



# Regional: Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls - Developing Risk-Based Customer Due Diligence Requirements and Tools (Subproject A)

Project Name	Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls - Developing Risk-Based Customer Due Diligence Requirements and Tools (Subproject A)
Project Number	50258-002
Country / Economy	Regional
Project Status	Closed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	<b>TA 9287-REG: Developing Anti-Money Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls - Developing Risk-Based Customer Due Diligence Requirements and Tools (Subproject A)</b> Technical Assistance Special Fund US\$ 500,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Finance / Banking systems and nonbank financial institutions
Gender	No gender elements
Description	<p>Subproject A will support national authorities to improve the regulatory environment in the selected DMCs.</p> <p>The Financial Action Task Force (FATF) recommendation 1 on assessing risks and applying a risk-based approach notes that [c]ountries should require financial institutions and designated [DNFBPs] to identify, assess and take effective action to mitigate their money laundering and terrorist financing risks. The Interpretative Notes to the FATF recommendations further state that financial institutions and DNFBPs need to have policies, controls, and procedures that enable them to manage and effectively mitigate the identified risks, and to monitor (and if needed enhance) implementation of controls. Recommendation 10, regarding customer due diligence (CDD), states that each country may determine how it imposes specific CDD obligations, through law or other enforceable means.</p>
Project Rationale and Linkage to Country/Regional Strategy	<p>To address these risk-focused requirements of the FATF recommendations, this subproject will support national authorities to develop and issue AML/CFT risk-based CDD requirements and tools for DFIs (and, if necessary, DNFBPs) that are intended to improve implementation of national AML/CFT regulatory measures. It will also build their capacity and update their procedures. These efforts may also target national corporate registration systems and data sources that are accessed by financial institutions (particularly domestic banks) and DNFBPs in complying with CDD requirements, so that access to and use of these increases. The CDD requirements and tools will provide increased clarity regarding the risk-based approach, and the extent to which flexibility and subjectivity can be exercised within the FATF AML/CFT standards. They will also ensure that domestic entities can access reliable and updated data; are able to generate adequate information regarding their customers and can flag issues; and, when necessary, can effectively generate and submit reports regarding suspicious transactions and cash transactions.</p> <p>These outputs will be closely linked with and complement any prior assistance provided by ADB to DMCs to develop or strengthen AML/CFT legal and institutional systems. The fact-finding mission revealed that a number of DMCs have issued CDD guidelines for their domestic banks. This subproject should be flexible in meeting the current and actual needs of the selected national authorities, for example by (i) developing associated tools to complement recently issued guidelines; (ii) expanding guidelines to cover NBFIs and DNFBPs; (iii) enhancing guidelines to incorporate recent developments and lessons, or a strengthened risk-based approach; or (iv) implementing an awareness-building and training program for the new CDD guidelines.</p>
Impact	Legal and institutional systems to combat money laundering and the financing of terrorism are established and implemented effectively.
<b>Project Outcome</b>	
Description of Outcome	Capacity of DFIs to comply with the Financial Action Task Force AML/CFT requirements strengthened
Progress Toward Outcome	
<b>Implementation Progress</b>	
Description of Project Outputs	<ol style="list-style-type: none"><li>1. AML/CFT risk-based CDD requirements and tools are issued and disseminated by the relevant national authorities in the selected DMCs.</li><li>2. National corporate registration systems and data sources are made accessible and used by domestic entities for CDD requirements.</li><li>2. National corporate registration systems and data sources are made accessible and used by domestic entities for CDD requirements.</li></ol>

Status of Implementation Progress (Outputs, Activities, and Issues)

The countries covered under this project are Bhutan, Mongolia, Papua New Guinea and the Philippines.

In Mongolia, a 2-day training-of-trainers program was conducted on 13-14 September 2017 for selected Financial Information Unit (FIU) and Financial Regulatory Commission (FRC) staff who will support the roll out of the full CDD capacity development program in Mongolia. The first training module, held last 7, 9-10 November 2017 was on Mongolia regulations on CDD and international standards for domestic banks, money remittance agencies, foreign currency exchangers and real estate agencies. The second training module was held from 26 to 28 February 2018 and focused on developing and writing internal CDD guidelines for similar reporting entities. Participants are expected to create their own internal guidelines which will be presented during the last training module under the program.

In the Philippines, a training of trainers was conducted for selected staff from the Anti-Money Laundering Council (AMLC) of the Philippines and Bangko Sentral ng Pilipinas. ADB also worked with AMLC to finalize the casino implementing rules and regulations (CIRR) of the Philippines' AML Act designating casinos as covered persons. The CIRR was signed last 25 October 2017 and in preparation for its implementation, the TA supported the AMLC to roll out capacity building workshops for regulators and operators. The first Training on CIRR, held last 23-25 October 2017 was targeted for regulators namely Aurora Pacific Economic Zone and Freeport (APECO), Cagayan Economic Zone Authority (CEZA) and Philippine Amusement and Gaming Corporation (PAGCOR) which are designated as Appropriate Government Agencies (AGAs) under RA 10927. The second Training on CIRR was targeted for operators under APECO, CEZA and PAGCOR and was held last 4-5 and 7-8 December 2017. The TA also supported the AMLC in harmonizing the AML Guidelines of the three regulatory bodies namely the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the Insurance Commission to comply with FATF Recommendations as well as AMLC regulations through a consultation workshop held last 19-20 March 2018.

The TA also supported the Securities and Exchange Commission through a training on enhanced due diligence held last 27 October 2017. Currently, it is supporting the agency in establishing its Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) Unit by developing the Operations Manual. It has also conducted a consultation workshop last 5-6 March 2018 to develop and finalize the AML CDD Guidelines for designated non-financial businesses and professions (DNFBPs).

In Bhutan, two training programs were conducted for the Financial Intelligence Unit. The first was a two-day training from 13 to 14 November 2017 on AML/CFT regulations for the four divisions of the central bank namely Financial Regulation and Supervision Department (FRSD), Foreign Exchange and Reserve Management Department (FED), Financial Intelligence Unit (FIU), and Payment and Settlement Systems Departments (PSSD). The second was a three-day training from 15 to 17 November 2017 on risk-based customer due diligence for all five financial institutions and two insurance institutions.

In Papua New Guinea, the TA supported the Financial Analysis and Supervision Unit (FASU) in drafting the technical guidelines for various clusters of reporting entities, namely (i) banking institutions; (ii) non-banking financial institutions; and (iii) DNFBPs. The first consultation meeting with each reporting entity cluster was held last 11 to 15 December 2017. The second consultation meeting was held last 19 to 23 March 2018 wherein each reporting entity reviewed and discussed the draft guidelines provided by the AML expert.

Geographical Location	Regional
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**Summary of Environmental and Social Aspects**

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples
<b>Stakeholder Communication, Participation, and Consultation</b>
During Project Design
During Project Implementation

**Business Opportunities**

Consulting Services	Consultants will be engaged by ADB in accordance with its Guidelines on the Use of Consultants (2013, as amended from time to time).
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Responsible ADB Officer	Syquia, Jose Luis C.
Responsible ADB Department	Office of Anticorruption and Integrity
Responsible ADB Division	AIOD-DU
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

**Timetable**

Concept Clearance	-
Fact Finding	01 Sep 2016 to 31 Oct 2016
MRM	-
Approval	22 Dec 2016
Last Review Mission	-
Last PDS Update	11 Apr 2018

## TA 9287-REG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
22 Dec 2016	-	22 Dec 2016	31 Dec 2018	31 Aug 2019	26 Nov 2019

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	17 Jun 2022	484,207.77

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Project Page	<a href="https://www.adb.org/projects/50258-002/main">https://www.adb.org/projects/50258-002/main</a>
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