AML/CFT components, ADB staff (mainly from the regional departments with input from ADB's Office of the General Counsel) work closely with the DMCs to formulate these components during the project processing cycle. Implementation of these components is generally carried out by AML/CFT experts supervised by ADB staff and in coordination with DMC officials.

16. In general, the programs typically involve strengthening financial sector development and regulation and/or promoting good governance. The TA is either supporting those programs with AML/CFT components or is stand-alone assistance. TA usually involves developing AML/CFT law and policy, strengthening financial regulatory and supervisory frameworks,

establishing FIUs and their operational aspects, and capacity building.⁸ RETA has focused on addressing AML/CFT-related matters that require a more regional effort, such as matters concerning customs, border control, and port security.

17. Box 2 sets out an example of mainstreaming AML/CFT elements under a program loan and its related TA.

Box 2: Example of AML/CFT Activities in a Program with Related Technical Assistance

Indonesia: Financial Governance and Social Security Reform Program

The reform measures under the program included (i) establishing an effective anti-money laundering (AML) regime by amending the AML law; (ii) issuing sector decrees, such as know-your-customer principles; and (iii) establishing a financial intelligence unit. Asian Development Bank technical assistance supported the Government in amending and implementing the AML law and developing an AML regime.

In September 2003, Parliament approved amendments to the AML law to address deficiencies cited by the Financial Action Task Force on Money Laundering (FATF) and to avoid the imposition of FATF countermeasures that could have severely affected Indonesia's recovery. New provisions included (i) removing the 500 million Rupiah threshold from the definition of proceeds of crime, (ii) explicit provisions against tipping off customers and strengthening reporting parties, (iii) shortening the time limit for reporting suspicious transactions from 14 days to 3 days, and (iv) adding provisions to allow mutual (international) legal assistance. Implementing regulations were also issued as required, including a regulation on protecting reporting parties. Guidance notes were prepared for financial service providers, money changers, and money remittance agents. Bank Indonesia, the Capital Market Supervisory Agency (BAPEPAM), and the Ministry of Finance issued know-your-client rules and know-your-customer principles applicable to the financial services industry.

Based on the AML law, the Center for Financial Transaction and Reporting Analysis (PPATK), the financial intelligence unit to combat money laundering, was created and became operational in October 2003. In December 2003, the PPATK permitted the submission of suspicious transaction reports via an online, web-based system. The upward trend in suspicious transaction reports reflected the success of the PPATK and other Indonesian regulatory agencies in encouraging greater reporting of suspicious transactions.

In 2004, the National Coordination Committee on Money Laundering was formed to enhance strategic implementation and coordination among agencies and ministries. To improve information sharing and coordination, the PPATK signed operational memorandums of understanding with such national organizations as Bank Indonesia, BAPEPAM, the Directorate General of Financial Institutions, the Directorate General of Tax, the Directorate General of Customs and Excise, the National Police, the Attorney General's Office, the Commission for Eradication of Corruption, and the Ministry of Forestry. The PPATK also signed international memorandums of understanding with Australia; Belgium; People's Republic of China; Hong Kong, China; Italy; Republic of Korea; Malaysia; Mexico; Peru; Philippines; Poland; Romania; Spain; Thailand; and, most recently, with Canada and Myanmar.

BAPEPAM = Badan Pengawas Pasar Modal (Capital Market Supervisory Agency); CFT = combating the financing of terrorism; PPATK = Pusat Pelaporan dan Analisis Transaksi Keuangan (Center for the Reporting and Analysis of Financial Transactions).

Source: ADB. 2002. *Report and Recommendation of the President to the Board of Directors on a Proposed Cluster, First Loan (Phase I), and Technical Assistance Grant to the Republic of Indonesia for the Financial Governance and Social Security Reform Program*. Manila (Loan 1965-INO, for \$250 million).

18. For an indication of the range of ADB TA activities, Box 3 sets out (i) a TA project building on an earlier intervention, (ii) a TA project supporting law and policy reform, and (iii) a RETA project for strengthening regional customs and border control.

⁸ A more innovative feature of ADB's TA activities has been the involvement of officials from a DMC having a more substantial AML/CFT regime to assist in the development of the AML/CFT regime of another DMC. This took place in the TA for Lao People's Democratic Republic (Lao PDR), where the TA supported representatives from the Malaysian FIU to train compliance staff of state-owned banks in Lao PDR. The sharing of experience within the region was appreciated by the authorities and should be considered for future TA activities, where appropriate. ADB staff had also coordinated with officials from the Australian FIU in training FIU staff in Lao PDR.

Box 3: Examples of AML/CFT-Related Technical Assistance

1. Philippines: Strengthening the Anti-Money Laundering Regime (Phase II)

This technical assistance (TA) effectively built on an earlier intervention and focused support to ensure sustained and effective implementation of the anti-money laundering (AML) and combating the financing of terrorism (CFT) regime. The TA consisted of several components, including one to develop a process map that documents the AML procedures under the Philippine AML regime and systematically identifies key money laundering related vulnerabilities and bottlenecks to effective implementation. The map provides a comprehensive and common frame of reference for all the AML-related agencies, and it is a key tool for the Government and interested development partners to ensure that a more systematic and coordinated approach is adopted to strengthen the AML regime and address implementation issues. A strategy and monitorable implementation plan for strengthening compliance with suspicious transactions reporting requirements was developed and the legal and regulatory framework for AML was strengthened, including to develop complementary legislation and regulation. To provide sustainable, cost-effective capacity building, locally based training programs in forensic accounting are being developed in collaboration with the University of the Philippines. Moreover, installation of AML-related computer-based training modules in collaboration with the United Nations Office on Drugs and Crime was completed in June 2006. That followed establishment of a computer-based training center in the financial intelligence unit with support from the US Agency for International Development. Efforts were also made to strengthen relationships between Philippine AML authorities and counterparts in selected jurisdictions in the region. During 2006, ADB funded 14 CFT training sessions ranging from 2 to 5 days for 640 participants. Six of these classes, 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, US Homeland Security, and the US Federal Bureau of Investigation. Additionally, there were six bulk cash smuggling classes with approximately 240 participants held in 2006.

2. People's Republic of China (PRC): Strengthening the Legal and Implementation Framework for Anti-Money Laundering

In conjunction with the PRC's AML/CFT efforts and through ADB's law and policy reform work with the National People's Congress, TA was approved in August 2006 and is currently being implemented. The TA assisted with developing and subsequent enacting the PRC's AML law, particularly in facilitating stakeholder consultations on the draft AML law through an international symposium. Further implementation of the TA focuses on (i) strengthening the regulation and supervision of financial institutions under the AML law, (ii) extending application of the AML law to relevant parts of the nonfinancial sector, and (iii) revising relevant aspects of the criminal law. In recognition of its AML/CFT efforts, the PRC became part of the community for standard-setting in AML/CFT when it was accepted for FATF membership on 29 June 2007. It was also the first country to be evaluated for membership under the more stringent requirements of the revised FATF 40+9 Recommendations.

3. Regional Technical Assistance (RETA): Support for Customs, Immigration, Quarantine, and Security Harmonization in the BIMP-EAGA

In recognizing the risks from trade-based money laundering, a regional technical assistance (RETA) is underway to harmonize the BIMP-EAGA Customs, Immigration, Quarantine, and Security (CIQS) fields and focuses upon 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 that has been established among the member countries has enabled the BIMP-EAGA countries to become aware of donor activity in the subregion while ensuring donor activity is well placed and demand driven. It is expected that the participatory process will ensure more rapid and effective development of trade and security issues in the subregion as well as serve as a template for other subregional configurations.

ASEAN = Association of Southeast Asian Nations; BIMP-EAGA = Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area; FATF = Financial Action Task Force on Money Laundering.

Sources: ADB. 2005. *Technical Assistance to the Republic of the Philippines for Strengthening the Anti-Money Laundering Regime (Phase II)*. Manila (TA 4601-PHI, for \$0.4 million); ADB. 2006. *Technical Assistance to the People's Republic of China for Strengthening the Legal and Implementation Framework for Anti-Money Laundering*. Manila (TA 4824-PRC, for \$0.4 million); and ADB. 2007. *Technical Assistance for the Support for Customs, Immigration, Quarantine and Security Harmonization in the Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area (Financed by the Cooperation Fund for Regional Trade and Financial Security Initiative)*. Manila (TA 6408-REG, for \$0.6 million).

19. In addition to the programs and TA, ADB approved the proposal, initiated by Asia-Pacific Economic Cooperation (APEC), to set up the Cooperation Fund for Regional Trade and Financial Security Initiative (CFRTFSI) on 9 June 2004.⁹ Contributions to the CFRTFSI came

⁹ ADB. 2004. *Cooperation Fund for Regional Trade and Financial Security Initiative*. Manila.

from Australia, Japan, and the US.¹⁰ The objective of the CFRTFSI is to support TA to DMCs for port security (both airports and seaports) and AML/CFT. Priority is given to “high-impact” projects that (i) can stimulate investments and further policy reforms in these areas, and (ii) have a good chance of being repeated for other DMCs or for the region generally.

20. To date, the CFRTFSI has supported three TA projects, namely: (i) Development of an Anti-Money Laundering Regime (Phase II) for Indonesia (TA 4550-INO), (ii) Strengthening the Anti-Money Laundering Regime (Phase II) for the Philippines (TA 4601-PHI), and (iii) Promoting International Cooperation on Anti-Money Laundering and Combating the Financing of Terrorism for Thailand (TA 4597-THA). The CFRTFSI has also supported two RETA projects, namely: (i) supporting CIQS harmonization for the BIMP-EAGA region (TA 6408-REG), as described in Box 3 above; and (ii) supporting the aviation legislative and regulatory review for the Pacific region (TA 6259-REG). More proposals are in preparation and other donors are considering to support the CFRTFSI.

B. Increasing Collaboration with Other International and/or Bilateral Organizations

21. The global challenge to combat money laundering and the financing of terrorism necessitates a coordinated approach among the various multilateral and bilateral bodies. The AML/CFT Policy emphasizes the need for ADB to collaborate with other international organizations and donor agencies, and ADB’s approach has been to coordinate, and stay engaged, with the relevant organizations and agencies wherever possible. This is particularly with respect to coordinating TA activities to avoid duplication in the use of resources.

22. At the international level, the principal donor organizations are the IMF, the World Bank, and the United Nations Office on Drugs and Crime (UNODC). At the IMF and World Bank, the general areas of AML/CFT work are (i) undertaking AML/CFT country assessments, (ii) providing TA, and (iii) carrying out research and policy development.¹¹ The UNODC’s AML/CFT activities focus on (i) assisting countries in ratifying (or acceding to) UN conventions and related instruments, and (ii) providing TA for implementing these conventions and related instruments.¹² ADB and UNODC have entered into a letter of intent to support coordinated efforts and have worked together to introduce the UNODC-developed computer-based training programs on AML/CFT in Indonesia and the Philippines. These have proven very popular among the judiciary, government officials, and such AML-related agencies as customs.

23. For donor coordination at the regional level, the principal forum for the Asia and Pacific region (covering a majority of ADB’s DMCs) is the Technical Assistance and Training Forum of the Asia/Pacific Group on Money Laundering (APG). Formal TA coordination meetings are held during APG annual meetings while additional TA coordination meetings are held at the annual

¹⁰ Australia committed to A\$1.5 million over 3 years, and Japan and the US each committed to \$1 million.

¹¹ See <http://www.imf.org/external/np/leg/amlcft/eng/index.htm> and [http://web.worldbank.org/WBSITE/EXTERNAL/ TOPICS/EXTFINANCIALSECTOR/EXTAML/0,,contentMDK:20906351~pagePK:210058~piPK:210062~theSitePK:396512,00.html](http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/EXTAML/0,,contentMDK:20906351~pagePK:210058~piPK:210062~theSitePK:396512,00.html). Specifically, they seek to ensure that AML/CFT country assessments are conducted with sufficient quality and consistency. They provide TA at bilateral and regional levels, particularly in establishing legal and institutional frameworks for AML/CFT. They also prepare analytical studies on such thematic issues as regulatory frameworks for informal funds transfers and alternative remittances, as well as the establishment and operations of FIUs.

¹² In the context of TA, the UNODC Global Program on Money Laundering supports the engagement of mentors for capacity building at bilateral and regional levels. For instance, a UNODC FIU expert is currently based in Viet Nam to assist in capacity building for FIUs in Cambodia, Lao PDR, and Viet Nam. In the Pacific, the UNODC works in conjunction with the US Government in providing a team of mentors (with expertise in financial regulation and supervision, FIU, prosecution and law enforcement) to assist the Pacific island countries.

APG typologies workshops and through teleconferences. Country-specific donor coordination meetings also contribute to this process. ADB, IMF, World Bank, UNODC, and bilateral agencies and donors participate regularly at these technical assistance and training coordination meetings. Regular attendance by ADB staff at these meetings and periodic reports updating FATF and APG members of ADB's AML/CFT activities¹³ has helped ensure that ADB's views and concerns relating to the DMCs and the region are taken into account.

24. With respect to combating the financing of terrorism, the United Nations Security Council plays an active role in ensuring that countries comply with obligations under Security Council Resolution 1267 (1999) (and related resolutions) and Security Council Resolution 1373 (2001). Essentially, Security Council Resolution 1267 targets persons and organizations associated with internationally recognized terrorists, particularly by requiring countries to freeze assets of such persons and organizations. Security Council Resolution 1373 targets CFT and counter-terrorism more generally, including coordination of related TA activities. As part of ADB's collaboration with the UN in the region, ADB staff recently contributed to the work of the UN by participating as legal experts in the assessments of Bangladesh's and Viet Nam's compliance with their international law obligations for CFT and counter-terrorism. This included making recommendations relating to TA requirements for these DMCs. Going forward, it is anticipated that ADB staff will continue to work with the UN to assist in their assessment of ADB's DMCs' compliance levels and technical assistance needs, including the forthcoming assessment of Cambodia and Lao PDR in 2008.

25. In sharing information on the work of international organizations and donor agencies in AML/CFT, ADB staff has been involved as a facilitator at World Bank AML/CFT regional training in Bangkok and the American Bar Association Judicial Training in Central Asia and has invited representatives from donor organizations and agencies to give presentations in seminars.¹⁴ A recent example is the visit of an IMF representative who presented on AML/CFT-related country assessments and TA work of the IMF. It is anticipated that similar presentations will be coordinated on a periodic basis.

26. ADB has successfully collaborated with bilateral donors to mobilize funding for AML/CFT activities through the establishment of CFRTFSI, as discussed in para. 19 above.

C. Strengthening Internal Controls to Safeguard the Use of ADB's Funds

27. ADB's approach to strengthening internal control has been focused on ensuring that its operations, including its private sector-related investments and treasury operations, have adequate procedures in place against risks of money laundering and financing of terrorism. The aim is to achieve international best practices, particularly through its collaboration with other multilateral development banks.

28. The current focus is to harmonize the AML/CFT-related internal control procedures for ADB's operations with those of other multilateral development banks, which includes to develop specific procedures for nonsovereign operations (also described as "integrity due diligence," as they cover a range of due diligence checks relating to these operations, including AML/CFT-

¹³ These reports are available at <http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/aml0300.asp>.

¹⁴ For instance, IMF and World Bank staff presented as experts at the international symposium in Beijing organized under the AML/CFT TA for the PRC (as described in Box 3).

related checks).¹⁵ The AML/CFT Enhanced Due Diligence Working Group comprised of ADB staff has been established for reviewing and upgrading internal control procedures for AML/CFT. Regular on-the-job training for ADB staff on these internal control procedures is conducted on a continuous basis. In addition, ADB (through the Office of the Auditor General) maintains sanctions lists of persons and entities. ADB staff (particularly staff from ADB's Central Operations Services Office and Controller's Department) use these lists to ensure that ADB does not do business with any of these persons or entities and that ADB's safeguards with respect to procurement and disbursement are adhered to.

29. ADB is also required to respond, from time to time, to AML/CFT queries from its correspondent banks and commercial banks with which it transacts. This is typically in the context of accounts held in, or transactions carried out through, the commercial banks, where the banks are undertaking their own due diligence checks on customers and counterparties. Information provided usually includes explaining ADB's characteristics as an international organization and its operations (as opposed to those of a licensed and registered commercial bank). For instance, ADB staff regularly provide explanations on ADB's role and the differences between ADB's Board of Directors and commercial banks' boards of directors. In general, ADB has responded to approximately 5–8 such queries per year for the last 2 years. It is anticipated that such queries will continue to be received, as commercial banks around the world seek to strengthen their AML/CFT-related internal control procedures pursuant to ongoing AML/CFT developments at the global level.

D. Upgrading ADB's Staff Capacity

30. ADB focal persons for AML/CFT work keep abreast of broader AML/CFT developments in implementing the AML/CFT Policy. New information and related references on AML/CFT developments are shared with ADB staff generally, particularly by establishing and regularly maintaining an online repository of such information and references on ADB's website (also known as the ADB AML/CFT Toolkit).¹⁶

31. Additionally, in strengthening ADB's capacity to assist with addressing AML/CFT concerns of the DMCs and the region, ADB has carried out AML/CFT-related research and developed knowledge-based products for AML/CFT. These have related particularly to areas of concern to the DMCs and region and have included work on (i) training materials regarding AML/CFT developments for ADB staff in 2004, (ii) alternative remittance services and money laundering risks in 2005,¹⁷ (iii) considerations for financial regulators in supervising compliance with AML/CFT requirements in 2006,¹⁸ and (iv) AML/CFT considerations arising from the use of mobile telephones for wire remittance operations in 2007 (as described in Box 4 below). Given the overlapping interests concerning the laundering of corruption funds and use of corruption funds for financing of terrorism, ADB focal persons for AML/CFT work with the ADB/OECD Anti-Corruption Initiative for Asia-Pacific, reporting on activities of the Initiative relevant to FATF and making presentations on AML developments to anti-corruption officials. They were also involved

¹⁵ Discussions on harmonizing procedures for nonsovereign-type operations are also currently underway among the multilateral development banks, and ADB staff is actively participating in these discussions.

¹⁶ The ADB AML/CFT Toolkit is available at <http://adbweb/documents/others/ogc-toolkits/anti-money-laundering/>.

¹⁷ Available: <http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/documents/AML-CFT-Policy-and-Alternative-Remittance-Systems.pdf>.

¹⁸ Available: <http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/documents/ADB-AML-CFT-Activities-and-Impact-on-Examination-Process.pdf>.

in preparing a recent study entitled *Mutual Legal Assistance, Extradition and the Recovery of Proceeds of Corruption in Asia and the Pacific*.¹⁹

Box 4: Study of AML/CFT Considerations Relating to the Use of Mobile Telephones for Wire Remittance Operations

A study on the development opportunities and challenges posed by wireless value transfer systems was prepared by Asian Development Bank staff. The advent of third generation mobile telephones has put the internet in everyone's hands, including the hands of those concerned with less than legitimate activities. The study shows that newly developing technologies that allow for wireless value transfer systems will have a major impact on AML/CFT activities, particularly with respect to determining and obtaining information and evidence for AML/CFT investigation and prosecution purposes. For instance, the fact that computer servers containing pertinent information can be situated in jurisdictions different from those jurisdictions where criminal activities are carried out raises novel questions for international cooperation and jurisprudence. The explosive growth in cell phones, payment possibilities, and remittances puts regulators on notice that a portion—and possibly a significant portion—of the growth is related, directly or indirectly, to money laundering. There are many important competing policy concerns from financial stability, critical infrastructure, small value payment systems supervision and oversight to bilateral agreements providing for consumer protection of migrant workers and more efficient remittance processes. The study also shows that the Philippines is leading the way with innovative business models that provide a poorly underserved sector of the economy with access to financial services for the first time. Not only are these business models creative, responsive, and responsible, they clearly are what others in the region look to emulate. Improving the security and AML measures is a challenge for regulators, and in the Philippines they are looking at innovative solutions. Results of the study were shared with staff from the World Bank in its study on mobile phone penetration in such countries as Brazil; Hong Kong, China; and the Philippines.

AML = anti-money laundering, CFT = combating the financing of terrorism.
Source: Available: <http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/documents/AML-Cell-Phone-Effects.pdf>.

32. Regular training is also provided to upgrade staff capacity for handling AML/CFT-related matters, such as on new AML/CFT developments and the work of other international organizations and donor agencies. With respect to TA activities supported by the CFRTFSI, an informal working group of ADB staff has been focused on sharing information and providing training on AML/CFT-related capacity building activities and port security matters. In particular, this ADB working group has assisted in evaluating border controls along the East-West Economic Corridor that straddles Lao PDR, Thailand, and Viet Nam across the Greater Mekong Subregion (GMS). The evaluation highlighted the needs to strengthen enforcement targeting capability, border enforcement systems, data collection efforts, and communications capability along the East-West Economic Corridor, as well as to use radio frequency identification devices in promoting safe and secure trade along the corridor. The GMS Business Forum has since adopted this initiative, and it is promoting enhancements of border control related systems to its GMS member countries.

IV. REVIEW OF ADB'S AML/CFT ACTIVITIES RELATED TO THE FOUR COMPONENTS OF THE AML/CFT POLICY

33. As set out in section III of this paper, ADB has carried out substantial activities pursuant to the AML/CFT Policy for the period April 2003 to March 2008. Observations on the achievements of those activities may be summarized in four areas.

¹⁹ Available: http://www.oecd.org/document/9/0,3343,en_34982156_34982460_37892041_1_1_1_1,00.html.

34. First, in assisting DMCs in developing and strengthening their AML/CFT regimes, ADB has been successful in working with the authorities on the need for AML/CFT developments and for certain AML/CFT components to be incorporated as conditions relating to reforms in law and policy. This is reflected in the mainstreaming of AML/CFT components into ADB's policy dialogues with the DMCs, which in turn reflects the DMCs' commitment to reforms. These activities were usually supported at the technical and capacity building levels through related TA that enabled ADB to work with the DMCs in implementing these AML/CFT requirements.

35. Second, with respect to increasing cooperation with international organizations and donor agencies, ADB has worked well with these organizations and agencies, and particularly with the APG in coordinating TA-related activities. At the project-specific level, ADB staff has also worked closely with staff from other donor organizations and agencies. In the case of ongoing AML/CFT TA with the PRC, for instance, ADB staff has worked closely with IMF staff to ensure there was no duplication of efforts and to leverage on experiences gained through the TA of ADB and IMF, respectively. ADB will also seek to mobilize resources from bilateral sources for AML/CFT work.

36. Third, strengthening internal control procedures is a continuing process. ADB staff has helped draw attention to areas where it is necessary to incorporate AML/CFT components into internal control procedures. That requires raising awareness of AML/CFT-related concerns in the context of ADB operations.

37. Fourth, just as appreciation of AML/CFT developments has been important for the DMCs, so too has it been within ADB. To this end, ADB staff has been successful in conveying relevant information on a periodic basis and in working together to identify ways AML/CFT developments could be mainstreamed into the policy dialogue activities with the DMCs. The ADB's AML/CFT Toolkit has also been a useful repository of relevant information and related references.

38. ADB has also learned lessons that can be useful for further AML/CFT activities. First, it is important not to apply a "one-size-fits-all" approach to the DMCs. For instance, not every DMC has strict bank secrecy laws that help conceal beneficial ownership or interest in assets held in financial institutions, and not every DMC has substantial operations in various areas of the financial sector. It is therefore particularly important that AML/CFT requirements be properly calibrated with regard to the circumstances in the individual DMCs, the risks of money laundering and financing of terrorism, and the exposure to risk in the region. This also requires deeper involvement with the DMCs so that ADB staff better understands their needs.

39. Second, it is important to be strategic in using limited resources, both with regard to ADB loan and grant financing and its staff. A priority should be to avoid "one-off" interventions. Additionally, priority should be given to instances where it is possible to develop longer-term engagements with the DMCs, particularly in the financial sector and governance reform and in DMCs where AML/CFT developments have been more limited or higher risk identified.

40. Third, it is important for ADB to be seen as able to contribute to the substantive aspects of AML/CFT developments (and not simply as a provider of finance). The ability to engage with DMCs at the technical level enables ADB staff, its counterparts in the DMCs, and consultants to forge a better understanding of what might be more important and practicable areas of AML/CFT reform and implementation measures. A challenge is for ADB staff to keep sufficiently abreast of AML/CFT developments in order to continue contributing to these engagements.

V. GOING FORWARD

41. ADB's further implementation of the AML/CFT Policy should take into account developments at the international level, and particularly any changes pursuant to AML/CFT requirements under international law and standards. That is especially so inasmuch as the FATF's current mandate on AML/CFT is up for renewal in December 2012. Going forward, ADB will need to align its AML/CFT activities with its Long-Term Strategic Framework. 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 while taking into account the experiences gained and lessons learned from implementing the AML/CFT Policy thus far. The more limited resources (*vis-à-vis* the number of dedicated professional staff positions for AML/CFT work) also require that ADB be targeted in its work and continue to collaborate with and, where appropriate, leverage the work of other international organizations and donor agencies.²⁰

42. In view of the above, the next phase of ADB's work under the AML/CFT Policy should focus on:

- (i) Continuing to make use of its policy dialogue with the DMCs to further AML/CFT developments. This means building upon successful experiences and lessons learned while mainstreaming AML/CFT components in programs and TA and encouraging AML/CFT developments in the context of broader developments in the financial sector and in governance reform. Moreover, through bilateral cooperation in policy dialogue, ADB should work with the DMCs in calibrating AML/CFT interventions with particular regard to circumstances in the individual DMCs and the region. This includes focusing on countries that have made less progress developing appropriate AML/CFT measures.²¹ To optimize the effective use of its limited resources, ADB will also continue its demand-driven approach that prioritizes work in DMCs where there is a commitment to undertake the needed reforms and where such assistance is consistent with ADB's country strategy and its financial sector and governance reform work in the DMC.
- (ii) Continuing to collaborate with other international organizations and donor agencies. Given the work of other organizations and agencies (notably the IMF, World Bank, and UNODC), it is important that ADB works closely with these bodies (e.g., by participating in coordination meetings of the APG and Eurasian Group on combating money laundering and financing of terrorism) to ensure that efforts are not duplicated. Additionally, as these bodies have substantially more resources, at least in terms of dedicated professional staff positions, it is important that ADB continue to set its AML/CFT priorities for activities in areas that add value to its DMCs and the region. Examples of such activities would be to (a) engage in policy dialogue with DMCs where ADB has more established programs, such as the financial sector development work in Viet Nam (the third program for which was approved by the Board in November 2007), and in some

²⁰ For instance, the IMF and World Bank currently have approximately 20 and 10 professional staff, respectively, designated for AML/CFT work. They, in turn, assist staff in other departments. ADB has 2 professional staff designated to act as focal persons for AML/CFT work. They coordinate with regional departments and help design AML/CFT reform measures under financial sector and governance programs, prepare AML/CFT-related TA projects or project components, and advise on law and policy and implementation-related matters.

²¹ Examples would include some DMCs from the Central and West Asia region that were also recently highlighted by the FATF in its February 2008 plenary. Available: <http://www.fatf-gafi.org/dataoecd/28/31/40196357.pdf>.

DMCs with less progress on AML/CFT; and (b) participate in selected country assessments, such as by providing legal experts in UN assessments to assist in assessing the adequacy of certain DMCs' AML/CFT regimes and make recommendations on TA priorities for these countries.

- (iii) Continuing ADB's current work with (a) AML/CFT-related internal control procedures for ADB operations, and (b) integrity due diligence for nonsovereign operations, while providing relevant training to ADB staff on a periodic basis.
- (iv) Continuing to keep abreast of AML/CFT developments generally, including through participating in relevant forums and conferences, disseminating relevant information,²² and keeping the ADB AML/CFT Toolkit updated. ADB should also contribute to research and knowledge-based products that are relevant to the DMCs and/or the region.

ADB should periodically review its work under the AML/CFT Policy, taking into account developments in international law and standards as well as demand from its DMCs.

²² Such as country reports from the International Narcotics Control Strategy Reports that are published annually by the US State Department.

**ADB PROJECTS AND TECHNICAL ASSISTANCE WITH AML/CFT COMPONENTS APPROVED
BETWEEN APRIL 2003 AND MARCH 2008**

A. Projects and Related Technical Assistance (TA)

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
1.	Bhutan	Financial Sector Development Program (Loans 2279/2280-BHU). Approved on 7 December 2006.	The program requires the authorities to strengthen the AML/CFT policies and procedures. This includes requiring that they (i) update legislation to establish the Royal Monetary Authority as the AML/CFT regulator and supervisor for all financial institutions, (ii) draft and issue regulations requiring financial institutions to establish AML procedures, and (iii) establish a financial intelligence unit (FIU) in the Royal Monetary Authority to take charge of processing suspicious transaction reporting (STR) filed by financial institutions.	The program is currently ongoing.
2.	Cambodia	Financial Sector Program Loan I (Subprogram III) (Loan 2185-CAM). Approved on 29 September 2005.	Under the program, the authorities were required to (i) form a precursor to the FIU, and (ii) undertake preparatory work for establishing a FIU.	The program has been completed. ADB provided consulting support in June 2005 to help establish the precursor to the FIU under the Bank Supervision Department of the National Bank of Cambodia (NBC). An ADB expert supported the NBC to prepare for the introduction of the conference briefing on preparing for an AML/CFT assessment, which was held at ADB Cambodia office FIU, with the development of terms of reference and a training program for staff. AML workshops were undertaken through support from ADB.
3.	Cambodia	Financial Sector Development Program (TA 4835-CAM). Approved on 8 September 2006.	The project preparatory TA for this program supported (i) drafting of the AML law and its implementing rules and regulations; and (ii) feasibility study of the IT requirements of NBC, including the requirements of the Bank	The program has been completed. An ADB expert supported NBC in preparing for an AML/CFT assessment. Following adoption of the AML decree in May 2007, ADB also assisted in preparing an interministerial sub-

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
			Supervision Department and the FIU. The outcome of the PPTA is part of the reform program under Loan No. 2378-CAM.	decree and establishing the FIU.
4.	Cambodia	Second Financial Sector Program Cluster (Loan 378-CAM). Approved on 6 December 2007.	The program includes requiring (i) the development and adoption of decrees for AML/CFT, and (ii) the establishment of Cambodia's FIU.	The program is currently ongoing. With the adoption of the AML decree in May 2007, formal establishment of the FIU is underway
5.	Indonesia	Development of an Anti-Money Laundering Regime II (TA 4550-INO). Approved on 23 December 2004.	ADB's second AML/CFT-targeted TA provided technical support for AML-related activities covering (i) the development of nonbank AML supervision approaches, policies, and procedures for the Directorate General of Financial Institutions in the Ministry of Finance; (ii) capacity building for financial sector supervisory agencies (BAPEPAM and the Directorate General of Financial Institutions); (iii) capacity building for the 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.	The TA was completed on 31 July 2006. While considerable progress was made in strengthening AML-related regulations and supervision for banks, including the issuance in March 2007 of the National Strategy for the Prevention and Eradication of the Crime of Money Laundering in Indonesia (2007–2011) to develop a systematic approach to addressing AML issues, the nonbank financial sector in Indonesia lagged behind in terms of the effectiveness of regulation and supervision, as well as the capacity within covered institutions to comply. The TA supported: (i) the preparation of a draft AML manual for nonbank financial institutions, (ii) workshops and conferences on AML compliance for nonbank financial institutions and government agencies, (iii) increased capacity to prosecute and adjudicate AML cases through development of a prosecution manual, and (iv) in the preparation of computer-based training modules. The TA contributed to the removal of Indonesia from the FATF's list of NCCTs in February 2005.

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
6.	Indonesia	Capital Market Development Program Cluster (Loan 2379-INO). Approved on 10 December 2007.	Under the program, the authorities are required to build upon previous AML/CFT developments supported by ADB through the following: (i) developing a systematic approach for improving the level of compliance with AML regulations of nonbank financial institutions, (ii) implementing procedures for effective supervision of AML regulations, and (iii) preparing amendments to the AML law to comply with the revised FATF 40+9 Recommendations and provide for reorganizing its FIU (including to strengthen the FIU's powers).	To reduce the risk of regulatory arbitrage and nonbank financial institutions being favored as conduits for money laundering activity, ADB's program aims to strengthen regulations, supervision (capacity, enforcement powers, and sanctions), and capacity for compliance with a view to harmonizing the nonbank financial sector with the banking sector. The program is currently ongoing.
7.	Lao PDR	Banking Sector Restructuring Program.	The program supports the drafting of AML legislation with submission to the National Assembly.	The Bank of the Lao PDR (BOL) has, as a reform measure under the program, established an FIU committee pursuant to the AML decree that was approved on 27 March 2006. ADB has funded several workshops to raise awareness of AML/CFT within and outside of the BOL, including among senior ministerial officials, and continuing support is being provided. Working with Bank Negara, Malaysia, support has been provided to the state-owned commercial banks to enhance their internal AML procedures and measures. The program is currently ongoing.
8.	Lao PDR	Promoting Governance in Financial Transactions (TA 4770-LOA). Approved on 10 March 2006.	The TA provided assistance in judicial training, which included raising awareness of the AML/CMT regime.	The TA is currently ongoing.
9.	Mongolia	Financial Regulation and Governance Program (Loan	The program supports the establishment of an AML regime through requiring (i) the adoption of an AML law and related regulations, (ii) the establishment of an FIU, and (iii) capacity building	The program enables the Government of Mongolia to issue regulations, invest in IT-MIS for the FIU, train the FIU staff, as well as train financial institutions in compliance and relevant

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
		2218-MON). Approved on 15 December 2005.	for prosecuting money-laundering cases.	agencies in investigation and prosecution of money laundering. The program is currently ongoing.
10.	Mongolia	Establishing an Effective Anti-Money Laundering Regime (TA 4393-MON). Approved on 17 September 2004.	This PPTA for the program above supported the following: (i) drafting of the implementing rules and regulations of the AML law, (ii) establishing an FIU, and (iii) transferring knowledge and capacity building for key institutions to establish an effective AML regime. The outcome of the PPTA is part of the reform program under Loan No. 2218-MON.	<p>The TA was completed in March 2005. It supported drafting of the AML law, which was enacted on 8 July 2006. Although the AML law provides a basis for an effective AML regime, it has some deficiencies that include a lack of clear STR, a high threshold for cash transaction reporting, absence of a clear offense provision, and lack of definitions.</p> <p>The TA's outputs include (i) establishment of a start-up FIU, (ii) a time-bound plan with milestones for implementing an effective AML regime, (iii) inclusion of an STR system in the IT blueprint for the FIU, (iv) a strategic plan to identify elements of an effective AML system and structure, (v) an IT blueprint to enable the Bank of Mongolia to develop its IT system for the Financial Information Service, and (vi) conduct of seminars for government institutions to enhance their AML capabilities.</p>
11.	Philippines	Financial Market Regulation and Intermediation Program (Loan 2278-PHI). Approved on 6 December 2006.	The program builds upon previous interventions in the financial sector and AML/CFT developments through support to strengthening the nonbank financial sector with respect to its AML/CFT obligations.	The program is currently ongoing.

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
12.	Sri Lanka	Financial Markets Program for Private Sector Development (Program Loan) (Loans 2138/2139-SRI). Approved on 15 December 2004.	The program included requiring the preparation of an AML law.	Support is being provided for the drafting of an anti-money laundering law in conjunction with International Monetary Fund TA. The program is currently ongoing.
13.	Viet Nam	Second Financial Sector Program (Subprogram II) (Loan 2118-VIE). Approved on 3 December 2004.	The program required (i) drafting of a new AML law, (ii) issuance of a decree on AML regulations, and (iii) establishment of an FIU.	The program has been completed. An AML law took effect on 1 August 2005. The State Bank of Viet Nam issued detailed implementing guidelines for commercial banks to set up know-your-customer procedures, to report suspicious transactions, and to appoint an AML compliance officer. Lastly, the Government of Viet Nam established a start-up FIU under the State Bank of Viet Nam.
14.	Viet Nam	Capacity Building for the Financial Sector and Capital Markets (TA 4290-VIE). Approved on 18 December 2003.	The primary purpose of the TA was to assist the authorities in undertaking policy conditions proposed under the Second Financial Sector Program Loan. Specifically, the TA focused on a number of policy conditions that had been assessed to require additional technical inputs and capacity building activities for successful implementation. These include support to establish and operationalize an FIU by providing technical inputs and a study tour to see firsthand the actual functions of an FIU.	The TA has been completed. ADB provided assistance in the drafting of the AML law that took effect in August 2005. The TA also assisted in issuing detailed implementing guidelines to credit institutions for STR and in setting up an FIU in the State Bank of Viet Nam.
15.	Viet Nam	Support to Implement the Anti-Money Laundering Decree (TA 4731-VIE). Approved on 13 December 2005.	The TA assisted in implementing the Decree to Prevent and Combat Money Laundering with such major outputs as (i) enhanced awareness and understanding about AML, (ii) a strengthened institutional and policy framework, and (iii) enhanced operational capacity for investigation	The TA has been completed.

	DMC	Loan and Related TA	Description of AML/CFT Component	Status/Impact
			and compliance institutions.	
16.	Viet Nam	Third Financial Sector Program Loan (Loan 2377-VIE). Approved on 10 December 2007.	Following the Second Financial Sector Program, this program supports further strengthening of the AML/CFT regime by requiring the FIU to coordinate with regulatory authorities in developing STR guidelines and issuing internal procedures to strengthen effective supervision and implementation of AML regulations.	The program is currently ongoing.

B. Other Technical Assistance

	DMCs	Stand-Alone TAs	Description of AML/CFT Component	Status/ Impact
1.	People's Republic of China	Strengthening the Legal and Implementation Framework for Anti-Money Laundering (TA 4824-PRC). Approved on 7 August 2006.	The TA initially assisted in developing and subsequently in enacting the PRC's AML law, particularly by facilitating stakeholder consultations through an international symposium. The TA is currently focused on (i) strengthening the regulation and supervision of financial institutions under the AML law, (ii) extending application of the AML law to relevant parts of the nonfinancial sector, and (iii) revising relevant aspects of the criminal law.	The TA is currently ongoing.
2.	Pakistan	Support to Governance Reforms in Pakistan (TA 4922-PRC). Approved on 7 March 2007.	A subproject titled "Strengthening the Anti-Money Laundering Regime in Pakistan" is being financed from the TA cluster under the subcluster "Accountability, Transparency, and Anticorruption." The subproject seeks to strengthen the AML regime and support timely implementation of the AML law.	The TA is currently ongoing.
3.	Philippines	Strengthening the Anti-Money Laundering Regime (Phase II) (TA 4601-PRC). Approved on 24 June 2005.	The TA built upon work done under the 2002 Phase I TA, ^b with ADB providing support for implementing the AML regime. Essentially, it supported the development of (i) a process map that systematically identified bottlenecks and obstacles to effective implementation of AML requirements, (ii) a strategy for strengthening compliance with STR requirements and for monitoring implementation, (iii) a strengthened legal and regulatory framework for AML, (iv) locally-based training programs and computer-based training materials, and (v) strengthened relationships between the authorities and their counterparts in other jurisdictions.	The TA was completed on 31 December 2007. Among the outputs were workshops aimed at strengthening the effectiveness of government agencies carrying out AML-related responsibilities.

4.	Thailand	Promoting International Cooperation on Anti-Money Laundering and Combating the Financing of Terrorism (TA 4597-THA). Approved on 10 June 2005.	The TA assisted the Thai authorities to (i) assess the legal, institutional, and procedural requirements for conforming to the FATF 40 + 9 Recommendations on international cooperation; and (ii) formulate an action plan through consultation with all stakeholders. The second component supported regional authorities' efforts in facilitating international cooperation through training sessions for officials from the Mekong region.	The TA aimed to help Thailand achieve a higher level of compliance in the area of international cooperation within the framework of established international standards. The TA, which was completed on 30 November 2007, included the following outputs: (i) an assessment of Thailand's AML/CFT compliance, and (ii) adoption of a time-bound action plan to assist Thailand in meeting its international AML/CFT obligations. The second component involved training sessions held in Bangkok, for officials in the Mekong region, including measures to establish the legal and institutional framework for an AML-CFT regime and cross-border issues. It also provided the officials an opportunity to network.
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C. Regional Technical Assistance (RETA)

	Regions	Regional Technical Assistance	Description of AML/CFT Component	Status/ Impact
1.	BIMP-EAGA , (Brunei Indonesia- Malaysia- the Philippines East ASEAN Growth Area	Support for Customs, Immigration, Quarantine, and Security Harmonization in the BIMP-EAGA (TA 6408-REG). Approved on 20 August 2007.	The RETA is expected to enhance the integration of EAGA economies by strengthening CIQS operations by supporting cooperation in security and facilitating trade and the movement of people and goods across borders. The TA will (i) strengthen the role of the CIQS Task Force as a catalyst for the CIQS harmonization process, (ii) establish or enhance national institutional mechanisms to coordinate effectively the CIQS harmonization initiatives, (iii) formulate strategies and implement action plans to streamline, simplify and harmonize CIQS processes and formalities at ports of entry and border crossings, and (iv) build the capacity of CIQS focal points in the subregion. Outputs include (i) subregional and national institutional structures and coordination mechanisms established, (ii) CIQS processes mapped, harmonization issues and priorities identified, and strategy developed to address priority issues; (iii) subregional agreements formulated and signed; (iv) pilot-testing of agreements initiated in selected land border crossings, airports and sea ports and (v) capacity and skills of CIQS staff to implement harmonized RRP's upgraded.	The RETA is currently ongoing.
2.	Pacific DMCs	Aviation Legislative and Regulatory Review (TA 6259-REG). Approved on 22 September 2005.	The RETA assists the Pacific Aviation Safety Office (an international organization founded by Pacific DMCs) by providing legal and regulatory advice, technical support to audit airlines for rectification, and information systems development for improved safety and security.	The RETA is currently ongoing.

ADB = Asian Development Bank; AML = anti-money laundering; BAPEPAM = Badan Pengawas Pasar Modal (Capital Market Supervisory Agency); BIMP-EAGA = Brunei Darussalam, Indonesia, Malaysia, Philippines East ASEAN Growth Area; CFT = combating the financing of terrorism; CIQS = Customs, Immigration, Quarantine and Security; DMC = developing member country; FAFT = Financial Action Task Force on Money Laundering; FIU= financial intelligence unit; GMS = Greater Mekong Subregion; IT = information technology; Lao PDR = Lao People's Democratic Republic; NBC = National Bank of Cambodia; PPTA = project preparatory technical assistance; RETA = regional technical assistance; STR = suspicious transaction reporting; TA = technical assistance.

^a This TA was attached to the Financial Governance and Social Security Program, which, although approved prior to the AML/CFT Policy, was implemented in line with the AML/CFT Policy.

^b ADB. 2002. *Technical Assistance to the Republic of the Philippines for Development of the Anti-Money Laundering Regime*. Manila (TA 3849-PHI, for \$1.5 million).

Source: Available: <http://adbweb/documents/others/ogc-toolkits/anti-money-laundering/>