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AGENDA ITEM 4.5

ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY BUILDING – FIRST MEETING, 2007, SEATTLE – 28TH FEBRUARY 2007

CONSIDERATION OF POSSIBLE WORK ON REMITTANCE SYSTEMS, ANTI- MONEY LAUNDERING AND COMBATTING THE FINANCE OF TERRORISM

Introduction

As noted in the briefing for Agenda Item 2, the Advisory Group at its Montreal meeting last year reviewed the issues of **remittances, and measures to counter money laundering and terrorist funding**. In the event, the Advisory Group did not undertake substantive work on these matters during 2006.

The three items are included in the Hanoi Medium Term Strategy adopted by Finance Ministers in 2006 as elements of strategic goals that APEC might develop as part of a consistent, focused and longer-term planning framework. They were included under a priority described as financial sector and capital market development. In agreeing the Hanoi plan, Ministers noted that host economies may propose policy themes to complement the plan.

As the host economy for 2007 Australia has not proposed the inclusion of work on these subjects during 2007 – either in the major themes or policy initiatives for the FM processes. Proposals to include them in FM work in 2007 were not made at the first meeting of SFOM.

- *Background on earlier consideration of these issues*

a) *remittances*

In 2005, APEC FM received the final of a series of reports - starting in 2002 - on the issue of remittances. In that year, ABAC, represented by Dr. Twatchai Yongkittikul, participated in a dialogue in Bangkok on the subject, sponsored by APEC and the World Bank. In its letter to APEC Finance Ministers in 2006, ABAC recommended that Ministers endorse a concept proposed by the Asian Development Bank of an Asian Automated Clearing House.

b) *measures to counter money laundering and terrorist funding*

In 2002, ABAC recommended to APEC Leaders that they ratify the OECD's Financial Action Task Force (FATF) measures aimed at curtailing terrorist financing and anti-money laundering and cooperate with the private sector as the sector seeks to implement the spirit and the principles reflected in the Wolfsberg Statement on the Suppression of the Financing of Terrorism. In 2003 proposed greater cooperation between public agencies and financial institutions, particularly in the identification of terrorist suspects.

Many jurisdictions have endorsed the FAFT 40 standards and 9 additional standards, and many are now enacting laws and regulations to put them into effect. Within Asia and the Pacific economies, the Asia Pacific Group (APG), established in Sydney, is part of a global network responsible for supporting the implementation of these standards and for training regulators.

In 2005, ABAC discussed with APG the possibility of jointly promoting training (for financial regulators and private sector interests) in these areas of supervisory activity. We also raised with SEACEN whether they wished to include a segment on this subject in the public/private dialogue in KL in 2006. SEACEN declined on that occasion but left the matter open for further consideration.

Recommendations

- Because both the issue of **remittances, and anti-money laundering and counter terrorist funding** have important implications (not least in costly compliance) for the private sector, there are solid reasons why developments on these matters should be monitored by the Advisory Group – through discussions with relevant international agencies and training groups and the private sector - to consider the value of developing with those agencies appropriate capacity building initiatives for APEC consideration. For these purposes discussions should be held with the OECD, the IMF, World Bank, ADB, ABA, SEACEN and APG and industry associations in APEC economies, and the APEC FM processes regularly informed of developments.