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# Third Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism

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Asian Development Bank

## GLOSSARY

ADB	–	Asian Development Bank
AML/CFT	–	anti-money laundering and combating the financing of terrorism
APG	–	Asia/Pacific Group on Money Laundering
DMC	–	developing member country
DNFBP	–	designated non-financial businesses and persons
EAG	–	Eurasian Group on Combating Money Laundering and the Financing of Terrorism
FATF	–	Financial Action Task Force
FSRB	–	FATF-style regional body
ICRG	–	International Cooperation Review Group
IDD	–	integrity due diligence
IMF	–	International Monetary Fund
Methodology	–	Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Regimes
ML/FT	–	money laundering and financing of terrorism
OAI	–	Office of Anticorruption and Integrity
OGC	–	Office of the General Counsel
TA	–	technical assistance

<b>Vice-President</b>	Deborah Stokes, Administration and Corporate Management
<b>General Counsel</b>	Christopher H. Stephens, Office of the General Counsel (OGC)
<b>Team leader</b>	Cheong-Ann Png, Principal Counsel, OGC
<b>Team members</b>	Mary Kimberly L. Baes, Legal Operations Assistant, OGC Celeste Marie Cruz, Legal Officer, OGC Jose Luis C. Syquia, Unit Head, Due Diligence Unit, Office of Anticorruption and Integrity Said Zaidansyah, Principal Counsel, OGC

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## I. BACKGROUND

1. The Board of Directors of the Asian Development Bank (ADB) adopted the policy on combating money laundering and the financing of terrorism on 1 April 2003.<sup>1</sup> The policy calls on ADB to (i) assist developing member countries (DMCs) in establishing and implementing effective legal and institutional systems to combat money laundering and the financing of terrorism (ML/FT), (ii) increase collaboration with other international organizations, (iii) strengthen internal controls to safeguard ADB funds, and (iv) upgrade ADB's staff capacity.

2. As required by the policy, a review of its implementation was carried out in 2008, covering activities from April 2003 to March 2008. The ensuing information paper, *Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*, was circulated to the Board in April 2008.<sup>2</sup> The paper also envisaged a periodic review of ADB's work under the policy, taking into account developments in international law and standards as well as demand from its DMCs.<sup>3</sup>

3. A second review of policy implementation was carried out in 2012, covering activities from April 2008 to September 2012. The ensuing information paper, *Second Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*, was circulated to the Board in November 2012.<sup>4</sup> The present paper is on the third review, covering ADB's activities under the policy from October 2012 to June 2017.

## II. SYNOPSIS OF AML/CFT DEVELOPMENTS IN DEVELOPING MEMBER COUNTRIES AND INTERNATIONALLY FROM OCTOBER 2012 TO JUNE 2017

### A. Implementation of the International Standard in Developing Member Countries

#### Financial Action Task Force Recommendations

4. The Financial Action Task Force (FATF) is an intergovernmental body established at the Group of Seven summit in July 1989 to develop and promote international standards for anti-money-laundering activities.<sup>5</sup> The main concerns at that time were the proliferation of drug production and drug-related activities, including the laundering of drug proceeds, and the need for national and international action. Following the terrorist attacks of 11 September 2001 in the United States, the FATF's mandate was extended to cover combating the financing of terrorism.

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<sup>1</sup> ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

<sup>2</sup> ADB. 2008. *Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

<sup>3</sup> ADB. 2008. *Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila (para. 42).

<sup>4</sup> ADB. 2012. *Second Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

<sup>5</sup> The FATF comprises 35 members and two regional organizations. The members are Argentina; Australia; Austria; Belgium; Brazil; Canada; People's Republic of China; Denmark; Finland; France; Germany; Greece; Hong Kong, China; Iceland; India; Ireland; Italy; Japan; Republic of Korea; Luxembourg; Malaysia; Mexico; Netherlands; New Zealand; Norway; Portugal; Russia; Singapore; South Africa; Spain; Switzerland; Sweden; Turkey; United Kingdom; and United States. The regional organizations are the European Commission and the Gulf Cooperation Council. FATF. <http://www.fatf-gafi.org/>

5. The international standard for anti-money laundering and combating the financing of terrorism (AML/CFT) went through a number of revisions since the original formulation of the FATF Recommendations in 1990. Further to a comprehensive review carried out between 2009 and 2011, the FATF adopted the revised international standard—International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: the FATF Recommendations (2012 FATF Recommendations)—in February 2012.<sup>6</sup>

### Mutual Evaluations and Assessments

6. An important feature of the implementation of the international standard is the examination of countries' level of implementation through (i) mutual evaluations carried out by the FATF and its regional associate bodies, commonly referred to as FATF-styled regional bodies (FSRBs); or (ii) assessments by the International Monetary Fund (IMF) and the World Bank.<sup>7</sup> The FATF–FSRB mutual evaluations and the IMF–World Bank assessments are similar in type and carried out using a common methodology developed by the FATF, the IMF, and the World Bank for assessing compliance with the international standard.

7. In February 2013, the FATF adopted the current methodology—Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Regimes (Methodology). A significant change from the previous FATF methodologies is the addition of an effectiveness assessment. Specifically, countries are assessed on the level of effectiveness of their AML/CFT regimes, in addition to their level of technical compliance with each of the 2012 FATF Recommendations.

8. The objective of the effectiveness assessment is to evaluate the adequacy of the implementation of the international standard and the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT regime.<sup>8</sup> Accordingly, countries will be rated *high*, *substantial*, *moderate*, or *low* in connection with 11 immediate outcomes for an effective AML/CFT regime.<sup>9</sup> This is in addition to ratings of *compliant*, *largely compliant*, *partially compliant*, or *non-compliant* with the specific requirements of the 2012 FATF Recommendations as they relate to the legal and institutional framework of the country, and the powers and procedures of the competent authorities.

### Developing Member Countries – Overview of Mutual Evaluation and Assessment Reports

9. From October 2012 to June 2017, 9 DMCs and 12 FATF members completed mutual evaluations or assessments with final reports published by the respective assessor bodies. Appendix 1 provides an overview of the outcome of these mutual evaluations and assessments. A summary is provided in Box 1 below.

<sup>6</sup> <http://www.fatf-gafi.org/topics/fatfrecommendations/> (last accessed on 5 September 2017). ADB. 2012. *Second Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila (paras. 10–11 and Appendix 1).

<sup>7</sup> This is a unique aspect of the implementation of the standard at the international level, given the level of public scrutiny through the peer review and public disclosure of the reports of the mutual evaluations or assessments.

<sup>8</sup> FATF. *Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Regimes*. 2013 (para. 40).

<sup>9</sup> *High* level of effectiveness means the immediate outcome is achieved to a very large extent; minor improvements needed. *Substantial* level of effectiveness means the immediate outcome is achieved to a large extent; moderate improvements needed. *Moderate* level of effectiveness means the immediate outcome is achieved to some extent; major improvements needed. *Low* level of effectiveness means the immediate outcome is not achieved or achieved to a negligible extent; fundamental improvements needed. FATF. *Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Regimes*. 2013 (para. 63).

### Box 1: Summary of Mutual Evaluations and Assessments

Tables A1.1 and A1.2: The 9 developing member countries (DMCs) were rated *moderate* or *low* on most of the 11 immediate outcomes, which means they need to focus on substantial improvement of the operational effectiveness of their anti-money laundering and combating the financing of terrorism regimes. This is notwithstanding that a third of these DMCs were rated *substantial* on the immediate outcomes on international coordination (Immediate Outcome 2), investigation and prosecution of financing of terrorism (FT) (Immediate Outcome 9) and financial sanctions against proliferation of weapons of mass destruction (Immediate Outcome 11). Most of these DMCs were rated *compliant* or *largely compliant* with key technical requirements under the 2012 Financial Action Task Force (FATF) Recommendations, i.e., adoption of a money laundering offence (FATF Recommendation 3), adoption of an FT offence (FATF Recommendation 5), and adoption of customer due diligence, record-keeping, and suspicious transaction report requirements (FATF Recommendations 10, 11, and 20).<sup>a</sup>

Tables A1.3 and A1.4: By way of comparison, 9 out of the 12 FATF members were rated *high* or *substantial* on five immediate outcomes (i.e., 1, 2, 6, 9, and 11). All of them were rated *compliant* or *largely compliant* with technical requirements for adoption of a money laundering offence, adoption of an FT offence, and record-keeping requirements. Most of them were rated *compliant* or *largely compliant* with the other key technical requirements.

<sup>a</sup> These key requirements are part of the criteria for referral to the FATF International Cooperation Review Group described in para. 15.

Source: Asian Development Bank.

10. Further to the summary in Box 1, the following are six common areas where both DMCs and FATF members need to improve their level of operational effectiveness, even though the legal and institutional frameworks are in place in varying degrees. First, they need to improve their oversight of the financial and non-financial sector (i.e., designated non-financial businesses and persons, such as real estate agents and legal professionals) (Immediate Outcome 3). Second, the financial institutions and designated non-financial businesses and persons need to improve their application of customer due diligence, including the incorporation of a risk-based approach (Immediate Outcome 4). Third, they need to target the misuse of legal persons and arrangements for ML/FT (Immediate Outcome 5). Fourth, they need to strengthen money laundering investigation and prosecution (Immediate Outcome 7). Fifth, they need to target confiscation of proceeds and instrumentalities of crime (Immediate Outcome 8). Sixth, they need to ensure that terrorists and terrorist organizations do not exploit non-profit organizations for terrorism financing (Immediate Outcome 10). These are in addition to the other areas of operational effectiveness and technical requirements that require strengthening, as set out in Appendix 1.

11. Achieving a suitable level of operational effectiveness is not an easy task in general, and DMCs face greater challenges given their capacity constraints and operating environments. For instance, it is one thing to adopt a money laundering offence in the law that meets the technical requirements of the 2012 FATF Recommendations (and it is not to say that making legislative changes is a straightforward matter). However, effective investigation, prosecution, and eventual conviction of money launderers (under Immediate Outcome 7) require strong political will and very substantial operational efforts, including prioritization and resource allocations.

## B. Financial Action Task Force Public Statements on High-Risk Jurisdictions

### International Cooperation Review Group

12. The FATF established the International Cooperation Review Group (ICRG) in 2006 to identify, examine, and engage with countries with significant deficiencies in their AML/CFT regimes—i.e., high-risk jurisdictions.<sup>10</sup> A key feature of this work is the issuance of public statements by the FATF on these high-risk jurisdictions, which they have been doing since 2008.

13. Unlike mutual evaluations or assessments that cover the entire range of requirements in the international standard, the ICRG focus is on countries with low levels of compliance with the fundamental aspects of the international standard, such as criminal law and procedures for AML/CFT, implementation of financial sanctions imposed by the United Nations Security Council, and regulatory and supervisory oversight of the finance sector.

14. As part of the FATF plenary and working group meetings that take place three times a year, the ICRG discusses the status of countries with strategic deficiencies, and its findings and recommendations are endorsed at the relevant FATF plenary. Pursuant to the plenary, the FATF issues statements on countries with such strategic deficiencies.<sup>11</sup> The latest statements were issued following the FATF plenary on 18–23 June 2017. Based on these statements, one DMC is still regarded as a jurisdiction with strategic deficiencies. This is a major reduction compared with 2012 when 14 DMCs were identified as having strategic deficiencies following the FATF plenary on 15-19 October 2012. The authorities in many of these DMCs worked hard to exit the list while ADB had provided some support via technical assistance (TA).

### Revised International Cooperation Review Group Procedures

15. The ICRG procedures were revised to bring them in line with the Methodology pursuant to the FATF plenary of 19-23 October 2015. Based on these procedures, a country may be subject to ICRG review if (i) it is rated *non-compliant* or *partially compliant* with 20 or more of the 40 2012 FATF Recommendations; (ii) it is rated *non-compliant* or *partially compliant* with 3 or more of the key FATF Recommendations (i.e., 3, 5, 10, 11, and 20); (iii) it is rated *low* or *moderate* on 9 or more of the 11 immediate outcomes (with a minimum of two *low* ratings); or (iv) it is rated *low* on 6 or more of the 11 immediate outcomes. Countries with these ratings and that meet the prioritization criteria<sup>12</sup> will be given a year to address their deficiencies. Those unable to address their deficiencies within the period will be included in the statements issued pursuant to the ensuing FATF plenary.

16. As DMCs undergo assessments or mutual evaluation under the Methodology, it is anticipated that new DMCs may be added to the FATF statements, especially since greater scrutiny is given to the assessment on the level of effectiveness of the AML/CFT regimes, in addition to technical compliance with the 2012 FATF Recommendations. ADB staff will continue to monitor these statements and prepare ADB assistance as appropriate.

<sup>10</sup> FATF. High Risk and Non-Cooperative Jurisdictions. [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))

<sup>11</sup> The statements identify countries with strategic deficiencies and they are placed under the so-called “grey list” or “black list.” The grey list refers to countries with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. The black list refers to countries with strategic AML/CFT deficiencies that have not made sufficient progress in addressing their deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies

<sup>12</sup> A country is prioritized for ICRG review if it has at least \$5 billion in finance sector assets or meets other indicators based on the finance sector’s size or integration.

### III. KEY AREAS OF ADB ACTIVITIES FROM OCTOBER 2012 TO JUNE 2017

#### A. Assisting Developing Member Countries in Establishing and Implementing Legal and Institutional Systems to Combat Money Laundering and the Financing of Terrorism

17. The key focus of ADB's AML/CFT assistance to its DMCs is to support them in meeting the international standard for an effective and robust AML/CFT regime. This can be done as part of a wider assistance by ADB to a DMC in developing its finance sector, such as in the context of policy-based lending programs, or through stand-alone TA projects. Such assistance is also consistent with ADB's Strategy 2020<sup>13</sup> and the Financial Sector Operational Plan.<sup>14</sup>

#### ADB Assistance

18. From October 2012 to June 2017, ADB provided TA to five DMCs (Cambodia, Mongolia, Papua New Guinea, Tajikistan, and Timor-Leste) and assisted four Pacific DMCs through a regional TA (Fiji, Papua New Guinea, Solomon Islands, and Vanuatu). Appendix 2 provides details on these TA projects.

19. In general, these TA projects cover (i) preparation of national ML/FT risk assessments, which is an important new requirement under the 2012 FATF Recommendations;<sup>15</sup> (ii) development of AML/CFT legislation, which is a continuing priority for DMCs as they make changes to their laws and regulations to bring them in line with the international standard; and (iii) capacity development for financial regulators (including financial intelligence units), banks and nonbank financial institutions, as well as criminal justice officials such as prosecutors, law enforcement agents, and judges.

20. Preparation and implementation of these TA projects typically involve staff from ADB's regional departments and the Office of Anticorruption and Integrity (OAI) with input from the Office of the General Counsel (OGC).<sup>16</sup> OGC has recently completed TA projects in Tajikistan<sup>17</sup> (in conjunction with the Central and West Asia Department) and in Mongolia<sup>18</sup> (in conjunction with the East Asia Department). A summary of the TA for Mongolia is provided in Box 2 below. OAI is currently implementing a \$2 million regional TA cluster to provide support on risk-based customer due diligence and comprehensive capacity development.<sup>19</sup>

<sup>13</sup> ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila (p. 20).

<sup>14</sup> ADB. 2011. *Financial Sector Operational Plan*. Manila (para. 4.22).

<sup>15</sup> Recommendation 1 of the 2012 FATF Recommendations requires countries to identify and assess their ML/FT risks in a coordinated manner, and to apply a risk-based approach to allocating resources and implementing AML/CFT measures: FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: the FATF Recommendations* (Recommendation 1). New requirements from the 2012 FATF Recommendations were described in the second review of policy implementation. ADB. 2012. *Second Review of Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila (para. 1 and Box 1).

<sup>16</sup> In line with Strategy 2020, AML/CFT is a key area under OGC's Law and Policy Reform Strategic Plan (2015).

<sup>17</sup> ADB. 2014. *Technical Assistance to Tajikistan for Strengthening the Anti-Money Laundering Regime*. Manila.

<sup>18</sup> ADB. 2012. *Technical Assistance to Mongolia for Strengthening the Anti-Money Laundering Regime*. Manila.

<sup>19</sup> ADB. 2016. *Developing Anti-Money-Laundering and Combating the Financing of Terrorism Approaches, Methodologies, and Controls*. Manila. The TA cluster was also designed to address the current risk of domestic financial institutions being cut off from correspondent banking by international banks because of compliance risks—the so-called “de-risking”, which is an unintended consequence of AML/CFT requirements. It is expected to cover Bhutan, Mongolia, Papua New Guinea, and the Philippines.



### **Box 2: Strengthening the Anti-Money Laundering Regime in Mongolia**

Further to the request from the Bank of Mongolia, staff from the Office of the General Counsel and the East Asia Department of the Asian Development Bank (ADB) implemented a 4½-year capacity development technical assistance (TA) project to support the authorities in the investigation and prosecution of money laundering and the financing of terrorism.

The initial phase in 2013–2014 provided training and mentoring to 40 participants from the General Police Department, the General Intelligence Agency, the General Prosecutor’s Office, the Independent Agency Against Corruption, and the judiciary. The TA was extended to June 2017, and the second phase provided advanced training to these participants, specialist training for judges, and support to the authorities for the mutual evaluation of Mongolia’s anti-money laundering and combating the financing of terrorism regime.

The TA attained additional results by addressing legal constraints on money-laundering investigation and prosecution under the Mongolian criminal law, and providing policy and drafting advice to the authorities on the criminal law amendments to enable Mongolia to exit the Financial Action Task Force list of high-risk jurisdictions in June 2014.

The TA included a paper titled *Design and Implementation of a Capacity Development Program – Experience with Combating Money Laundering and Financing of Terrorism in Mongolia*, which was published in 2015 in the *Journal of Money Laundering Control*, a United Kingdom publication. A second paper, *Legal Issues with Money Laundering Prosecution under the Criminal Code of Mongolia*, has been accepted for publication in the same journal.

The initial phase was financed by \$360,000 from the Cooperation Fund for Regional Trade and Financial Security Initiative, whose donors are the governments of Australia, Japan, and the United States. The second phase was financed by an additional \$360,000 from ADB’s Technical Assistance Special Fund. The TA is also part of the Law and Policy Reform program of the Office of the General Counsel.

Source: ADB. 2017. *Technical Assistance Completion Report: Strengthening the Anti-Money-Laundering Regime in Mongolia*. Manila.

### Cooperation Fund for Regional Trade and Financial Security Initiative

21. On 30 June 2004, ADB’s Board of Directors approved the Cooperation Fund for Regional Trade and Financial Security Initiative to support TA projects for enhancing port security and AML/CFT activities.<sup>20</sup> The fund received contributions from the governments of Australia (A\$1,500,000), Japan (\$1,000,000) and the United States (\$1,000,000), with a total contribution of about \$3.1 million. The fund, which is administered by ADB, has supported nine TA projects, including two regional ones. Of these nine TA projects, two (for Mongolia and Tajikistan) were approved within the review period of this paper and are included in Appendix 2. The remaining uncommitted balance of the fund as of 30 June 2017 is about \$514,928. Administered by OGC, the latest progress report for the fund, which covers the period from July 2015 to June 2016, has been submitted to the donors and is available upon request.

### **B. Increasing Collaboration with Other International Organizations**

22. To keep abreast of AML/CFT developments, ADB is an observer member of the FATF and two FSRBs: the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on

<sup>20</sup> ADB. 2004. *Cooperation Fund for Regional Trade and Financial Security Initiative*. Manila.

Combating Money Laundering and the Financing of Terrorism (EAG).<sup>21</sup> At the FATF, ADB staff attend the periodic plenary and working group meetings (approximately one out of three such meetings per year). ADB's focus is on (i) DMCs that are regarded as high-risk jurisdictions and listed in the FATF public statements in order to be informed about the issues pertaining to these DMCs; (ii) implementation of the AML/CFT international standard, including new issues and trends; and (iii) coordination with the IMF, the World Bank, and the United Nations.<sup>22</sup>

23. In the FSRBs, ADB staff attend the periodic plenary meetings as well as in TA and training forums of the APG and EAG. Through such participation, ADB is able to (i) keep abreast of the AML/CFT developments regionally and in the DMCs, (ii) have a better grasp of the TA needs of its DMCs, and (iii) coordinate the provision of its assistance with other development partners so as to avoid overlap or duplication of efforts.

24. Information from attending these plenary and working group meetings is shared with the departments and offices concerned. Since 2012, advisories on high-risk jurisdictions listed in the FATF public statements and related integrity due diligence (IDD) have also been disseminated by staff.

### **C. Strengthening Internal Controls to Safeguard ADB Funds**

25. ADB's approach to strengthening internal controls continues to focus on ensuring that its operations, including nonsovereign and treasury operations, have adequate procedures in place against integrity ML/FT risks. Relatedly, on 13 December 2016, ADB adopted tax integrity principles and updated its Anticorruption Policy (1998, as amended to date) to take into account issues with tax integrity at the country and project levels for nonsovereign operations.<sup>23</sup>

#### Integrity Due Diligence

26. At the operational level, a staff instruction on IDD for sovereign operations and commercial or other concessional cofinancing was introduced in October 2015.<sup>24</sup> Its aim is to (i) assist staff in assessing integrity and reputational risks; and (ii) provide procedures for consideration of significant integrity risks by departments, offices, and Management. The staff instruction was developed pursuant to the work of an interdepartmental working group, taking into account the approach in other multilateral development banks and the experience from nonsovereign operations.

<sup>21</sup> Most DMCs from the East Asia Department, Pacific Department, South Asia Department, and Southeast Asia Department are APG members, while most DMCs from the Central and West Asia Department are EAG members. APG. <http://www.apgml.org/> EAG. <http://www.eurasiangroup.org/>

<sup>22</sup> The IMF and the World Bank are also observer members of the FATF, APG, and EAG.

<sup>23</sup> ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila. Tax integrity issues arise primarily through the use of offshore jurisdictions and cross-border structures, which can facilitate corruption, tax evasion, money laundering, financing of terrorism and other illicit purposes, as they have greater potential to obscure beneficial ownership and sources of funds. Moreover, lack of tax transparency and a culture of low tax compliance increase the risk of corruption, which distorts competitive markets, hinders efficient, accountable and transparent public administration, and adversely impacts the domestic resources of DMCs. Pursuant to the update of the Anticorruption Policy, ADB adopts a risk-based approach to assessing integrity and tax evasion risks, and mitigates these risks by conducting IDD across its non-sovereign operations and ensuring that such risks are acceptable before proceeding with a project (such IDD includes the use of the tax IDD guidelines). ADB will also provide TA to assist DMCs in developing their capacity to participate in the work of the Global Forum on Tax Transparency and Exchange of Information for Tax Purposes.

<sup>24</sup> The need to carry out IDD in applicable sovereign operations (notably, financial intermediation loans) was introduced in the 2010 revision of Operations Manual C6 (Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism).

27. For nonsovereign operations, the IDD guidelines were substantially revised on 24 December 2015 to ensure that they continue to reflect best international practice in relation to anticorruption, AML/CFT, and integrity issues.

### Advisory Function

28. OAI's advisory function established by Management in November 2011 was extended on a permanent basis in February 2016. This gives OAI the mandate to (i) raise awareness of ADB's anticorruption and AML/CFT policies; (ii) act as the focal point for, and provide independent advice on, significant integrity or ML/FT concerns, including investigations as required to help ADB assess significant integrity or ML/FT concerns; and (iii) provide oversight and guidance on integrity and ML/FT risks, including AML/CFT internal controls and IDD.<sup>25</sup>

29. The proposal for the extension was developed pursuant to the work of a second interdepartmental working group, taking into account OAI's experience in addressing integrity and ML/FT risks in projects during the pilot phase of the OAI advisory function, and the advantages of consolidating AML/CFT operational expertise in OAI to optimize efficiency and value for ADB.<sup>26</sup> On 27 June 2016, as part of the overall restructuring of OAI, Management formally created the OAI Due Diligence Unit to handle the advisory function.<sup>27</sup>

30. In 2012, OAI conducted IDD for 21 projects. Subsequently, it carried out 253 reviews in 2013, 171 reviews in 2014, 346 reviews in 2015, 644 reviews in 2016, and 471 reviews by June 2017. In addition to the increase in volume, it has provided advice on complex and sensitive integrity and ML/FT issues for a number of projects, introduced risk ratings for the entities reviewed, recommended risk mitigating measures, and assisted in disclosure of significant integrity risks for Board consideration of loan or financing proposals. OAI has also assisted the Treasury Department by conducting IDD reviews on counterpart financial institutions, and by responding to due diligence queries from these banks (as they carry out similar due diligence on ADB). Given the general tightening of the financial regulatory environment (including attention to politically exposed persons<sup>28</sup>), it is expected that ADB will continue to receive such queries.

## **D. Upgrading ADB's Staff Capacity**

31. From October 2012 to June 2017, OAI delivered 47 sets of training on IDD and the related staff instructions and guidelines, including training for resident mission staff, to ensure that

<sup>25</sup> Memorandum on Proposal to Extend the Mandate of OAI's Integrity and Money Laundering/Financing of Terrorism Risks Advisory Function, dated 12 January 2016 and approved by Management on 4 February 2016.

<sup>26</sup> In this respect, OAI will be responsible for strengthening ADB internal controls and related staff capacity, which are two of the four areas of ADB's AML/CFT policy. OGC will continue to be responsible for the other two areas of the policy, which are to assist DMCs in strengthening their AML/CFT regimes (in collaboration with regional departments) and keep abreast of AML/CFT international developments. OAI and OGC will continue to collaborate closely on AML/CFT matters.

<sup>27</sup> Memorandum on Restructuring of the Office of Anticorruption and Integrity, and Establishment of the Respectful Workplace Unit, dated 24 June 2016 and approved by Management on 27 June 2016.

<sup>28</sup> Under the 2012 FATF Recommendations, financial institutions are required to pay attention to an expanded scope of individuals that are entrusted with prominent public functions (i.e., "politically exposed persons"). Financial institutions are required to take reasonable measures when carrying out due diligence to determine whether customers are domestic individuals that are entrusted with prominent public functions or individuals that are entrusted with those functions by an international organization (in addition to individuals that are entrusted with prominent public functions by a foreign government), and take additional steps using a risk-based approach before establishing business relationships with these customers. FATF. 2012. *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: the FATF Recommendations* (Recommendation 12).

operational staff are able to carry out first-level IDD. OGC has carried out annual internal training, including on the IDD staff instruction for sovereign operations and cofinancing.

32. In March 2017, OAI published a handbook that provides guidance to nonbank financial institutions on how to manage ML/FT risks and to develop and implement AML/CFT policies and procedures.<sup>29</sup> OAI also launched a free online certificate course on Combating Money Laundering and Terrorist Financing that runs from May to December 2017.<sup>30</sup> It is targeted at banks and nonbank financial institutions, government officials, and other professionals with an interest in the topic. OGC staff published (i) three updated chapters on AML/CFT international law and standard in the second edition of a United Kingdom publication in 2017;<sup>31</sup> and (ii) a paper to share experience from the capacity development program under the AML/CFT TA in Mongolia in 2015.<sup>32</sup>

#### IV. FURTHER IMPLEMENTATION OF THE POLICY

33. ADB's activities during the review period have built upon previous activities under its policy. Staff will continue to take into account the priorities under Strategy 2020 (footnote 14), ADB's financial sector and governance activities, and efforts across ADB to strengthen knowledge management. Implementation of the policy will also take into account international and regional developments, and the activities of other international organizations and development partners.

##### A. Assisting Developing Member Countries in Establishing and Implementing Legal and Institutional Systems to Combat Money Laundering and the Financing of Terrorism

34. ADB's approach should continue to be demand-driven, and consistent with ADB's country partnership strategies, and its finance sector and governance work in the DMCs, taking into account experiences and lessons learnt in previous programs and TA projects. Demand for ADB support might increase given the additional requirements from the 2012 FATF Recommendations (including the areas identified from the overview of mutual evaluation and assessments described in para. 10 and set out in Appendix 1) and continuing scrutiny of DMCs listed in the FATF statements, balanced against other priorities and resource constraints.<sup>33</sup> Staff will coordinate with other development partners in reviewing requests for assistance, and focus on areas where ADB can provide value-added support.

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<sup>29</sup> ADB. 2017. *Handbook on Anti-Money Laundering and Combating the Financing of Terrorism for Nonbank Financial Institutions*. Manila.

<sup>30</sup> <http://k-learn.adb.org/materials/20170501/combating-money-laundering-and-terrorist-financing> (last accessed on 4 September 2017)

<sup>31</sup> 2017. "International Legal Sources I – the United Nations Conventions", "International Legal Sources II – the UN Security Council Resolutions" and "International Legal Sources III – the FATF Recommendations". In Sir W. Blair, R. Brent QC and T. Grant, eds. *Banks and Financial Crime – The International Law of Tainted Money*. Oxford: Oxford University Press (Second Edition).

<sup>32</sup> 2015. Design and Implementation of a Capacity Development Program – Experience with Combating Money Laundering and Financing of Terrorism in Mongolia. *Journal of Money Laundering Control*. (18) 4, pp. 488–495 (co-author). A second paper—Legal Issues with Money Laundering Prosecution under the Criminal Code of Mongolia—has been accepted for publication in the same journal.

<sup>33</sup> In developing ADB priorities, staff should take into account current developments such as examining AML/CFT from the financial inclusion perspective, examining the impact of compliance risks (where international banks mitigate exposure in high-risk jurisdictions but with the unintended consequence of cutting off correspondent banking for these jurisdictions), and examining ML/FT risks from the increasing use of information technology in the finance sector.

## **B. Increasing Collaboration with Other International Organizations**

35. It is important for ADB to continue to stay abreast of international and regional developments, primarily through its observer membership at the FATF, APG, and EAG, and its participation at their plenary and annual meetings, as appropriate. The 2012 FATF Recommendations and the ensuing mutual evaluations or assessments present significant challenges for the DMCs. The ICRG review of high-risk jurisdictions and the FATF statements should be taken into account by ADB staff in (i) prioritizing resources to support DMCs in strengthening their AML/CFT regimes, and (ii) avoiding reputational risks to ADB where its operations are subject to ML/FT risks. Staff will continue to monitor mutual evaluation and assessments involving DMCs and the ICRG review of high risk jurisdictions, and provide updates, including on related IDD, as appropriate.

36. It is also important for ADB to continue to work with other development partners on TA coordination, especially through staff attendance in regional forums (primarily at the APG and EAG). Information from these activities should continue to be systematically disseminated to, and exchanged with, all departments and offices concerned.

## **C. Strengthening Internal Control to Safeguard ADB Funds**

37. The Budget, Personnel and Management Systems Department and OAI recently issued IDD guidelines for employment screening.<sup>34</sup> This is in recognition of the fact that integrity, ML/FT and reputational risks can arise from prospective ADB staff. OAI is discussing with the Office of Administrative Services IDD guidelines for ADB's institutional suppliers. OAI is also discussing the need for IDD for consulting services with the Operations Services and Financial Management Department. These guidelines will continue to apply a risk-based approach, and ensure that adequate and systematic procedures and controls are in place in relevant aspects of ADB's operations.

## **D. Upgrading ADB's Staff's Capacity**

38. In addition to staying abreast of international and regional developments, staff need to continue to disseminate and exchange information systematically with concerned departments and offices to improve awareness raising and to develop capacity. Staff should continue to focus on AML/CFT knowledge management and knowledge products, consistent with the efforts across ADB to strengthen knowledge management.

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<sup>34</sup> Memorandum on Integrity Due Diligence Guidelines for Employment Screening, dated 18 September 2017.

## OVERVIEW OF THE OUTCOME OF MUTUAL EVALUATIONS AND ASSESSMENTS FOR ADB DEVELOPING MEMBER COUNTRIES AND FINANCIAL ACTION TASK FORCE MEMBERS

**Table A1.1: Analysis of the Effectiveness Ratings from the Mutual Evaluations or Assessments of 9 Developing Member Countries (October 2012 to June 2017)**

Immediate Outcomes	1	2	3	4	5	6	7	8	9	10	11
Country 1	SE	SE	SE	SE	SE	SE	ME	ME	SE	SE	SE
Country 2	SE	SE	ME	ME	ME	SE	ME	ME	SE	SE	SE
Country 3	ME	SE	ME	ME	ME	ME	ME	ME	SE	ME	SE
Country 4	ME	SE	ME	ME	ME	ME	LE	LE	ME	ME	ME
Country 5	ME	ME	ME	ME	LE	ME	LE	LE	ME	ME	LE
Country 6	ME	ME	LE	LE	LE	LE	LE	LE	ME	LE	LE
Country 7	ME	ME	LE	LE	LE	LE	LE	LE	LE	LE	LE
Country 8	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Country 9	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
<b>High</b>											
Substantial	2	4	1	1	1	2			3	2	3
Percentages	22%	45%	11%	11%	11%	22%	0%	0%	33%	22%	33%
<b>Moderate</b>	5	3	4	4	3	3	3	3	3	3	1
<b>Low</b>	2	2	4	4	5	4	6	6	3	4	5
Percentages	78%	55%	89%	89%	89%	78%	100%	100%	67%	78%	68%
Total MEs analyzed	9	9	9	9	9	9	9	9	9	9	9

ME = mutual evaluation.

**Table A1.2: Analysis of the Technical Compliance Ratings from the Mutual Evaluations or Assessments of 9 Developing Member Countries (October 2012 to June 2017)**

Recommendations	1	2	3	4	5	6	7	8	9	10	11	12	13
Country 1	LC	C	LC	C	C	C	LC	LC	C	C	C	C	C
Country 2	LC	C	LC	C	LC	C	LC	LC	C	C	C	C	C
Country 3	PC	LC	LC	LC	LC	LC	PC	LC	C	C	C	LC	C
Country 4	PC	LC	LC	LC	LC	LC	PC	LC	C	LC	C	LC	C
Country 5	PC	PC	LC	LC	LC	LC	NC	PC	LC	LC	C	LC	LC
Country 6	PC	PC	LC	LC	PC	PC	NC	PC	LC	PC	LC	PC	LC
Country 7	PC	PC	PC	PC	PC	PC	NC	PC	LC	PC	LC	PC	LC
Country 8	NC	NC	PC	PC	PC	NC	NC	PC	LC	PC	LC	PC	PC
Country 9	NC	NC	NC	PC	NC	NC	NC	NC	PC	NC	PC	NC	NC
<b>Compliant</b>		2		2	1	2			4	3	5	2	4
<b>Largely compliant</b>	2	2	6	4	4	3	2	4	4	2	3	3	3
Percentages	22%	45%	67%	67%	56%	56%	22%	45%	89%	56%	89%	56%	78%
<b>Partially compliant</b>	5	3	2	3	3	2	2	4	1	3	1	3	1
<b>Non-compliant</b>	2	2	1		1	2	5	1		1		1	1
Percentages	78%	55%	33%	33%	44%	44%	78%	55%	11%	44%	11%	44%	22%
Total MEs analyzed	9	9	9	9	9	9	9	9	9	9	9	9	9

ME = mutual evaluation.

Table A1.2 (Continued)

Recommendations	14	15	16	17	18	19	20	21	22	23	24	25	26
Country 1	C	C	C	C	C	C	C	C	C	C	LC	LC	C
Country 2	C	C	C	C	C	C	C	C	LC	LC	PC	LC	LC
Country 3	C	C	C	LC	C	LC	C	C	LC	LC	PC	PC	LC
Country 4	C	C	LC	LC	LC	LC	C	C	LC	PC	PC	PC	LC
Country 5	LC	C	PC	LC	LC	PC	LC	C	PC	PC	PC	PC	PC
Country 6	LC	LC	PC	PC	PC	PC	LC	C	PC	PC	PC	PC	PC
Country 7	PC	PC	PC	PC	PC	NC	LC	LC	PC	PC	PC	PC	PC
Country 8	PC	PC	NC	NC	PC	NC	LC	LC	NC	PC	NC	NC	PC
Country 9	NC	PC	NC	NC	NC	NC	PC	NC	NC	PC	NC	NC	PC
Compliant	4	5	3	2	3	2	4	6	1	1			1
Largely compliant	2	1	1	3	2	2	4	2	3	2	1	2	3
Percentages	67%	67%	45%	56%	56%	45%	89%	89%	45%	33%	11%	22%	45%
Partially compliant	2	3	3	2	3	2	1		3	6	6	5	5
Non-compliant	1		2	2	1	3		1	2		2	2	
Percentages	33%	33%	55%	44%	44%	55%	11%	11%	55%	67%	89%	78%	55%
Total MEs analyzed	9	9	9	9	9	9	9	9	9	9	9	9	9

ME = mutual evaluation.

Table A1.2 (Continued)

Recommendations	27	28	29	30	31	32	33	34	35	36	37	38	39	40
Country 1	C	LC	C	C	C	C	C	C	LC	C	LC	C	LC	C
Country 2	C	PC	C	C	C	C	C	LC	LC	LC	LC	LC	LC	LC
Country 3	C	PC	C	C	LC	LC	LC	LC	PC	LC	LC	LC	LC	LC
Country 4	C	PC	C	C	LC	LC	LC	LC	PC	LC	LC	LC	LC	LC
Country 5	C	PC	LC	C	LC	LC	PC	PC	PC	LC	LC	LC	LC	LC
Country 6	LC	PC	LC	C	LC	LC	PC	PC	PC	PC	LC	LC	LC	LC
Country 7	LC	PC	LC	C	PC	LC	PC	PC	PC	PC	PC	PC	PC	PC
Country 8	PC	NC	PC	LC	PC	PC	PC	PC	PC	PC	PC	NC	PC	NC
Country 9	PC	NC	NC	PC	PC	PC	NC	PC	PC	PC	NC	NC	PC	NC
Compliant	5		4	7	2	2	2	1		1		1		1
Largely compliant	2	1	3	1	4	5	2	3	2	4	6	5	6	6
Percentages	78%	11%	78%	89%	67%	78%	45%	45%	22%	56%	67%	67%	67%	67%
Partially compliant	2	6	1	1	3	2	4	5	7	4	2	1	3	1
Non-compliant		2	1				1				1	2		2
Percentages	22%	89%	22%	11%	33%	22%	55%	55%	78%	45%	33%	33%	33%	33%
Total MEs analyzed	9	9	9	9	9	9	9	9	9	9	9	9	9	9

ME = mutual evaluation.

**Table A1.3: Analysis of the Effectiveness Ratings from the Mutual Evaluations or Assessments of 12 Financial Action Task Force Members (October 2012 to June 2017)**

Immediate Outcomes	1	2	3	4	5	6	7	8	9	10	11
Member 1	SE	HE	SE	ME	SE	HE	SE	HE	HE	HE	HE
Member 2	SE	HE	SE	ME	SE	SE	SE	SE	SE	SE	SE
Member 3	SE	SE	SE	ME	ME	SE	SE	SE	SE	SE	SE
Member 4	SE	SE	ME	ME	ME	SE	SE	SE	SE	SE	SE
Member 5	SE	SE	ME	ME	ME	SE	SE	SE	SE	ME	SE
Member 6	SE	SE	ME	ME	ME	SE	ME	ME	SE	ME	SE
Member 7	SE	SE	ME	ME	ME	SE	ME	ME	SE	ME	SE
Member 8	SE	SE	ME	ME	ME	SE	ME	ME	SE	ME	ME
Member 9	SE	SE	ME	ME	ME	ME	ME	ME	SE	ME	ME
Member 10	ME	SE	ME	ME	ME	ME	ME	ME	SE	ME	ME
Member 11	ME	ME	ME	ME	LE	ME	ME	ME	ME	ME	ME
Member 12	ME	ME	ME	ME	LE	LE	LE	ME	LE	ME	ME
High		2				1		1	9	1	1
Substantial	9	8	3		2	7	5	4	1	3	6
Percentages	75%	83%	25%	0%	17%	67%	42%	42%	83%	33%	58%
Moderate	3	2	9	12	8	3	6	7	1	8	5
Low					2	1	1		1		
Percentages	25%	17%	75%	100%	83%	33%	58%	58%	17%	67%	42%
Total MEs Analyzed	12	12	12	12	12	12	12	12	12	12	12

ME = mutual evaluation.

**Table A1.4: Analysis of the Technical Compliance Ratings from the Mutual Evaluations or Assessments of 12 Financial Action Task Force Members (October 2012 to June 2017)**

Recommendations	1	2	3	4	5	6	7	8	9	10	11	12	13
Member 1	C	C	C	C	C	C	C	C	C	C	C	C	C
Member 2	LC	C	C	C	C	C	C	LC	C	C	C	C	C
Member 3	LC	C	C	C	C	LC	LC	LC	C	LC	C	LC	LC
Member 4	LC	C	C	C	LC	LC	LC	LC	C	LC	C	LC	LC
Member 5	LC	LC	LC	C	LC	LC	LC	LC	C	LC	C	LC	LC
Member 6	LC	LC	LC	C	LC	LC	PC	LC	C	LC	C	LC	LC
Member 7	LC	LC	LC	LC	LC	LC	PC	LC	C	LC	C	LC	LC
Member 8	LC	LC	LC	LC	LC	PC	PC	LC	C	LC	LC	PC	LC
Member 9	PC	LC	LC	LC	LC	PC	PC	PC	LC	PC	LC	PC	PC
Member 10	PC	PC	LC	LC	LC	PC	PC	PC	LC	PC	LC	PC	PC
Member 11	PC	PC	LC	LC	LC	PC	PC	PC	LC	PC	LC	PC	PC
Member 12	PC	PC	LC	LC	LC	PC	PC	NC	LC	PC	LC	NC	NC
Compliant	1	4	4	6	3	2	2	1	8	2	7	2	2
Largely compliant	7	5	8	6	9	5	3	7	4	6	5	5	6
Percentages	67%	75%	100%	100%	100%	58%	42%	67%	100%	67%	100%	58%	67%
Partially compliant	4	3				5	7	3		4		4	3
Non-compliant								1				1	1
Percentages	33%	25%	0%	0%	0%	42%	58%	33%	0%	33%	0%	42%	33%
Total MEs Analyzed	12	12	12	12	12	12	12	12	12	12	12	12	12

ME = mutual evaluation.



**Table A1.4 (Continued)**

<b>Recommendations</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b>	<b>25</b>	<b>26</b>
Member 1	C	C	C	C	C	C	C	C	LC	C	LC	LC	C
Member 2	C	C	C	LC	C	C	C	C	LC	LC	LC	LC	C
Member 3	C	C	PC	LC	C	C	C	C	LC	LC	LC	LC	LC
Member 4	C	C	PC	LC	LC	C	C	C	LC	LC	LC	LC	LC
Member 5	C	LC	PC	LC	LC	C	C	C	LC	LC	PC	PC	LC
Member 6	C	LC	PC	LC	LC	LC	C	C	PC	LC	PC	PC	LC
Member 7	C	LC	PC	LC	LC	LC	C	C	PC	LC	PC	PC	LC
Member 8	LC	LC	PC	PC	PC	LC	LC	C	PC	PC	PC	PC	LC
Member 9	LC	LC	PC	PC	PC	LC	LC	LC	PC	PC	PC	PC	PC
Member 10	LC	PC	PC	PC	PC	LC	LC	LC	NC	NC	PC	PC	PC
Member 11	LC	PC	PC	PC	PC	PC	PC	LC	NC	NC	PC	NC	PC
Member 12	LC	NC	PC	PC	PC	PC	PC	LC	NC	NC	NC	NC	PC
<b>Compliant</b>	<b>7</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>5</b>	<b>1</b>			<b>2</b>
<b>Largely compliant</b>	<b>5</b>	<b>5</b>		<b>6</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>6</b>
Percentages	100%	75%	17%	58%	58%	83%	83%	100%	42%	58%	33%	33%	67%
<b>Partially compliant</b>		<b>2</b>	<b>10</b>	<b>5</b>	<b>5</b>	<b>2</b>	<b>2</b>		<b>4</b>	<b>2</b>	<b>7</b>	<b>6</b>	<b>4</b>
<b>Non-compliant</b>		<b>1</b>							<b>3</b>	<b>3</b>	<b>1</b>	<b>2</b>	
Percentages	0%	25%	83%	42%	42%	17%	17%	0%	58%	42%	67%	67%	33%
Total MEs Analyzed	12	12	12	12	12	12	12	12	12	12	12	12	12

ME = mutual evaluation.

**Table A1.4 (Continued)**

<b>Recommendations</b>	<b>27</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>32</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>37</b>	<b>38</b>	<b>39</b>	<b>40</b>
Member 1	C	LC	C	C	C	C	C	C	C	C	C	C	C	C
Member 2	C	LC	C	C	C	C	C	LC	C	C	C	C	C	C
Member 3	C	LC	C	C	C	C	C	LC	LC	C	LC	LC	C	C
Member 4	C	LC	C	C	C	C	LC	LC	LC	C	LC	LC	C	C
Member 5	C	LC	C	C	C	C	LC	LC	LC	C	LC	LC	C	LC
Member 6	C	LC	C	C	LC	LC	LC	LC	LC	C	LC	LC	LC	LC
Member 7	LC	PC	C	C	LC	LC	LC	LC	LC	C	LC	LC	LC	LC
Member 8	LC	PC	LC	C	LC	LC	LC	LC	PC	LC	LC	LC	LC	LC
Member 9	LC	PC	LC	C	LC	LC	PC	LC	PC	LC	LC	LC	LC	LC
Member 10	LC	PC	LC	C	LC	LC	PC	LC	PC	LC	LC	LC	LC	LC
Member 11	LC	NC	PC	C	LC	LC	PC	LC	PC	LC	LC	LC	LC	LC
Member 12	PC	NC	PC	LC	LC	PC	PC	LC	PC	LC	LC	LC	LC	PC
<b>Compliant</b>	<b>6</b>		<b>7</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>2</b>	<b>2</b>	<b>5</b>	<b>4</b>
<b>Largely compliant</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>11</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>7</b>	<b>7</b>
Percentages	92%	50%	83%	100%	100%	92%	67%	100%	58%	100%	100%	100%	100%	92%
<b>Partially compliant</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>5</b>					<b>1</b>
<b>Non-compliant</b>		<b>2</b>												
Percentages	8%	50%	17%	11%	33%	8%	33%	55%	42%	0%	0%	0%	0%	8%
Total MEs Analyzed	12	12	12	12	12	12	12	12	12	12	12	12	12	12

ME = mutual evaluation.

**ADB PROJECTS AND TECHNICAL ASSISTANCE WITH AML/CFT COMPONENTS APPROVED OR IMPLEMENTED  
FROM OCTOBER 2012 TO JUNE 2017**

**A. Projects and Related Technical Assistance**

	<b>DMC</b>	<b>Project and Related TA</b>	<b>Description of AML/CFT Component</b>	<b>Status</b>
1.	Cambodia	<p>Third Financial Sector Program, Subprogram 1 (Loan 2815-CAM) was approved in conjunction with the programmatic approach on 29 November 2011. Subprogram 2 was approved on 29 November 2011.</p> <p>An associated TA (TA 7934-CAM) with an AML/CFT subcomponent was approved on 29 November 2011 (financed by the Cooperation Fund for Regional Trade and Financial Security Initiative and TASF).</p>	<p>ADB supported an ML/FT risk assessment (i) at the national level and (ii) for all NBC-supervised financial institutions. ADB also assisted the Cambodian FIU in (i) explaining and clarifying the complex steps, data and information requirements, and the identification as well as analysis of the ML/FT threats and vulnerabilities in Cambodia to the members of the expert working groups for their NRA; and (ii) following up on the national AML/CFT strategic implementation plan and guiding the FIU staff on conducting public awareness seminars covering the AML/CFT strategic implementation plan.</p>	<p>The TA was completed on 30 November 2015. The program completion report indicated that AML/CFT support contributed to Cambodia's removal from the FATF grey list.</p>

AML/CFT = anti-money laundering and combating the financing of terrorism, CAM = Cambodia, FATF = Financial Action Task Force, FIU = financial intelligence unit, ML/FT = money laundering and financing of terrorism, NBC = National Bank of Cambodia, NRA = national risk assessment, TA = technical assistance, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank.

**B. Stand-Alone Technical Assistance**

	<b>DMC</b>	<b>Stand-Alone TA</b>	<b>Description of AML/CFT Component</b>	<b>Status</b>
1.	Mongolia	Capacity Development Technical Assistance for Strengthening the Anti-Money-Laundering Regime (TA 8255-MON). The TA was approved on 11 December 2012 in the amount of \$360,000 (financed by the Cooperation Fund for Regional Trade and Financial Security Initiative). The TA amount was increased by \$360,000 on 11 December 2014 (financed by TASF).	The TA provided capacity development for investigators, prosecutors, and the judiciary, with the Bank of Mongolia as the executing agency. TA has two phases. The first was carried out in 2013–2014. It included four training workshops as well as mentoring for 40 officers from the relevant authorities. Pursuant to successful collaboration, the TA was extended to June 2017. The second phase comprised 4 series of training workshops, which have been completed. The TA also assisted the authorities in preparing for the APG mutual evaluation in 2016, including the preparation of the NRA for Mongolia.	The TA was completed on 30 June 2017 and the completion report was circulated to the Board. The TA was rated <i>highly satisfactory</i> .
2.	Timor-Leste	Pacific Private Sector Development Initiative, Phase III (TA REG-8378). Approved on 6 June 2013 (\$30,500,000 financed by the governments of Australia and New Zealand). The TA amount was increased by \$8,080,000 on 19 October 2015 (financed by the Government of Australia).	As one of the activities under the TA, PSDI worked closely with the FIU at the Central Bank of Timor-Leste to prepare an NRA of Money Laundering and Terrorist Financing and an NSP. Both the NRA and NSP documents were approved by the Council of Ministers on 14 June 2016.	TA implementation is ongoing.
3.	Papua New Guinea	Supporting Anti-Money Laundering and Combating the Financing of Terrorism in Papua New Guinea (TA 8515-PNG). Approved on 14 November 2013 (\$225,000 financed by TASF).	The TA assisted the government in preparing laws and regulations related to AML/CFT—(i) AML/CFT Act, (ii) Proceeds of Crime Act (asset confiscation), (iii) Criminal Code Amendment Bill, (iv) Financial Sanctions Bill, and (v) the Cash Courier Draft Bill. These legislations were approved by Parliament on 30 July 2015 and gazetted on 4 February 2016.	The TA was rated <i>highly successful</i> . It assisted PNG in rectifying its AML/CFT deficiencies. It achieved the aim of strengthening PNG's legislative framework.

4.	Tajikistan	Technical Assistance for Strengthening the Anti-Money-Laundering Regime (TA 8632-TAJ). Approved on 1 April 2014 (\$350,000 million, financed by the Cooperation Fund for Regional Trade and Financial Security Initiative).	The TA assisted the Government of Tajikistan in developing its NRA, strengthening the legal and regulatory environment, enhancing internal AML/CFT control and training on law enforcement, as well as training financial institutions on AML/CFT issues. The NRA is in the final stage and currently being considered by an interministerial commission on AML/CFT for endorsement. The TA provided recommendations to the authorities to amend certain AML-related laws and regulations. The TA also assisted the government in preparing the internal AML/CFT control guidelines. Moreover, the TA supported workshops for law enforcement authorities on various AML/CFT issues.	The TA was completed on 30 June 2017. The completion report is expected by the fourth quarter of 2017.
5.	Pacific Island DMCs	Pacific Financial Sector Strengthening – Supporting National Risk Assessments (TA REG-8659). Approved on 28 May 2014 (\$225,000, financed by the Investment Climate Facilitation Fund). The TA amount was increased by \$145,000 on 19 October 2015 (financed by TASF).	The TA assisted Vanuatu in preparing its NRA, which was among the first NRAs to be prepared under the 2012 FATF Recommendations. The NRA was endorsed by the Vanuatu Council of Ministers on 23 February 2015. The TA also provided Vanuatu with follow-on assistance on risk assessments for terrorist financing and offshore financial centers in Vanuatu. This assessment was endorsed by the Vanuatu National Coordinating Committee on AML/CFT on 12 June 2017. The TA also assisted Fiji in preparing its NRA report. This report was endorsed by the Fiji National Anti-money Laundering Council on 3 June 2015. The TA is currently assisting the governments of PNG and Solomon Islands.	TA implementation is ongoing.

AML/CFT = anti-money laundering and combating the financing of terrorism, APG = Asia/Pacific Group on Money Laundering, DMC = developing member country, FATF = Financial Action Task Force, FIU = financial intelligence unit, MON = Mongolia, NRA = national risk assessment, NSP = National Strategic Plan for Combating Money Laundering and Terrorist Financing (2016–2020), PNG = Papua New Guinea, PSDI = Pacific Private Sector Development Initiative, REG = regional, TA = technical assistance, TAJ = Tajikistan, TASF = Technical Assistance Special Fund.

Source: Asian Development Bank.