

## **AGENDA ITEM 11**

### **FOURTH MEETING OF THE ADVISORY GROUP ON APEC FINANCIAL SECTOR CAPACITY BUILDING**

**KUALA LUMPUR, 3<sup>RD</sup> AUGUST 2005**

#### ***DEVELOPMENTS ON PROPOSAL FOR TRAINING REGULATORS, IN ASSOCIATION WITH ASIA PACIFIC GROUP (APG), CONCERNED WITH SUPERVISING LAWS AND REGULATIONS TO COUNTER MONEY LAUNDERING AND TERRORIST FUNDING***

##### **Background**

Members are referred to the report of the last meeting – please see attachment to Agenda Item 4, foot of page 5 and top page 5 – outlining the discussion on this subject at the Beijing meeting. (Attached is an extract of the paper considered at the Beijing meeting)

##### **Issue**

The Coordinator has discussed the matter further with APG and sought advice on possible locations in Asia that would be appropriate for the proposed training. APG noted that it has a good relationship with SEACEN in Kuala Lumpur and advised that SEACEN has a good public sector outreach, and that Malaysia is a leading economy in the ASEAN group in AML and CTF activities. APG advised that it would strongly support an approach to SEACEN to cooperate with it and ABAC to see if cooperation on the proposed program would be feasible.

##### **Recommendation**

- members endorse an approach being made to SEACEN to ascertain its interest in cooperating with ABAC and APG in undertaking a capacity building program along the lines set out in the attachment.

**Coordinator**

**22<sup>nd</sup> July 2005**

## **ABAC / APG Proposal for Private /Public Sector Symposium on Implementing the International AML/CFT Standards**

### **Background**

Since 2004, the ABAC Finance Sector Working Group and the Asia/Pacific Group on Money Laundering (APG) have been discussing opportunities for cooperative capacity building work to assist Asia/Pacific economies to effectively implement the international standards for anti-money laundering and combating the financing of terrorism (AML/CFT).

This work is consistent with the Objectives of the Advisory Group on APEC Financial System Capacity Building, which encourage “joint endeavours by public and private sector institutions, including regional and international agencies, in the organising, funding and administration of capacity building initiatives in the APEC region and, specifically, where private sector involvement brings clearly defined and valued advantages to those endeavours”.

The Advisory Group’s Objectives also state that the capacity building initiatives should, amongst other things, seek to promote the strengthening of regulatory agencies in implementing international regulatory and supervisory standards; support regional private financial institutions in implementing and complying with international regulatory standards and practices; and promote good corporate governance in public and private financial institutions.

In a sub-theme for ABAC’s current work program, the Korean chair included as a priority, securing a safe and peaceful business environment. During the APEC CEO Summit in Santiago, Chile in November 2005, ABAC representatives highlighted the importance of private/public sector cooperation in trade security, including AML/CFT.

Following on from the CEO Summit in Santiago, the ABAC Finance Working Group met in Mexico City, on 23 February this year. In response to recommendations put to that meeting, the Working Group has invited the APG to prepare a proposal for a high-level regional symposium to be held for representatives of the designated non-financial businesses and professions (DNFBPs), including related regulatory organisations, covered by the revised FATF 40 Recommendations. The symposium would focus on implementing and complying with the international standards.

Advice received from, for example the IMF, indicates that the extension of the FATF’s 40 recommendations to cover DNFBPs remains problematical both for the authorities charged with supervising such activities and for those that are subject to the AML/CFT requirements. Recent work in this area has indicated the need for a well thought-out program to engage all the affected groups to understand the nature of their business and where the risk for money laundering and terrorist financing lies.

The proposed high-level symposium would therefore be a most useful initial building block for the subsequent development of a purposeful program of action at the sectoral, jurisdictional and regional levels.

## **Purpose**

To bring together supervising authorities and the private sector leaders, or their representatives, of the various relevant DNFBP professional bodies, or business groups, to develop their awareness and understanding of the main AML/CFT risks for their businesses and professions and the issues and practical challenges involved in implementing preventive measures compliant with the updated FATF 40 + 9 Recommendations.

## **Introduction**

Abuse of national and international financial systems by money launderers and terrorists is a worldwide challenge, associated with international criminal activities and corruption, which has a major cost for all economies.

Money Laundering and terrorist financing hinder economic development and are serious threats to financial sector security and economic growth. Combating money laundering and terrorist financing does not dissuade investment or lose customers for business. In fact illegal capital undermines capacity, distorts the market and encourages poor governance, corruption and capital flight which lead to reputation damage.

Strengthening anti-money laundering and combating the financing of terrorism (AML/CFT) measures within business will contribute to a better financial, economic and governance environment including:

- enhanced financial transparency;
- enhanced efficiency and capacity in prevention and detection of corruption, crime and terrorist financing;
- promoting the legitimate private business sector.

There are clear challenges for government and business in implementing the international AML/CFT standards. ABAC and the APG recognise the need for business and government to work together to better understand the obligations and challenges in implementing the AML/CFT standards.

## **Objectives**

- To develop an understanding of the main AML/CFT risks to businesses and professions; and the obligations and practical challenges involved in implementing preventive measures compliant with the updated FATF 40 Recommendations.
- To bring together business and professional representatives and regulators from across the Asia/Pacific region to engage in consultations as to what the main issues are and then address how preventive measures compliant with FATF recommendations could be put in place;
- To share knowledge, experience, and best practices in order to identify effective frameworks and measures, that will contribute to strengthening the AML/CFT regime within the region and within each business and professional group and jurisdiction.

## **Audience**

- Representatives of groups representing lawyers, accountants, real estate dealers, notaries, trust and company service providers and high-value goods dealers from across the Asia/Pacific region;
- Representatives from industry umbrella organizations, trade associations etc for various private sector players (ABAC members to play a key role in identifying)

- Regulators/supervisors for the newly covered businesses and professions;
- Self regulatory organizations for the newly covered businesses and professions
- Representatives from coordinating national AML/CFT agencies or ministries

### Presenters

- Regional and global multilateral bodies with an involvement in AML/CFT ( possibly APG, FATF, IMF, UNODC, WB, APEC Secretariat, EU, ADB, ASEAN).
- Private sector leaders with experience of comparable compliance regimes (eg Citibank).

### Organiser

APEC Australia Study Centre, Monash University Melbourne, in conjunction with APG Secretariat and ABAC.

### Venue

APEC Australia Study Centre, Monash University Melbourne

### Proposed Speakers:

Experts on AML/CFT [TBC]

### Language:

The working language of this program will be English. Consideration can be given to supporting translation of key documentation.

### Program Modules:

The program consists of the following modules:

Module	Duration & Presenters
<b>1. Welcome &amp; introductions</b> <ul style="list-style-type: none"> <li>• Official welcome</li> <li>• Overview and objectives</li> <li>•</li> </ul>	1 hour ABAC, APG, IMF etc
<b>2. AML/CFT Overview:</b> Developments in international standards for Anti-Money Laundering and Combating the Financing of Terrorism <ul style="list-style-type: none"> <li>• The nature of money laundering and terrorist financing</li> <li>• The importance of AML/CFT measures</li> <li>• Development of international standards for AML/CFT</li> <li>• Assessing Compliance with International Standards</li> </ul>	2½ hours  (including tour de table)
<b>3. Money laundering and terrorist financing risks in the Asia/Pacific region and regional responses</b> <ul style="list-style-type: none"> <li>• The nature of money laundering and terrorist financing risks</li> <li>• Non-profit organisations – the AML/CFT risks</li> <li>• Alternative remittance and AML/CFT risks</li> <li>• Regional and international responses</li> </ul>	2 hour include consideration of case studies

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<b>4. Basic elements of an AML/CFT regime</b> <ul style="list-style-type: none"> <li>• Criminalisation of money laundering and terrorist financing &amp; financial transparency</li> <li>• Legal and institutional requirements for supervision and regulation</li> <li>• Sectors subject to AML/CFT reporting requirements (focus on DNFBPs)</li> <li>• CDD, KYC, Suspicious transaction reporting and record keeping</li> <li>• Roles of FIUs, regulatory bodies (including SROs), and enforcement agencies</li> </ul>	2 hours
<b>5. Role of Supervisory Agencies and Designated Non-Financial Businesses and Professions in Implementing an effective AML/CFT framework</b> <ul style="list-style-type: none"> <li>• Record keeping and reporting obligations</li> <li>• Obligations on DNFBPs</li> <li>• Obligations on supervisors and regulators (including SROs)</li> <li>•</li> </ul>	2 hours
<b>6. AML/CFT Compliance:</b> <ul style="list-style-type: none"> <li>• Organisational and administrative authority for effective AML/CFT supervision among relevant sectors</li> <li>• AML/CFT compliance auditing of all sectors: financial sector and non-prudentially regulated sectors.</li> <li>• Internal AML/CFT compliance regimes</li> <li>• Challenges to compliance</li> <li>• Legal issues and compliance (especially issues of legal privilege)</li> </ul>	4 hours Split into two groups Split into two groups i) lawyers, accountants & trust and company service providers ii) real estate dealers, casinos, gold & gem dealers, high value dealers
<b>7. Technical assistance and training for AML/CFT compliance</b> <ul style="list-style-type: none"> <li>• Technical assistance and training – national and regional coordination</li> <li>• Technical assistance and training - the role of business, professional associations and regulators</li> <li>• Identifying priority needs</li> </ul>	3 hours
<b>8. Future steps</b> <ul style="list-style-type: none"> <li>• Action plans for each sector</li> </ul>	