



**Asia-Pacific
Economic Cooperation**

Seminar Outcome Report

**APEC Seminar Series 2010 on Current and Emerging Trends in
Money Laundering and Terrorism Financing**

**20 – 24 September 2010
Cairns, Australia**

**Counter Terrorism Task Force
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Seminar Series Report

Cairns, Australia
20-24 September 2010

The background of the lower half of the page is a complex, semi-transparent image of financial data. It features several overlapping line graphs in various colors (blue, green, red) and candlestick charts. Numerical values such as 1.7810, 1.7765, 1.7900, 1.7855, 1.7810, 1.7765, 14.56, 19.00, 05.14, 08.47, and 11.12 are scattered across the charts. Some data points are circled in light blue or green. The overall aesthetic is technical and data-driven.

Seminar Outcome Report

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Program Overview

Trends in money laundering and terrorism financing have evolved over the years.

Traditional trends were largely cash based and used methods such as cash smuggling, structuring of transactions, purchase of valuable assets for cash and false name accounts and anonymous accounts.

Over the years, techniques for laundering money have become more complex using convoluted systems of integration and layering including remittance systems, wire transfers, tax havens, the insurance sector, gaming activities, gold and diamond markets, currency traders, gate keepers or non financial professions.

As the use of technology expands, e-commerce has allowed for evolving products and expanding customer base, product innovation and outsourcing.

Evolving technological advancements and new payment systems include the use of smarter debit cards and stored value cards, G-cash, e-gold, e-bullion, e-metals, e-currencies and digital currencies.

As new techniques for laundering money and financing of terrorism continue to develop, past and current trends will also continue though they may be cyclical and include higher values of money.

The *APEC Seminar Series – Current and Emerging Trends in Money Laundering and Terrorism Financing* consisted of five themes that were delivered over five days.

At the completion of each session, a panel session took place which allowed for questions and discussion. There were also practical exercises on developing an education strategy and assessing the risk of corruption and applying a targeted anti-money laundering (AML) response.

Copies of presentations can be found on the Seminar Series Webpage:
<https://forum.austrac.gov.au/apec/>.

APEC Seminar Series 2010 – Current and Emerging Trends	
Session 1	Regional perspective
Session 2	New financial products
Session 3	Designated non financial businesses and professions
Session 4	Movement across borders
Session 5	Corruption

Session 1 – The Asia-Pacific Region & International Efforts

A deep understanding of current and emerging trend of money laundering and terrorism financing in many jurisdictions is important to enhance the effectiveness of anti money laundering and counter terrorism financing regimes.

Presentations on current and emerging trends in the Americas and the Asia-Pacific region were provided as well as major predicate offences in each of the regions.

Session 1 – The Asia-Pacific Region & International Efforts	
Presentation 1	Traditional versus current trends
Presentation 2	Regional Perspectives: Emerging challenges faced by the region - Asia
Presentation 3	Regional Perspectives: Emerging challenges faced by the region - The Pacific
Presentation 4	Regional Perspectives: Emerging challenges faced by the region - The Americas
Presentation 5	Regional Perspectives: - Working for the 'Bad Guys'
Presentation 6	AML/CTF – A regulator's perspective

Pacific Region

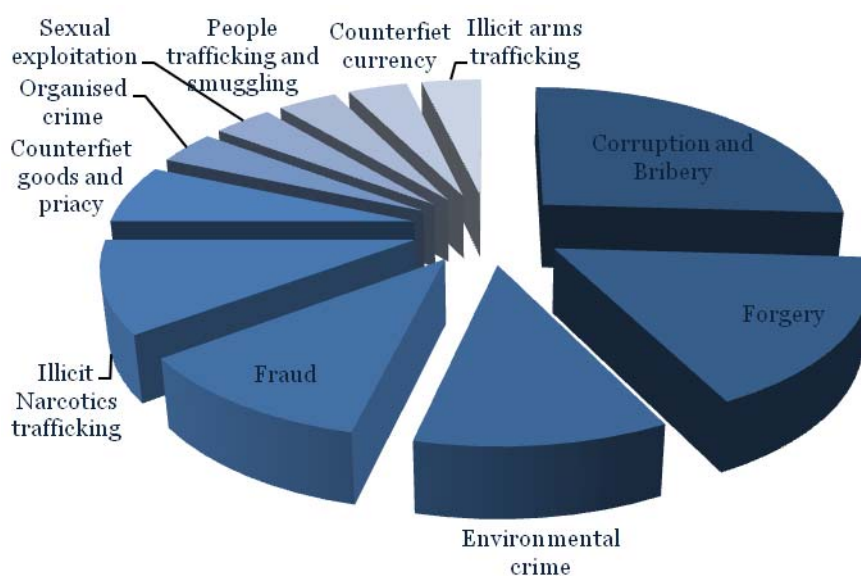


Figure 1 - Sources of tainted money in the Pacific

Corruption was identified as a major issue in the Pacific region followed by forgery, environmental crime and fraud.

Asia Region

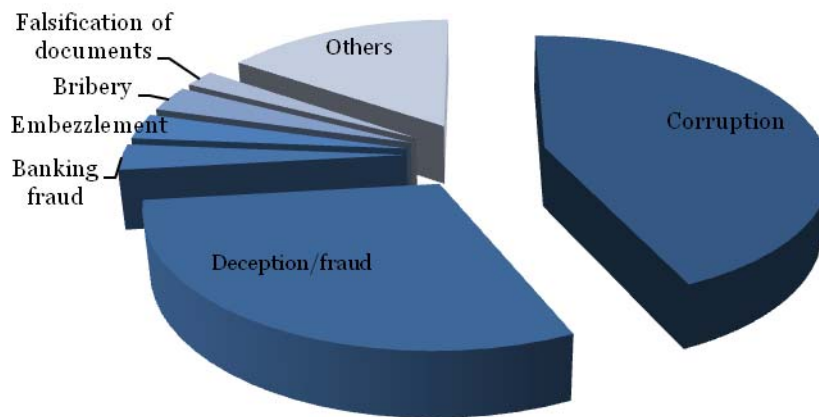


Figure 2 - Sources of tainted money in South East Asia

Similar to the Pacific region, corruption and fraud were identified as the most common predicate offences in the region with growing concerns around environmental crime.

Emerging trends in the Asia region

Emerging trends in the Asian region included:

- Use of False Identification
- Money remitters
- Misuse of money changer
- Use of safety deposits
- Cuckoo smurfing
- Cash transactions
- Increasing trend in corruption
- Cash transactions related to government officials

The Americas

The main threats to the anti-money laundering system in Latin America come from drug trafficking and corruption.

The three main world cocaine producers are in South America, namely Colombia, Peru and Bolivia. On the other hand, the main market for this drug is the United States. Mexico is the largest center for transit and distribution of drugs entering the United States.



Figure 3 – How the money moves

Typology

After selling cocaine in Europe, drug dealers smuggle bundles of 500 euro bills to Columbia. From there, 'smurfs' couriers travel by bus and on foot to unregulated currency exchanges in Chile.

The money is then flown to the US to be deposited in a bank. The 500 euro bills are now 'clean' and can go to money exchange houses in the UK or be wired back to cartel-controlled bank accounts in Columbia.

Session 2 – Financial Products

New and innovative methods for electronic cross-border funds transfer are emerging globally. These new payment tools include extensions of established payment systems as well as new payment methods that are substantially different from traditional transactions. New payment methods raise concerns about money laundering and terrorist financing because criminals can adjust quickly to exploit new opportunities.

Even though there is a legitimate market demand served by each of the payment methods, potential money laundering and terrorism financing vulnerabilities do exist.

Session 2 focused on new financial products where some of their vulnerabilities and typologies, indicators and case studies were presented.

At the end of this session, the Essential Criterion within FATF Recommendations 25 and 26 (the provision of guidance and feedback) were discussed and a practical exercise was conducted on how 'red flags' can be used in providing guidance to reporting entities.

Session 2 – New financial products	
Presentation 1	Virtual currency/world
Presentation 2	Prepaid cards
Presentation 3	Credit Cards
Presentation 4	Mobile payment systems
Presentation 5	Mobile payment system – A case study
Presentation 6	Mobile payment system – A regulatory approach
Presentation 7	Mobile banking – A financial service
Presentation 8	Guidance and Feedback

Vulnerabilities of new financial products

Vulnerabilities of the new financial products discussed during this session all had common themes including:

- Anonymity
- All verifications are dependent upon third party information.
- Identities can be stolen, credit cards can be cloned
- Some cards will allow cash loading anywhere in the world
- Some offer no maximum load limits
- No bank account needed
- Can be activated anonymously online

- KYC and other BSA regulations often don't apply
- It is a great platform for cash replacement or as a transport medium for cash in bulk cash smuggling operations
- Reloading over the internet
- Lack of regulation – internet
- Foreign issued cards can be used in a country that is not subject to same level of regulatory scrutiny as in other countries.



Typologies – Virtual Currency

- Set up accounts by furnishing false identification
- Fund the account with illicit proceeds
- Work with a partner in a criminal enterprise on the other side of the world to withdraw funds

Indicators – Credit Cards

- Customer makes application for several credit cards
- Customer requests inconsistent rise in credit limit
- Large balance repayments, often in cash
- Frequent purchases of stored value type products
- Customer requests change of address
- Changes of linked account to pay credit card
- Customer tries/produces several cards for payment

Typologies – Credit Cards

- Tax haven credit cards to repatriate funds
- Fake ID, open account, obtain credit, deplete card
- Large payments to credit cards
- Load online betting accounts using credit card
- Black market web portals selling details
- Skimmed card details to create clone cards
- Purchase goods and services with cloned cards
- Purchases conducted over internet/phone

The Provision of Guidance and feedback

Under FATF Recommendations 25 & 26 the FIU or competent authority must provide guidance and feedback to reporting entities.

The FATF states that, at a minimum, guidelines should give assistance on issues, including:

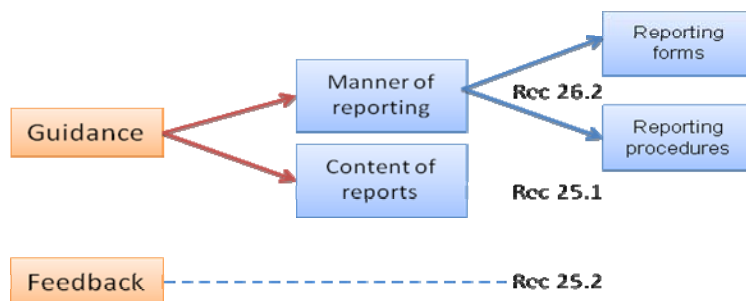
- i) a description of money laundering and financing of terrorism techniques and methods, and
- ii) any additional measures that these institutions and DNFBPs could take to ensure their AML/CFT measures are effective

Recommendation 25 states

The competent authorities should establish guidelines, and provide feedback which will assist financial institutions and designated non-financial businesses and professions (DNFBPs) in applying national measures to combat money laundering and terrorist financing, and in particular, in detecting and reporting suspicious transactions.

Recommendation 26.2 states

The FIU or competent authority should provide financial institutions and other reporting parties with guidance regarding the manner of reporting, including the specification of reporting forms, and the procedures that should be followed when reporting.



In developing a mechanism to provide this guidance it is important to ensure:

- Open and effective two-way communication
- Professionalism
- Responsiveness
- Reasonable understanding of the marketplace in which the entity does business
- A range of educative tools and processes
- Easy to understand manuals and forms, regardless of industry size or sophistication
- “Real time” responses to issues raised by the regulated entity or its industry representative organisations

Over the page is a sample template that will assist competent authorities to develop a plan to ensure effective communication to reporting entities.

Developing a communication strategy

2 & 5 year plan

Sample

&

Template document

2 and 5 year plan sample

Plan Components	2 Years	5 Years
1. Resources <ul style="list-style-type: none"> ○ Staff ○ Assets ○ Budget 	<ul style="list-style-type: none"> - <i>Designing them</i> - <i>Testing them</i> - <i>Costing</i> - <i>Building awareness in FIU / govt</i> - <i>Developing measures</i> 	<ul style="list-style-type: none"> - <i>E-forms</i> - <i>Electronic forms are flexible for different industries</i> - <i>Large scale compliance</i> - <i>Large volumes processed and analysed</i>
2. Stakeholders <ul style="list-style-type: none"> ○ Who are they? ○ What do they do? ○ Why are they important? ○ Where do they operate? ○ What should you do with them? 	<ul style="list-style-type: none"> - <i>All RE's and industries identified.</i> - <i>Awareness raising occurs</i> - <i>Profiles in terms of what forms to be completed can be analysed</i> 	<ul style="list-style-type: none"> - <i>Feedback loops identified</i> - <i>Typologies relevant to stakeholders developed</i> - <i>Compliance visits occur and cases of enforcement start to set priorities</i>
3. Systems <ul style="list-style-type: none"> ○ Internal within organisation ○ Required by reporting entities ○ Whole of government ○ International 	<ul style="list-style-type: none"> - <i>Electronic systems for capturing and submitting forms</i> - <i>Data analysis capability developed</i> 	<ul style="list-style-type: none"> - <i>Fully web based</i> - <i>Full scanning ability for paper forms</i>
4. Regulatory Requirements <ul style="list-style-type: none"> ○ FATF ○ Egmont ○ Legislation ○ Authorities within country 	<ul style="list-style-type: none"> - <i>Legislation – basic guidelines developed</i> - <i>Understanding of areas of focus based on FATF recommendations</i> 	<ul style="list-style-type: none"> - <i>MOU developed between countries</i> - <i>Meet FATF requirements</i> - <i>Appropriate legislative reform</i>

Plan Components	2 Years	5 Years
<p>5. Consultation and Review</p> <ul style="list-style-type: none"> ○ Who should you talk with? ○ Who should you work with? ○ How do we know we are doing a good job? ○ Have we identified the risks we have to consider and how do we manage these risks? ○ Ongoing review of the plan 	<ul style="list-style-type: none"> - <i>Identify key stakeholders</i> - <i>Develop a plan with timelines</i> - <i>Develop a risk management plan</i> - <i>Begin implementation of plan</i> - <i>Develop key performance measures</i> 	<ul style="list-style-type: none"> - <i>Undertake a full review of plan</i> - <i>Develop your next 5 year plan</i>

2 and 5 Year Plan Template

Plan Components	2 Years	5 Years
<p>1. Resources</p> <ul style="list-style-type: none">○ Staff○ Assets○ Budget		

Plan Components	2 Years	5 Years
<p>6. Stakeholders</p> <ul style="list-style-type: none"> ○ Who are they? ○ What do they do? ○ Why are they important? ○ Where do they operate? ○ What should you do with them? 		

Plan Components	2 Years	5 Years
<p>7. Systems</p> <ul style="list-style-type: none"> ○ Internal within organisation ○ Required by reporting entities ○ Whole of government ○ International 		

Plan Components	2 Years	5 Years
<p>8. Regulatory Requirements</p> <ul style="list-style-type: none"> ○ FATF ○ Egmont ○ Legislation ○ Authorities within country 		

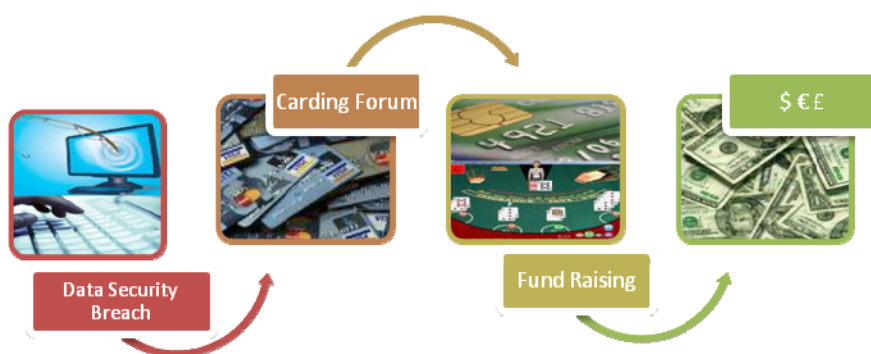
Plan Components	2 Years	5 Years
<p>9. Consultation and Review</p> <ul style="list-style-type: none"> ○ Who should you talk with? ○ Who should you work with? ○ How do we know we are doing a good job? ○ Have we identified the risks we have to consider and how do we manage these risks? 		

Session 3 – Designated non financial businesses and professions

FATF has highlighted the importance of financial inclusion in an effective domestic AML/CTF regime. Without a sufficient degree of financial inclusion, a country's AML/CFT system will safeguard the integrity of only a part of its financial system, the formally registered part, leaving the informal and unregistered components vulnerable to abuse.

Session 3 focused on the Designated Non financial Business and Professions (DNFBPs) including their unique challenges and vulnerabilities. A number of indicators were also discussed.

Session 3 – DNFBPs	
Presentation 1	Overview
Presentation 2	The Securities Sector
Presentation 3	Lawyers and Company Formation Agencies
Presentation 4	Offshore Companies and Hedge Funds
Presentation 5	Private Equities



New Age of funds raising

Typologies – Virtual World

- Set up accounts by furnishing false identification
- Fund the account with illicit proceeds
- Work with a partner in a criminal enterprise on the other side of the world to withdraw funds.

Indicators

Indicators - Lawyers

- Deposit cash into solicitors trust account in small amounts
- Cash cheques on overseas banks
- Power of attorney to withdraw funds in another country
- Transfer funds to another lawyer
- As the transferee of illicit funds overseas

Indicators - Accountants

- Taking commission on funds laundered
- Llaundering activity

Indicators - Notaries

- Sums of cash into notaries account
- Contract for a ML deal in presence of notary

Indicators - Casinos and Gambling

- Purchase and repayment of gambling tokens
- Request for winners cheques in name of third person
- Cash to chips to cheques
- Transfer of winnings to casino in another country
- Cheques drawn on multiple outlets – Lotto, horse racing and casinos
- Gambling in a way to ensure break-even
- Development of games on the Internet

Indicators – Real estate

- Investment of illicit capital in real estate
- Chain of transactions in real estate
- Investment in tourist and recreational complexes
- Buy and sell properties under false names
- Real estate in an offshore centre
- Low interest loans

Indicators – High value objects

- False certificates of sale for art objects
- Overseas transfers from company accounts to purchase art by a master artist
- Purchase of fake art

Session 4 – Movement across borders

Criminal networks are often transnational and money laundering techniques may involve many jurisdictions. Currency and commodities are frequently moved across borders as criminals attempt to layer and integrate illegal funds in an effort to avoid detection.

Session four focused on a number of money laundering techniques including trade based money laundering and the importance of collaborative efforts between customs and financial intelligence units.

This session concluded with a presentation and discussion on how to develop an effective communication strategy to develop external education programs and methods to increase engagement with other domestic agencies. Other transnational crimes were also discussed including people smuggling and trafficking and current and emerging trends in terrorism.

Session 4 – Movement across borders	
Presentation 1	Combating national crime
Presentation 2	Anti people trafficking strategy
Presentation 3	Trafficking in persons
Presentation 4	Corruption – Fish and forestry markets
Presentation 5	Trade based money laundering
Presentation 6	The role of customs in trade based money laundering
Presentation 7	Interaction between agencies in detecting and combating ML
Presentation 8	Developing an education strategy
Presentation 9	Current and emerging trends in Money laundering
Presentation 10	Terrorism and petty crime

People smuggling/Trafficking

People trafficking is the physical movement of people across borders through deceptive means, coercion or force whereas people smuggling is the organized, illegal movement of people across borders, usually on a payment for service basis. Trafficking in Persons is a complex form of transnational crime that occurs within and across national borders.

Techniques – People smuggling

- Use of alternative remittance services
- Cash being sent by different sender to the same person
- Use of cash couriers
- Purchase of real estate and other high value assets
- Investment in legal cash based businesses

Indicators – People smuggling

- Low value international funds transfers to countries of interest
- Use of alternative remittance services to conduct transactions
- Common signatory operating accounts for multiple people
- Low value wire transfers sent by same person to different beneficiaries
- Third party conducting a transaction on behalf of someone else
- Structuring of transactions

Trade Based Money Laundering (TBML)

The term *trade-based money laundering and terrorist financing (TBML/FT)* refers to the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illegal origins or finance their activities.

Techniques - TBML

- Over- and under-invoicing of goods and services
Misrepresenting of the price to transfer value
Multiple invoicing of goods and services, ie. issuing more than one invoice for the same trade transaction
- Over- and under-shipments of goods and services
Over or understating the quantity of goods being shipped
- Shipment of goods of different description or value

Indicators – Trade Based Money Laundering

- Significant discrepancies appear between the description of the commodity on the bill of lading and the invoice
- Significant discrepancies appear between the description of the goods on the bill of lading (or invoice) and the actual goods shipped
- Significant discrepancies appear between the value of the commodity reported on the invoice and the commodity's fair market value
- The size of the shipment appears inconsistent with the scale of the exporter or importer's regular business activities
- The type of commodity being shipped is designated as "high risk" for money laundering activities
- The type of commodity being shipped appears inconsistent with the exporter or importer's regular business activities
- The shipment does not make economic sense
- The commodity is shipped to (or from) a jurisdiction designated as "high risk" for money laundering activities
- The commodity is transshipped through one or more jurisdictions for no apparent economic reason
- The method of payment appears inconsistent with the risk characteristics of the transaction
- The transaction involves the receipt of cash (or other payments) from third party entities that have no apparent connection with the transaction
- The transaction involves the use of repeatedly amended or frequently extended letters of credit
- The transaction involves the use of front (or shell) companies.

Typologies - Trade Based Money Laundering

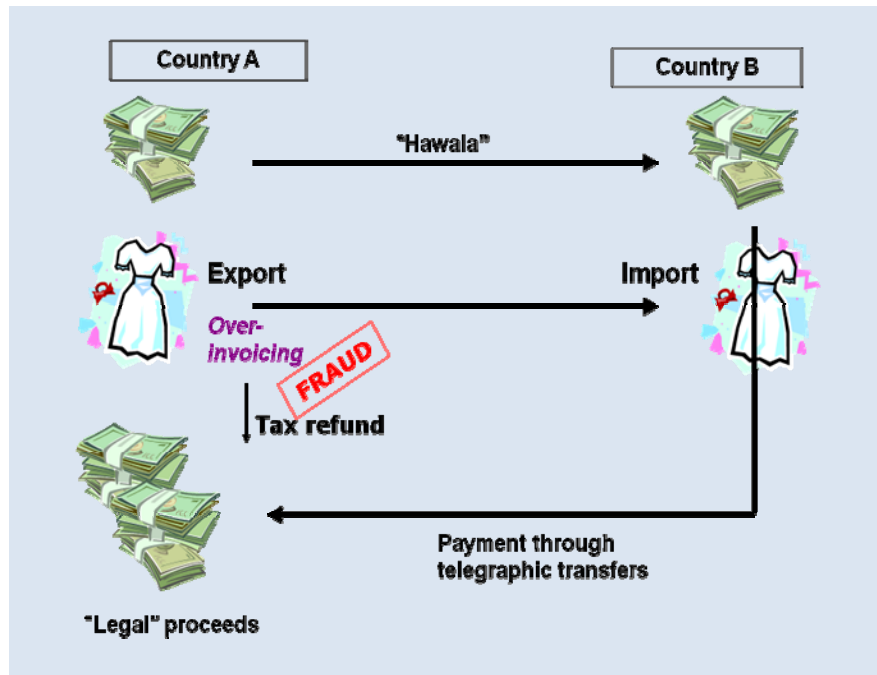


Diagram 1 - To bring money in from Country B to Country A

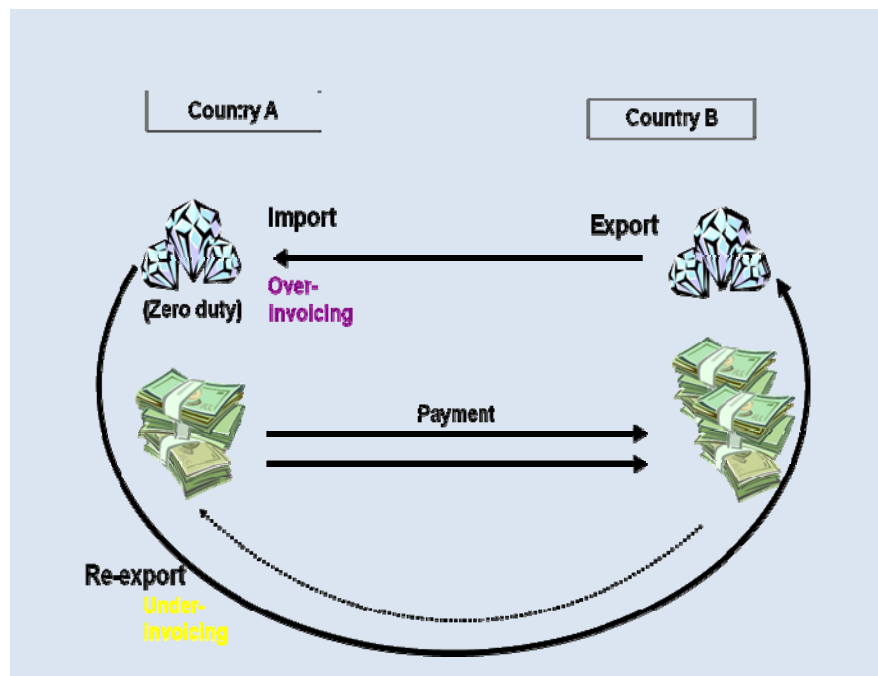


Diagram 2 - To bring money out from Country A to Country B

Typologies - Trade Based Money Laundering – cont.

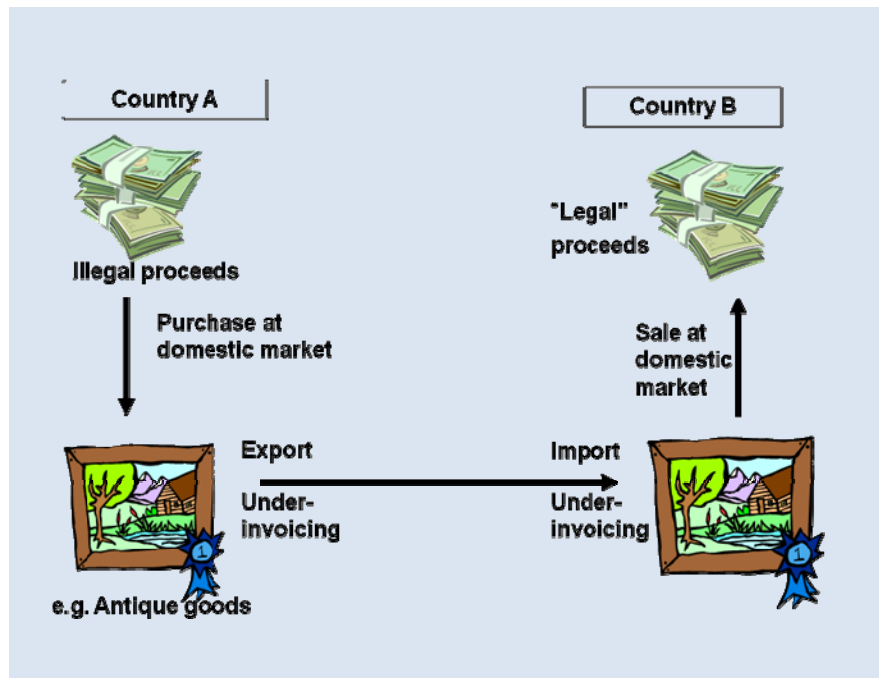


Diagram 3 - To transfer money (value) in kind

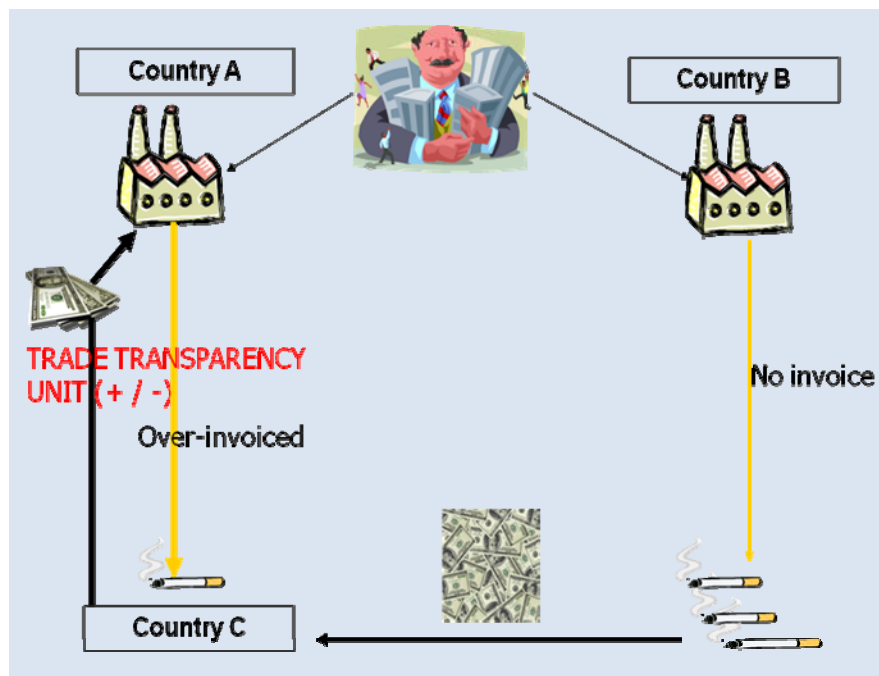


Diagram 4 - Over invoicing of exports

Education and training guide

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This Guide provides a broad framework for all who are involved in the design, development and delivery of training. This framework is intended to provide a generic approach to the development and delivery of internal training or external education.

The guide provides critical questions or prompts that will assist in the development of effective training.

Guidelines for the Development of Education and Training



Stage		Comments
1.	Module Justification	Why are we doing this education / training initiative?
2.	Aim	<p>What is the aim of this education / training initiative?</p> <ul style="list-style-type: none"> ➤ Please outline the Aim of this training initiative. This needs to be closely linked to the learning outcomes.
3.	Learning Outcomes	<p>What are the specific skills and knowledge that will be expected to be applied at the end of the training initiative?</p> <p>What are the learning outcomes of this training?</p> <ul style="list-style-type: none"> ➤ Key stakeholders must clearly determine and agree on the key behavioural outcomes and use these learning outcomes as the starting point for the development of the training. ➤ Are these learning outcomes measured in the evaluation process? How do you know if they have been achieved?

Stage		Comments
4.	Target Group/s	<p>Who is (are) the identified group (s) that this program is targeted at?</p> <p>What benefits and challenges are presented by the target groups?</p> <p>Consider the following areas with regard to each participant:</p> <ul style="list-style-type: none"> ➤ Language (fluency as well as knowledge of technical terms) ➤ Work/career experience ➤ Previous exposure to concepts presented ➤ Bias for/against any specific learning approach ➤ Cultural needs and holiday observances (may affect timing of delivery) <p>What does the learner need to be able to do or know to qualify (prerequisite) for the course?</p>
5.	Stakeholders	<p>Who are the key stakeholders who need to be involved in the development of the training?</p> <p>Who is coordinating this initiative?</p> <p>Who is critical for 'sign-off' of this training initiative before the training occurs? Note that this can often be more than one person or group.</p> <p>Who is on the development team?</p>

Stage		Comments
6.	Factors that may impact on the delivery of the Program	<p>It is critical to try and determine as early as possible what are the possible risks to the program (those factors that might delay or impact on the effectiveness of the initiative). This allows for the proactive determination of a range of possible alternate approaches.</p> <p>What is the timetable for the delivery of this program and is this achievable?</p> <p>In developing this program, what is working in your favour, and what is working against you?</p> <p>What obstacles do you see in developing this program and how will you overcome it?</p> <p>How will you keep the program current and up to date?</p> <p>How will you ensure that the program is relevant and practical?</p>
7.	External Providers	<p>In some cases it may be appropriate to use external consultants or institutes. In this case it is worth considering:</p> <ul style="list-style-type: none"> ➤ The recognition and credibility of the external provider and recommended presenters ➤ Determine capacity to deliver in a consistent manner ➤ Ability to use a variety of training approaches ➤ Terms and conditions of contract, particularly in relation to cancellation of programs and the confidentiality of the contents ➤ Ownership of material developed (i.e. consideration of copyright), for future use

Stage		Comments
8.	Identification of Facilitators/Trainers	<p>Who are the most appropriate facilitators/trainers to run this program?</p> <ul style="list-style-type: none"> ➤ Get recommendations from within the organisation ➤ Consideration of the facilitator's / trainer's qualifications, workplace expertise and presentation / facilitation skills need to be taken into account. <p>Does the Facilitator/s have the presentation skills to deliver this Module. If not, what measures have been taken to address this?</p> <p>How do you ensure the presenter is ready to enhance credibility?</p>
9.	Delivery Approach	<p>You need to determine how this program is to be delivered:</p> <p>What is the preferred delivery approach?</p> <p>What interactive and group activities will be incorporated into this training?</p> <p>Does the delivery include audio, visual and kinaesthetic activities (hearing, seeing, doing) to reach the largest number of participants?</p>
10.	Learning Variation	Does the delivery vary between process and content to meet the needs of adult learners?
11.	Design and development	<p>Determine the appropriate approaches for the education / training.</p> <p>Design the training materials</p> <p>Develop the materials, tools and support information</p>

Stage		Comments
12.	Learning Level	<p>What is the appropriate learning level for this program?</p> <ul style="list-style-type: none"> ➤ Knowledge (least complex) ➤ Comprehension ➤ Application ➤ Analysis ➤ Synthesis ➤ Evaluation (most complex) <p>Do the Learning Outcomes (from item 3), the Target Audience Capabilities (from item 4), and the Delivery Approach (from item 9) all strive toward achieving the desired Learning Level?</p>
13.	Support Documentation	<ul style="list-style-type: none"> ➤ Provide outline and details regarding pre-course reading, on-line resources and access to documentation ➤ Use of the intranet, virtual library, websites, on line updates and reference materials ➤ On-going management of support documentation.
14.	Evaluation	<p>What procedures will be used to evaluate the success and/or effectiveness of the program?</p> <p>Programs may be evaluated using the following methods:</p> <ul style="list-style-type: none"> ➤ Reaction - Did the participants enjoy the learning? ➤ Learning - What knowledge and skills were learned? ➤ Transfer - What knowledge and skills were utilised back at work ➤ Benefits - Analyse the benefits and the costs in regard to the training

Session 5 – Corruption

Corruption is a global phenomenon. Large scale corruption involves international firms/corporations as bribe givers and bribes given require international transfer to deposit and launder the money.

There is often collusion of political leaders and associates with bribers to structure deals that produce personal benefits for the leaders and their associates. Moreover, in the past, corrupt officials have hidden the personal gains in developed and offshore sanctuaries. Some of the gains are invested domestically or regionally (real estate investments especially)

Increased worldwide access to information, whistle blowing and media influence has made the public more aware about acts of corruption. The public is NOT tolerant of corruption but perception is that of helplessness.

While the true measure of the cost of corruption on the long term growth and development of any given developing country may be difficult to assess, there is general consensus among academia and development advocates that there are few “winners”.

Session 5 focused on the causes and consequences of corruption and the challenges that economies face in the fight against corruption including asset recovery.

The role of good governance in reducing corruption was also discussed followed by a practical exercise on assessing the risk of corruption and applying a targeted AML response.

Session 5 – Corruption	
Presentation 1	Causes, consequences and challenges
Presentation 2	Corporate corruption – Issues and cases studies
Presentation 3	Stolen Asset Recovery (StAR) Initiative
Presentation 4	How to make a million dollars on the stock market
Presentation 5	Linking criminals to assets as a result of corruption and fraud
Presentation 6	Good governance in the reduction of corruption
Presentation 7	Assessing risk of corruption and targeting AML response

Good governance is

- Participatory
- Transparent
- Responsive
- Consensus oriented
- Equitable and inclusive
- Effective and efficient
- Accountable
- Follows the rule of law

Assessing risk of corruption & targeting AML response

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Why assess corruption risks?

Globally, corruption may be the single largest source of money to be laundered. Corruption generates more than USD 1 trillion of illicit funds annually which are laundered both domestically and internationally. At the same time corruption can undermine AML/CTF systems.

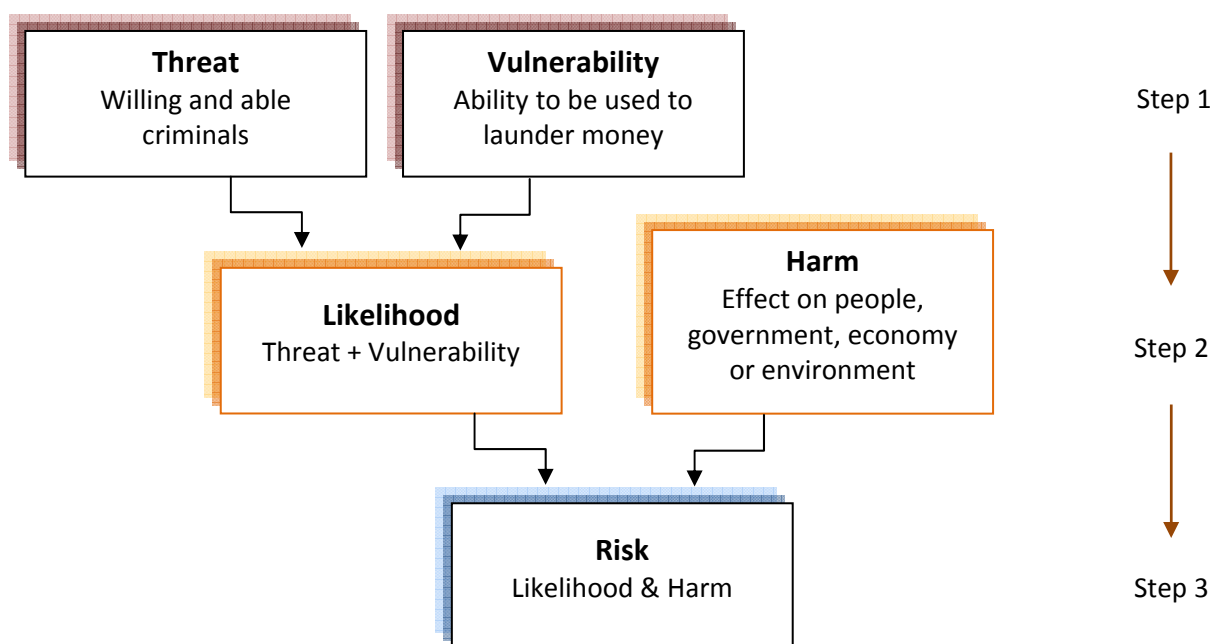
Many of the Asia-Pacific region's gravest problems are fuelled by corruption, including poverty, disease, climate change, political instability, violent extremism and people smuggling. A study conducted by the Asia Pacific Group on Money Laundering (APG) found that the potential of the AML/CTF system to counter corruption is underexploited.

Corruption and money laundering have generally been studied in isolation but the link between money laundering and corruption is now getting close attention through APEC, the FATF, StAR, and G20.

There are many types of corruption – both petty and grand. Some petty types of corruption don't justify AML intervention whereas other types of corruption may have severe implications on the economical and political growth of a country as well as the well being of the people and environment.

Using the 'first things first' principle, we need to identify the most harmful and frequent forms of grand corruption that are best suited for AML intervention. This can be done by undertaking a risk assessment.

Assessment model



Assessing risk of corruption

To assess the risk of corruption, and associated predicated offense, means to evaluate the likelihood of corruption occurring and the harm that would result.

Risk
Likelihood vs Harm

Step 1- Identifying likelihood of corruption

The likelihood refers to the probability that corruption will occur.

Likelihood
Threat + Vulnerability

The likelihood of corruption depends on the threats and vulnerabilities:

- A strong threat against a vulnerable AML system is more likely to succeed, and therefore more likely to be repeated in future.
- Conversely, a weak threat against a strong AML system is less likely to succeed.

a. Threat of corruption

Issues to be considered when assessing the threat of corruption include the following-

Threat
Willing and able criminals

Criminal motive and ability

- Is a large amount of money gained from this type of corruption?
- Is it systemic, or only opportunistic?
- Is it transnational?
- Do the people involved understand financial crime & laundering methods?
- Are they able to conceal their true identity & hide tainted assets?
- Is beneficial ownership hard to trace?
- Does it involve influential government staff or leaders?

b. Vulnerability to corruption – the money trail

The money trail – which entities are used for laundering money from this type of corruption (*tick relevant boxes*)?

Vulnerability
Ability to be used to launder money

<input type="checkbox"/> Banks?	<input type="checkbox"/> Real Estate Agents?	<input type="checkbox"/> Insurers?
<input type="checkbox"/> Credit Unions, Savings and Loans?	<input type="checkbox"/> Lawyers?	<input type="checkbox"/> Stockbrokers?
<input type="checkbox"/> Money remitters?	<input type="checkbox"/> Trust & company services?	<input type="checkbox"/> Casinos or gaming?
<input type="checkbox"/> Accountants?	<input type="checkbox"/> Border currency couriers?	<input type="checkbox"/> Precious metals or stone dealers?
<input type="checkbox"/> Other? (<i>specify</i>)		

Strength of AML systems


- Do any entities in the money trail (listed above) lack effective AML systems?
- Are relevant entities supervised for AML compliance?

Strength of law enforcement

- Is there enough capacity to investigate and prosecute this type of financial crime?
- Does law enforcement have adequate technical skills, experience, dedicated staff, and access to external assistance?
- Can law enforcement work effectively with partner agencies in an international environment?
- Is legislation adequate and are prosecutors skilled and experienced?

Attitudes

- Is there a culture of tolerating or supporting this type of corruption?

 **Activity 1 – Rating likelihood of corruption**

Your group will be allocated one scenario. Read the scenario and in your group rate discuss the threats and vulnerabilities to corruption in the given scenarios

Threats _____

Vulnerabilities _____

Assess the likelihood of corruption. You will give it a rating of high, moderate or low.

Risk Rating	Definitions of Likelihood
High	This type of corruption & laundering may be widespread, or almost certain to occur several times or more in the next year.
Moderate	This type of corruption & laundering is known to occur, and likely to occur once or more in the next year.
Low	This type of corruption & laundering is unlikely but possible.

Step 2- Assess harm

Harm
Effect on people,
government, economy
or environment

We need to assess the severity of the harm of corruption taking place. When considering harm, consider the consequences on each of the following:

People: Does this type of corruption harm safety, security, health, assets or housing?

Government:

- Reputation - Does this type of corruption harm the reputation of the government or country?
- Budget – does this type of corruption reduce government income, cause greater spending, or corrupt payments?
- Effectiveness – eg. does this type of corruption harm education, health care, roads, water, or electricity?

Economy: Does this type of corruption harm investment, financial institutions, economic growth or trade?

Environment: Does this type of corruption harm sustainability – eg. forests, fisheries, habitat, or wildlife?



Activity 2 – Rating harm as a result of corruption

In your group discuss & rate the harm that the corrupt behavior described in you scenario may cause.

Harm _____

Assess the harm and give it a rating of either minor, moderate or major (See definitions below).

Rating	Definitions of Harm
Major	Grand corruption and large-scale money laundering, potentially involving: <ul style="list-style-type: none"> • systemic corruption at the top levels of the government or public service • large amounts of money • serious national harm - social, economic or environmental • capable organized or transnational crime
Moderate	Moderate harm and money laundering, potentially involving: <ul style="list-style-type: none"> • some systemic corruption in the government or public service • moderate amounts of money • some social, economic or environmental harm • lower-level organized or transnational crime
Minor	Opportunistic, local corruption, not systemic: <ul style="list-style-type: none"> • small amounts of money • limited harm on a smaller number of people or organisations • street-level petty corruption where officials deal with the public (eg police)

Step 3- Assess risk



Activity 3 – Assessing risk of corruption

Now that you have assessed the corruption in the scenario for likelihood and harm, plot your results on the risk matrix below.

Risk Matrix		Harm		
		Minor	Moderate	Major
Likelihood	High	4	5	6 High risk
	Moderate	3	4	5
	Low	2 Low risk	3	4

Description of Risk Levels

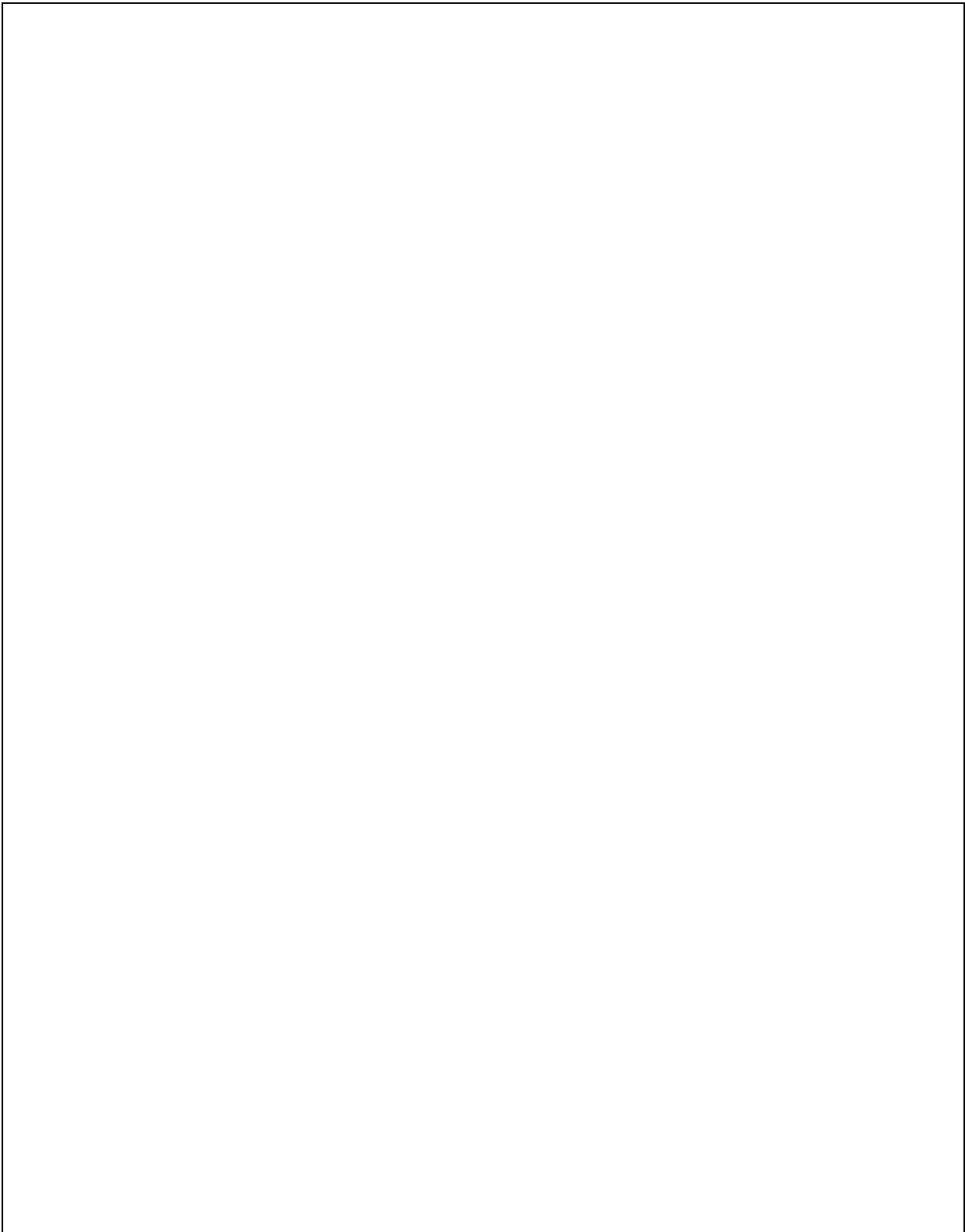
Sum of Factors	Description
6	Critical – first priority for AML targeting
5	Very High – second priority for AML targeting
4	Significant – third priority for AML targeting
3	Low – little or no AML targeting
2	Insignificant – no AML targeting

Step 4- Identify Control methods

Once the level of risk is determined, we need to decide how to target AML systems to successfully detect and report potentially corrupt transactions or behaviour. You may wish to use butchers paper to note the direction, and amount, of money flows between people and organisations.

<i>Justification</i>	<p>Is the risk of corruption (harm and likelihood) serious enough to justify AML engagement with banks and/or DNFBPs?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Risk Based Approach</i>	<p>Where in the laundering process are offenders exposed to the risk of detection?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Detection</i>	<p>What indicative behaviours (red flags) should reporting entities look for?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Reporting</i>	<p>What are the lines of communication for domestic and international reporting?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Response</i>	<p>Who should respond and what is expected in the response?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Asset recovery?</i>	<p>What assets can you identify that may be suitable for proceeds of crime recovery?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>
<i>Other outcomes?</i>	<p>Do you see alternative outcomes – e.g. tax debt recovery?</p> <p>.....</p> <p>.....</p> <p>.....</p>

Association diagram: You may wish to draw diagram of the relationship between key people and organisations (eg banks and DNFBPs) in the money laundering scenario



Seminar Series Program

Cairns, Australia
20-24 September 2010



Part 1 - Day One The Asia-Pacific Region & International Efforts

Time	Session title	Speaker	Format
08.00	Registration	Seminar Coordinators	
09.00	Short introduction	John Visser General Manager, Intelligence AUSTRAC	Speech
09.05	Welcome to Country	Jeanette Singleton	Address
09.20	Opening Address	Mr Bill Paterson Ambassador for Counter- Terrorism	Address
09:35	Welcome	John Visser General Manager, Intelligence	Speech
09.45	Housekeeping	Olivia Gray-Rodgers Project Coordinator	Overview
10:00	Program Overview Activity - Introduction	Michelle Watson Program Facilitator	Overview
10.30	Morning Tea		
11.00	Traditional versus emerging trends	Neil Jensen AML Executive Specialist	Presentation
11:30	<u>Regional Perspectives:</u> Emerging challenges faced by the region Asia	Diana Soraya Noor Analyst, Indonesian FIU PPATK/INTRAC	Presentation
12:00	<u>Regional Perspectives:</u> Emerging challenges faced by the region – a case study Pacific	Ann-Maree Beard New Zealand Police Financial Crime Group	Presentation
12:30	Lunch		
13:30	<u>Regional Perspectives:</u> Emerging challenges faced by the region Americas	Victor Ossa AML Consultant	Presentation
14:00	<u>Regional Perspectives:</u> Emerging challenges faced by the region Americas	Dr Hugh Mc Dermott Executive Director Invictus Asia-Pacific	Presentation
14.30	Panel discussion	All of the above	Discussion
15.00	Afternoon tea		
15.30	AML/CTF – A regulator's perspective (RBA-products)	Laurence Tan Monetary Authority Singapore	Presentation
16.00	Close		

Seminar Series Program

Cairns, Australia
20-24 September 2010



Part 1 - Day Two Financial Products

Time	Session title	Speaker	Format
09.00	Recap and outline	Michelle Watson Program Facilitator	Overview
09.05	Virtual currency/world	Gunawan Husin RBS Global Banking & Markets	Presentation
09.35	Prepaid cards	John Tobon Financial Programs/ Cornerstone Unit, ICE	Presentation
10.00	Credit Cards	Stacey Cornford Senior Intelligence Liaison Officer AUSTRAC	Presentation
10.30	Morning Tea		
11.00	Mobile payment systems	Neil Jensen AML Executive Advisor	Presentation
11.30	Case Study (mobile banking -payment systems)	Atty. Emmett O. Rodion Manantan AMLCS Philippines	Presentation
12.00	Mobile Payment systems- A regulatory approach	Don Niño M. Santos Head, Anti-Fraud & Compliance, Globe Telecom, Philippines	Presentation
12.30	Lunch		
13.30	Mobile banking – financial service	Wameek Noor World Bank	Presentation
14.00	Panel Discussion FINANCIAL PRODUCTS	All of the above	Panel discussion
14.30	Working with reporting parties Rec 25 & 26	David Becker AUSTRAC	Presentation
15.00	Afternoon tea		
15.30	Working with reporting entities - Guidance and feedback Activity - 5 year plan	David Becker AUSTRAC	Group exercise Case scenario
17.00	Close		

6:30 for 7pm	Welcome Function	Waterfront Terrace, Hilton Cairns	Function
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Seminar Series Program

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Part 1-Day Three

DNFBPs and Non-Banking Financial Institutions

Time	Session title	Speaker	Format
09.00	Recap and outline	Michelle Watson Program Facilitator	Overview
09.05	DNFBPs Vulnerabilities	Neil Jensen AML Executive Advisor	Presentation
09.30	Working with the securities sector	Dr Hugh McDermott Executive Director, Invictus Asia-Pacific	Presentation
10.00	Morning Tea		
10.30	Lawyers and gatekeepers	Ann-Maree Beard New Zealand Police Financial Crime Group	Presentation
11.00	Offshore companies /Hedge funds	Dr Hugh Mc Dermott Executive Director Invictus Asia-Pacific	Presentation
11.30	Private equities	Gunawan Husein RBS Global Banking & Markets	Presentation
12.00	Discussion – DNFBPs What have we done What haven't we done What are the problems	All of the above	Panel discussion
12.30	Close	<i>Delegates to make own lunch arrangements</i>	
12.40	Group photo	Olivia Gray-Rodgers Project Coordinator Colyn Huber Official photographer	Terrace

Seminar Series Program

Cairns, Australia
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Part 2 - Day Four Movement over Borders

Time	Session title	Speaker	Format
09.00	Recap and outline	Michelle Watson Facilitator	Overview
09.05	Transnational Crime	Dr Don Porter Senior Criminal Intelligence Analyst Australian Federal Police	Presentation
09.30	People smuggling/trafficking	John Visser AUSTRAC	Presentation
10.00	People smuggling/trafficking - Developing policy	Joanna Cleland Attorney General's Department Australia	Presentation
10.30	Morning Tea		
11.00	Preventing corruption and regulatory Fraud in Fish and Forest markets	Peter Ritchie Attorney General's Department Australia	Presentation
11.30	Trade based money laundering	YE Qingguo Anti-Money Laundering Bureau People's Bank of China	Presentation
12.00	The role of Customs in identifying trade based money laundering	Norbert Steilen World Customs Organisation	Presentation
12.30	Lunch		
13.30	Interaction between agencies in detecting and combating ML & TF	Norbert Steilen World Customs Organisation	Presentation
14.00	Panel discussion	All of the above	
14.30	Developing an external education strategy	David Becker AUSTRAC	Presentation
15.00	Afternoon tea		
15.30	Terrorism	Attorney General's Department	Presentation
16.00	Petty crimes adopted by terrorist groups	Jay Jhaveri World Check	Presentation
16.30	Close		

Seminar Series Program

Cairns, Australia
20-24 September 2010



Part 2 - Day Five Corruption & Asset recovery

Time	Session title	Speaker	Format
09.00	Recap and overview	Michelle Watson Facilitator	Overview
9.05	Corruption	Stuart Yikona World Bank	Presentation
9.35	Corruption – case studies	Neil Fergus Chief Executive Intelligent Risks	Presentation
10.10	Morning Tea		
10.30	StAR project	Stuart Yikona World Bank	Presentation
11.00	How to make a million dollars on the stock market: Using insider information to fund terrorism	Bettina McMahon Director Invictus Asia-Pacific	Presentation
11.30	Linking criminals to assets as a result of corruption	Dr Hugh Mc Dermott Executive Director Invictus Asia-Pacific	Presentation
12.00	Good governance in the reduction of corruption	Neil Jensen Executive AML Specialist	Presentation
12.30	Panel discussion	All of the above	Discussion
13.00	Lunch		
14.00	Introduction to practical exercise: Assessing and tackling corruption risks.	Peter Ritchie Australian Attorney General's Department	
14.30	Participants will form teams and use a 5-step model to assess and control a corruption-related AML risk: 1. Threat 2. Vulnerability 3. Harm 4. Likelihood 5. AML control measures	Peter Ritchie Australian Attorney General's Department	Practical exercise
15.00	Afternoon tea	(working)	
15.30	Presentations and discussion	Participants	Presentations
16.30	Evaluation and questionnaires	Michelle Watson Program Facilitator	Discussion
16.45	Closing ceremony	John Visser General Manager, Intelligence AUSTRAC	Closing Address
17.00	Program Close	<i>Delegates to collect certificates & group photo</i>	