

**Summary of Global Dialogue Series on
Strengthening the Collaborative Process to Build Effective Anti-Money Laundering
and Combating the Financing of Terrorism (AML/CFT) Regimes
For
East Asia and Pacific Region – Indonesia, Malaysia, Philippines and Thailand**

November 19, 2003

Background:

Strengthening partnerships between supervisors/regulators and financial institutions is a critical step in building an effective AML/CFT regime. Supervisors and financial institutions play an important role in ensuring that standards and controls are observed. With the revision of Financial Action Task Force (FATF) 40 Recommendations in June 2003 requiring an expanded scope of measures, supervisors/regulators and financial institutions within a country have been increasingly obliged to work closely together to meet and maintain the new international standards.

Topics Covered:

The following topics were covered during the dialogue session:

- Current efforts and initiatives made by public authorities in facilitating a dialogue with financial institutions and vice versa by financial institutions with public authorities;
- Future plans and next steps for strengthening the collaborative process to comply with the revised FATF 40 Recommendations by regulators/supervisors and financial institutions respectively;
- Environment in which financial institutions can best work with regulators to enhance AML/CFT regimes;
- Challenges that regulators/supervisors and financial institutions respectively face; and
- Necessary assistance from international and regional organizations.

Participants and Speakers:

This dialogue was held with 131 participants from both the public and private sector – financial regulators, financial supervisory authorities, law enforcement officials, Financial Intelligence Unit (FIU) staff, representatives of bankers, insurance and securities associations, representatives from financial institutions, and external auditors – from four East Asia and Pacific region countries, Indonesia, Malaysia, Philippines and Thailand.

Each participating country delivered presentations by two representatives from the public sector and the private sector. The following is the presenters' list:

- Indonesia public sector – Yunus Husein, Head of the Indonesian Financial Transaction and Analysis Center, PPATK (FIU);
- Indonesia private sector – Bambang Setiawan, Senior Vice President, Compliance Group PT Bank Mandiri Tbk;
- Malaysia public sector – Datuk Zamani Abdul Ghani, Assistant Governor, Bank Negara Malaysia;
- Malaysia private sector – Executive Vice president, Risk Management Department of Bumiputra Commerce Bank Berhad;
- Philippines public sector – Executive Director, Anti-Money Laundering Council (AMLC);
- Philippines private sector – Vice President of ABCOMP, BAP (Bankers Association of the Philippines);
- Thailand public sector – Police Major General Peeraphan Prembooti, Secretary General, Anti-Money Laundering Office; and
- Thailand private sector – Khun Somsiri Siyarngnork, Vice President, Security Risk Management Department of Standard Charter Nakornthon Bank.

Bess Johnson Michael, Senior Financial Sector Specialist in Financial Market Integrity Unit of the World Bank was a moderator in this session; and John McDowell, Lead Anti-Money Laundering Specialist in Financial Market Integrity Unit of the World Bank, acted as a rapporteur. The following speakers from Washington, D.C. delivered presentations:

- Kiyotaka Sasaki, Senior Financial Sector Specialist in Monetary and Financial Systems Department of the International Monetary Fund (IMF), on Importance of national Consultation Process in Implementing and Supervising Compliance Requirements;
- Joseph Halligan, Senior Financial Specialist in the Financial Market Integrity Unit of the World Bank, on Revised FATF 40 Recommendations: Impact on the Financial Sector;
- Rick McDonell, Head of the Secretariat at Asia and Pacific Group on Money laundering (APG), on Experiences in the Region: what works and what does not in forging a strong collaborative process; and
- Teresa Pesce, Head of Anti-Money Laundering Compliance, HSBC USA, representing Wolfsberg Group, on Importance of National Consultation Process in Implementing and Auditing Compliance Requirements based on the revised FATF 40 Recommendations.

Main Points Discussed:

In due course of adopting the revised FATF 40 Recommendations and strengthening AML/CFT regimes as well as attaining international AML/CFT compliance standards and practices by financial institutions, the following key points were discussed:

Public and private Sector Collaboration

- **Recognition of close dialogue** between private and public as well as among the relevant government entities is important.
- **Forging a collaboration process** for developing and implementing AML/CFT legislation as well as developing collaborative environment per se is necessary for compliance with new AML/CFT requirements.
- **Public guidance** in know-your-customer (KYC) and suspicious transaction reports (STR) as well as **feedback mechanism** to private sector are necessary for building an effective consultation process.
- AML/CFT issues are not only of interest to regulators but also to the financial sector. Thus, both entities need to **have clear goals** to combat the AML/CFT effectively.
- To strengthen public and private sector collaboration, there is a need to implement an **awareness raising campaign** to promote what government officials are doing and the importance of AML/CFT for the general public.
- **Standardizing moral values and ethics** among regulators and supervisors as well as financial institutions is crucial to ensure quality and capability for AML/CFT activities.
- **Defining clear responsibilities and roles** between public and private sector is necessary in strengthening mutual cooperation.
- **Mutual understanding and clarifying existing relevant local legislation** to allow for compliance with FATF standards are necessary for financial institutions to work with regulators.
- Public and private sectors need to have a **mutual appreciation and understanding of strengths and weaknesses in terms of commitment, technology and cost**. Both entities jointly need to develop appropriate solutions for an effective implementation of the law.
- **Shared objectives** between private and public sectors is indispensable for developing an effective AML/CFT regime. To do so, understanding practical aspects and implications of implementing regulatory requirements is crucial.

National AML/CFT Strategy

- **Formulating and implementing a national AML/CFT strategy** is a crucial next step for many participating countries. To do so, developing strong collaboration efforts for private sector participation is a key.
- Important factors to consider in formulating a national strategy includes **what needs to be improved, what is the priority and what kind of resources are available**.
- Establishment of a **national coordination committee** will ensure effective strategy implementation.
- **Assessment of the achievement level and feedback** to all relevant constituencies are key to establishment of an effective AML/CFT regime.

Legal and Regulatory Issues

- **Development of supervisory as well as guidance notes** is important during the implementation process.

- **AML/CFT policy goals should be clear and achievable** for financial institutions to effectively implement internal control programs.
- **Inter-agency cooperation** as well as **international cooperation** with respective countries within the region is necessary for effective policy implementation.
- **Need legal protection** for private sector to fulfill its obligation for STR and ensure their security.

Information Sharing

- **Standardizing software** among financial institutions to detect suspicious transactions is a challenge for effective reporting.
- **Development of a government database** can assist financial institutions to effectively implement internal control and due diligence programs.
- **Need e-Reporting system** to ensure timely and accurate communication.
- **Need black lists** from public authorities to promote STR and enhance customer due diligence programs.
- **Information on cross border wire transfer** should be accompanied by accurate details and originator information. To do so, international cooperation among financial institutions is indispensable.
- **Regular meetings among the relevant bodies** (government departments, regulators, FIUs, law enforcement and financial institutions) is key for open communication.
- **Need trends and case studies** to identify problem issues early.

Training and Education

- Two important technical assistance issues include **training for financial institutions to gain skills to detect suspicious transactions** as well as **manuals or guidance notes, for both regulators and financial institutions**. This will assure both entities understand the guidelines, the revised FATF 40 Recommendations and international goals.
- **Appropriate TA both in terms of systems and people** with the right skills is needed.
- **Continuous training for all level of employees** to understand the issue and preventative measures is key to facilitating compliance with international standards.

International Cooperation

- **Regional interaction with international bodies**, i.e. ASEAN, APEC and APG, is a significant factor for international cooperation.

Other Key Points

- **Senior management** should participate in ongoing monitoring process to facilitate STR reporting to the head office and the FIU.
- **Insurance industry needs clear guidance** to implement money laundering measures.
- **Secrecy culture** in the banking sector creates obstacles for STR reporting, thus, need to establish confidence in the integrity of the systems to minimize resistance.
- Need to take into account **analysis of cost and benefits** which affect business operation.

- Due to different levels of business experience, **differing standards** between local and international banks poses challenges.
- **Risk based approach** is more effective than setting hard rules that enhances due diligence in a discriminating manner.

A detailed dialogue report will be issued once all the AML/CFT Global Dialogue Series is completed.