

I. A Word from the Editor

The world has been under the catastrophic impact of the COVID-19 pandemic since the early 2020, and we haven't seen the light at the end of the tunnel yet. Over the past year, international organizations on anti-money laundering had no choice but to cancel their important regular meetings in view of the pandemic and the travel bans imposed by many countries. Some financial intelligence units (FIUs) abroad were forced to minimize the number of in-office staff due to the pandemic as well. The situation constitutes a serious challenge for international cooperation in anti-money laundering.

Being appointed as the Director of the Anti-Money Laundering Division (AMLD), Ministry of Justice Investigation Bureau (MJIB) on 21 January 2021, I'm firmly convinced that the endeavor of anti-money laundering (AML) and combating the financing of terrorism (CFT) should not be suspended. We therefore substitute online meetings for face-to-face ones and strengthen financial intelligence exchange with other countries through secured web. It's particularly a matter of urgency for Chinese Taipei to keep improving the anti-money laundering effectiveness, since we are expected to submit the follow-up report of the third-round mutual evaluation this October.

Nowadays, the world situation changes drastically and the global economic competition intensifies every day. Not mention the emergence of financial technology, new types of crime have risen and become more covert and untraceable in the cyberspace. In response to these changes, we should enlarge our cooperation with other FIUs in combating financial crimes. Monumental challenges ahead notwithstanding, the AMLD staff and I will proactively communicate with both the private and public sectors, and devote efforts to pertinent international affairs to promote the AMLD's efficiency, along with make the greatest contribution on the work of AML/ CFT.



Mike C.J. LAN

Director of the AMLD

II. Focal Points: Key Issues in the 2nd Plenary and Working Group Meeting of the FATF's 32nd Plenary

The 2nd Plenary and Working Group Meeting of the FATF was held on 22, 24 and 25 February 2021. The key issues and conclusions were as follows:

A. Major Initiatives:

1. Improving risk-based supervision: The key to effectively combating money laundering (ML) and terrorist financing (TF) is that the supervisors can help the regulatory entities to recognize, face, and mitigate the risks as well as fulfill legal obligations. The transition from regulation-based to risk-based supervision is challenging. To achieve this goal, the supervisors require adequate power, capability, and resources apart from having a profound understanding of the risks that the regulatory entities are facing. In order to help the supervisors improve their risk-based supervision, the FATF issued “The Guidance on Risk-Based Supervision” on 4 March 2021, which serves as a source of reference concerning the strategies for risk-based supervision. Details are available at <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>.
2. Mitigating the ML/TF risks of virtual assets: The FATF amended its recommendations about virtual assets and issued related guidance in June 2019. It recommended that virtual asset service providers (VASPs) should be regulated, licensed, and registered for effective supervision. The FATF has collected the feedback related to the draft of revised guidance and is expected to update the guidance in June 2021. The FATF also launched its second 12-month review project to get a good grasp of the global implementation of the revised FATF standards on virtual asset and VASPs.
3. Strengthening the Preventative Measures against the Financing of the Proliferation of Weapons of Mass Destruction (WMD): In October 2020, the FATF further reinforced its recommendations on combating the financing of WMD proliferation. It also planned to complete the related guidance by June 2021, so as to help the members enact associated measures, such as the risk assessment of the financing of WMD proliferation, risk indicators, sanction obligations, and preventative measures.
4. Facilitating the Investigation and Prosecution of Terrorist Financing (TF) and Solving

the Crime of Arms Trafficking: The investigation and prosecution of TF is the foundation for combating the TF and it's also a challenge for most countries. The United Nations Security Council Resolution 2462 (2019) calls for more effective investigation and prosecution of TF. In addition, conflicts around the globe have escalated due to illicit arms trafficking. The FATF ergo assigned a high priority to explore the relations between illicit arms trafficking and TF. The FATF will provide related guidelines for the relevant government authorities.

B. The Progress of Mutual Evaluations and the Announcement of High-Risk Jurisdictions:

The Plenary took the online meeting for the first time to discuss the mutual evaluation result of New Zealand and concluded the positive achievements in combating ML/TF of New Zealand. The mutual evaluation report will be released in April 2021. In addition, the FATF issued a list of high-risk jurisdictions and a list of jurisdictions under increased monitoring.

1. The high-risk jurisdictions subject to a call for action (i.e. “countries or regions where major flaws are detected in its money laundering prevention and counter-terrorism financing efforts” mentioned in “The Money Laundering Control Act”): North Korea and Iran.
2. The jurisdictions under increased monitoring (i.e. “countries or regions where advice of international anti-money laundering organizations are not followed or not fully followed” mentioned in “The Money Laundering Control Act”): Albania, Barbados, Botswana, Burkina Faso (newly included), Cambodia, Cayman Islands (newly included), Ghana, Jamaica, Mauritius, the Kingdom of Morocco (newly included), Myanmar, Nicaragua, Pakistan, Panama, Senegal (newly included), Syria, Uganda, Yemen, and Zimbabwe.

III. AMLD Classroom

◆ Financial Action Task Force (FATF)¹

The Financial Action Task Force on Money Laundering (FATF) was established in 1989 on the initiative of G7 (Group of Seven, including Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States). It currently comprises 39 members (37 member jurisdictions, the European Union, and the Cooperation Council for the Arab States of the Gulf), 1 observer (Indonesia), 9 associate members (regional anti-money laundering organizations), and 23 observer organizations.

The FATF Secretariat is located at the headquarters of the Organization for Economic Cooperation and Development (OECD) in Paris, France. The incumbent president is Marcus Pleyer. The FATF holds three plenary and working group meetings in each plenary year. The first and second plenary meetings usually take place in Paris, and the third one in the home country of the then FATF presidency.

The FATF is a watchdog on global anti-money laundering and combating the financing of terrorism. To protect the global financial system from money laundering and terrorist financing, the FATF developed 40 recommendations in April 1990. After the September 11 attacks in 2001, the FATF issued 8 “Special Recommendations on Terrorist Financing.” In 2004, it further made the 9th “Special Recommendation on Terrorist Financing,” hence the 40+9 Recommendations. By February 2012, the 40+9 Recommendations were amended and integrated into the “40 Recommendations” that are in effect currently and universally recognized as the international standard for anti-money laundering as well as combating the financing of terrorism and WMD proliferation. Apart from the FATF’s members and observers, the regional anti-money laundering organizations as its associate members also conduct mutual evaluations for its member countries by the same standard, insofar as to examine their respective performance and degree of compliance with the 40 Recommendations, thereby supporting their institutional reform on combating money laundering and terrorist financing as well as their compliance with the standard.

A total of 7 themes run through the 40 Recommendations, including “policies and coordination on AML/CFT” (R1-R2), “criminalizing money laundering and confiscating” (R3-R4), “the financing of terrorism and weapon proliferation” (R5-R8), “preventive measures of financial institutions and designated non-financial businesses or professions” (R9-R23), “transparency and beneficial ownership of legal persons and legal arrangements” (R24-R25), “powers and responsibilities of competent authorities and other institutional measures” (R26-R35), and “international cooperation” (R36-R40).

¹ Official website: <http://fatf-gafi.org>

IV. AMLD Statistics

A. Statistics of Suspicious Transaction Reports (STRs)²

1. There were 2,272 STRs in total from 1 December to 31 December 2020.

| Reporting Entities | Number of STRs 2020.12.1~12.31 | Reporting Entities | Number of STRs 2020.12.1~12.31 |
|--|-----------------------------------|---|-----------------------------------|
| Domestic banks | 1,769 | Securities investment trust enterprises | 4 |
| Foreign banks/ Banks of China | 9 | Securities finance enterprises | 0 |
| Trust investment companies | 0 | Securities investment consulting enterprises | 0 |
| Credit cooperatives | 39 | Centralized securities depository enterprises | 0 |
| Credit department of national farmers' associations | 56 | Futures commission merchants | 7 |
| Credit department of national fishermen's associations | 2 | Designated non-financial businesses and professions | 6 |
| Postal remittances and savings | 213 | Electronic payment and electronic stored value card issuers | 10 |
| Bills finance companies | 2 | Foreign currency exchange counters | 0 |
| Credit card companies | 4 | Fintech innovative experimentation businesses | 0 |
| Insurance companies | 122 | Finance leasing companies | 0 |
| Securities firms | 29 | | |

² The AMLD checks the statistics of STRs with the reporting entities every six months. The data in the tables include those to be checked, which maybe a little bit different from those in the AMLD's Annual Reports. In case of any discrepancy between the two versions, the AMLD's Annual Reports shall prevail.

2. There were 5,490 STRs in total from 1 January to 31 March 2021.

| Reporting Entities | Number of STRs 2021.1.1 ~ 3.31 | Reporting Entities | Number of STRs 2021.1.1 ~ 3.31 |
|--|-----------------------------------|---|-----------------------------------|
| Domestic banks | 4,230 | Securities investment trust enterprises | 13 |
| Foreign banks/ Banks of China | 16 | Securities finance enterprises | 0 |
| Trust investment companies | 0 | Securities investment consulting enterprises | 0 |
| Credit cooperatives | 143 | Centralized securities depository enterprises | 4 |
| Credit department of national farmers' associations | 166 | Futures commission merchants | 24 |
| Credit department of national fishermen's associations | 5 | Designated non-financial businesses and professions | 31 |
| Postal remittances and savings | 413 | Electronic payment and electronic stored value card issuers | 21 |
| Bills finance companies | 0 | Foreign currency exchange counters | 0 |
| Credit card companies | 5 | Fintech innovative experimentation businesses | 0 |
| Insurance companies | 337 | Finance leasing companies | 0 |
| Securities firms | 82 | | |

3. The Number of STRs reported by Designated Non-financial Businesses and Professions (DNFBPs)

| Statistics of STRs reported by DNFBPs | | |
|--|-----------------|---------------|
| Business and Profession | 2020.12.1-12.31 | 2021.1.1-3.31 |
| Accountants | 3 | 16 |
| Certified public bookkeepers, and bookkeeping and tax return filing agents | 1 | 3 |
| Jewelry stores/business | 0 | 1 |
| Notaries | 2 | 7 |
| Lawyers | 0 | 0 |
| Land administration agents | 0 | 4 |
| Real estate agencies | 0 | 0 |
| Total | 6 | 31 |

B. Statistics of International Currency and Securities Transportation Report (ICTR) Notified by the Customs Administration

| Statistics of ICTR Notified by the Customs Administration, 2020.12.1~2021.3.31 | | | |
|--|---|--------|---------------------------------|
| Customs | Delivered items (incl. other similar methods) | | Passengers (incl. crew members) |
| Taipei | Export | 10,308 | 348 |
| | Import | 62,274 | |
| Keelung | Export | 101 | 44 |
| | Import | 621 | |
| Kaohsiung | Export | 44 | 257 |
| | Import | 148 | |
| Taichung | Export | 4 | 16 |
| | Import | 9 | |

C. Statistics of Cash Transaction Report (CTR)³

| Statistics of CTRs | | |
|---|-----------------|---------------|
| Reporting Entities | 2020.12.1~12.31 | 2021.1.1~3.31 |
| Domestic banks | 222,070 | 685,057 |
| Foreign banks | 764 | 2,054 |
| Credit cooperatives | 10,796 | 33,658 |
| Credit departments of farmers' & fishermen's associations | 23,425 | 71,970 |
| Postal remittances and savings | 25,099 | 72,107 |
| Insurance companies | 456 | 1,311 |
| Jewelry stores | 35 | 87 |
| Securities investment trust and consulting enterprises | 0 | 3 |
| Electronic payment and electronic stored value card issuers | 0 | 0 |
| Subtotal | 282,645 | 866,247 |

D. Statistics of International Intelligence Exchange

| Statistics of International Intelligence Exchange, 2020.12.1~2021.3.31 | | |
|--|-------|-------------------|
| Types | Cases | Number of Reports |
| Requests from Overseas | 19 | 55 |
| Requests to Overseas | 4 | 27 |
| Spontaneous Sharing from Overseas | 17 | 32 |
| Spontaneous Sharing to Overseas | 4 | 8 |
| Questionnaires and Other Matters | 0 | 123 |
| Total | 44 | 245 |

³ In case of any discrepancy in data between the table and the AMLD's Annual Reports, those in the latter shall prevail.

V. Events and Activities

◆ Coordination meetings between the AMLD and taxation authorities

To strengthen the support of the FIU in response to the demands from competent authorities, the AMLD arranged coordination meetings respectively with the National Taxation Bureau of the Southern Area and the National Taxation Bureau of Kaohsiung in late December 2020. The parties not only exchanged their experience in information provision, sharing and confidentiality, but also reached a consensus on future bilateral cooperation. By doing so, we expect to improve the efficiency of the FIU and taxation authorities in utilizing financial intelligence, and thereby facilitate inter-sector coordination and cooperation.



Coordination meeting between the AMLD and the National Taxation Bureau of Kaohsiung on 28 Dec. 2020

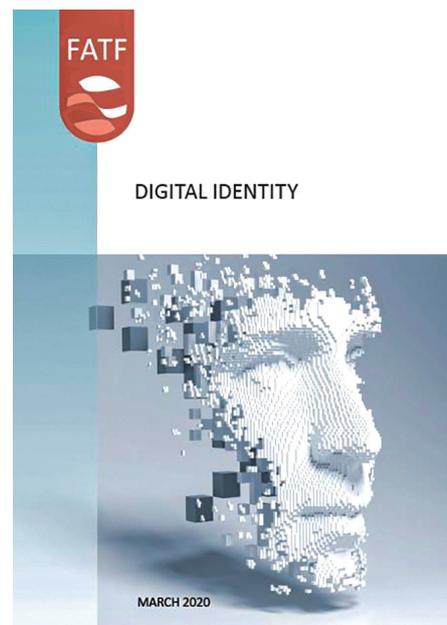


Coordination meeting between the AMLD and the National Taxation Bureau of the Southern Area on 29 Dec. 2020

◆ The 22nd APG Typologies Workshop— Digital “Know Your Customer” (KYC)

The Asia/Pacific Group on Money Laundering (APG) organized the online 22nd APG Typologies Workshop from 2 to 5 February 2021. On 3 and 4 February, the issues discussed in the seminars on e-KYC/Customer Due Diligence (CDD) and Privacy, Personal Rights and Control were highly relevant to our domestic banks. The Bankers Association of the Republic of China (hereafter, the Bankers Association) was ergo recommended as the delegate of Chinese Taipei’s private sector by the AMLD to the APG secretariat. There were totally 21 participants included the representatives from the Financial Supervisory Commission as well as the Anti-Money Laundering Working Group of the Bankers Association and its subordinate committees.

In this workshop, the Alliance for Financial Security with Information Technology (AFS-IT) introduced digital identity and related executive procedures on verification of customers’ identities and CDD, together with a brief overview on the FATF guidance.⁴ Besides, the workshop invited the Asian Development Bank, the Reserve Bank of New Zealand, the Central Bank of Malaysia, and the Monetary Authority of Singapore to share their related experience in these fields. This workshop was expected to offer the participants a deeper understanding of the FATF guidance and help them draw lessons from the practice of Asia-Pacific countries, thereby establishing a more comprehensive and effective procedure for the financial industry and practitioners.



The scene of the online APG Typologies Workshop held in February 2021.

⁴ “Guidance on Digital ID,” full text available at <http://www.fatf-gafi.org/publications/financialinclusionandnpoissues/documents/digital-identity-guidance.html>

◆ Official Visit to the Financial Examination Bureau (FEB), Financial Supervisory Commission

To strengthen the communication between the AMLD and the FEB on anti-money laundering issues, the AMLD paid an official visit to and exchanged opinions with the FEB in late March 2021. The two parties exchanged ideas about the difficulties in investigating illicit cross-border money flow and how to utilize technology to improve the efficiency of analysis and risk information sharing. With the dialogue and idea sharing, we expect to boost both parties' operational efficiency as well as to enhance financial institutions' report quality and their ability to identify illegal activities.



A group photograph of the participants from the AMLD and the FEB on the former's official visit to the latter (26 March 2021)

VI. Regulations

- A. On 2 February 2021, the Ministry of the Interior announced to commence a comment period for the draft amendment to partial clauses in “The Regulations Governing Anti-Money Laundering and Counter-Terrorism Financing for Land Administration Agents and Real Estate Brokerages” (comment period: 40 days). The amendments include: (a). land administration agents and real estate brokerages shall report the currency transactions above certain amount in real estate transactions (NT\$ 500,000 or the equivalent in foreign currency in cash for a single transaction); and (b). the types of suspicious money laundering or terrorism financing transactions. For details, please see the Ministry of the Interior Notice, with Letter Tai-Nei-Di-Zi No. 1100260503, dated 2 February 2021.
- B. The amendments to the “The Template for Guidelines Governing AML/CFT in Non-Life Insurance Enterprises” and “Appendix: Types of Suspicious Transactions of Money Laundering and the Financing of Terrorism and Proliferation of Weapons of Mass Destruction” were approved by the Financial Supervisory Commission (FSC) and took effect, with Letter Jin-Guan-Bao-Zong-Zi No. 1100410913, dated 4 February 2021, for future reference. The previous wording of “suspected of money laundering and the financing of terrorism” was amended into “suspected of money laundering and the financing of terrorism and proliferation of weapons of mass destruction.” Meanwhile, there were two amendments and three new types added to the Appendix. For details, please visit the website of the Non-Life Insurance Association of the Republic of China or the AMLD website (<https://www.mjib.gov.tw/EditPage/?PageID=076d8266-a060-4888-8d67-c8f9ed514a3b>).
- C. To carry out financial supervision, ensure consumer protection, and facilitate the development of the electronic payment industry in Taiwan, the FSC incorporated “The Act Governing Issuance of Electronic Stored Value Cards” into “The Act Governing Electronic Payment Institutions” with amendments to the latter, insofar as to integrate relevant regulations on electronic stored value tools. The new “Act Governing Electronic Payment Institutions” was promulgated by Presidential Order on 27 January 2021 and announced by the Executive Yuan. The new act shall come into effect on 1 July 2021. There were 5 major amendments: (a). expanding the scope of permissible business of

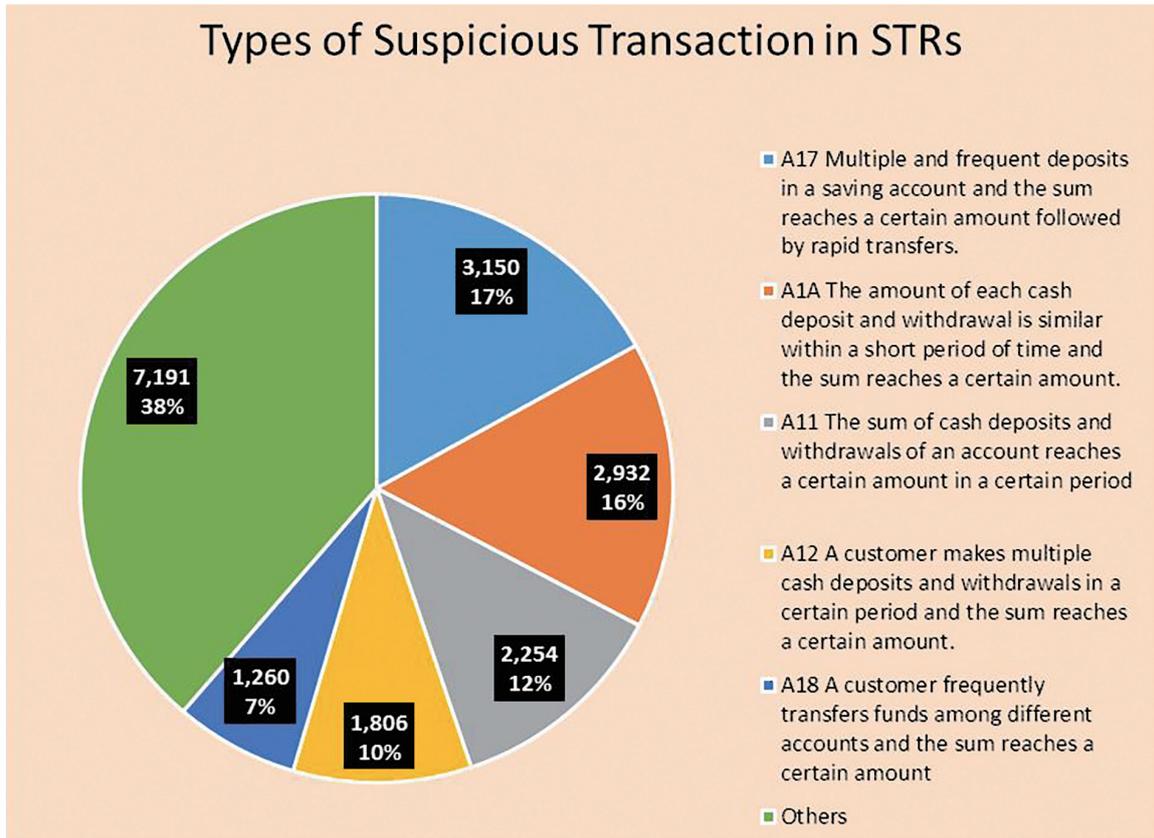
electronic payment institutions and facilitating the development of the electronic payment industry in Taiwan; (b). permitting inter-institution payment services; (c). improving the convenience of use for the public; (d). promoting robust operations of the industry and creating a friendly environment for it; and (e). transition and buffer rules. For details, please visit “laws and regulations retrieving system” on the official website of the Financial Supervisory Commission.

- D. In response to the financial digitalization and the trend of foreign exchange operations, the Central Bank of the Republic of China (the Central Bank) decided to simplify the application procedure and relax the eligibility requirements for banks as authorized banks. For the purpose of fostering the diverse development of domestic bond market and financial products, the Central Bank also approved the authorized banks to issue foreign currency bank debentures domestically that are either combined with other derivatives or acting as structured notes. A total of 22 amendments to “The Regulations Governing Foreign Exchange Business of Banking Enterprises” were announced by the Central Bank with the Letter Tai-Yang-Wai-Qi-Zi No. 1100005479, dated 28 January 2021. For the key amendments, the general explanation of amended clauses, and the comparison table of clauses, please refer to the press release No. 019 and its attachments issued by the Central Bank on 28 January 2021.

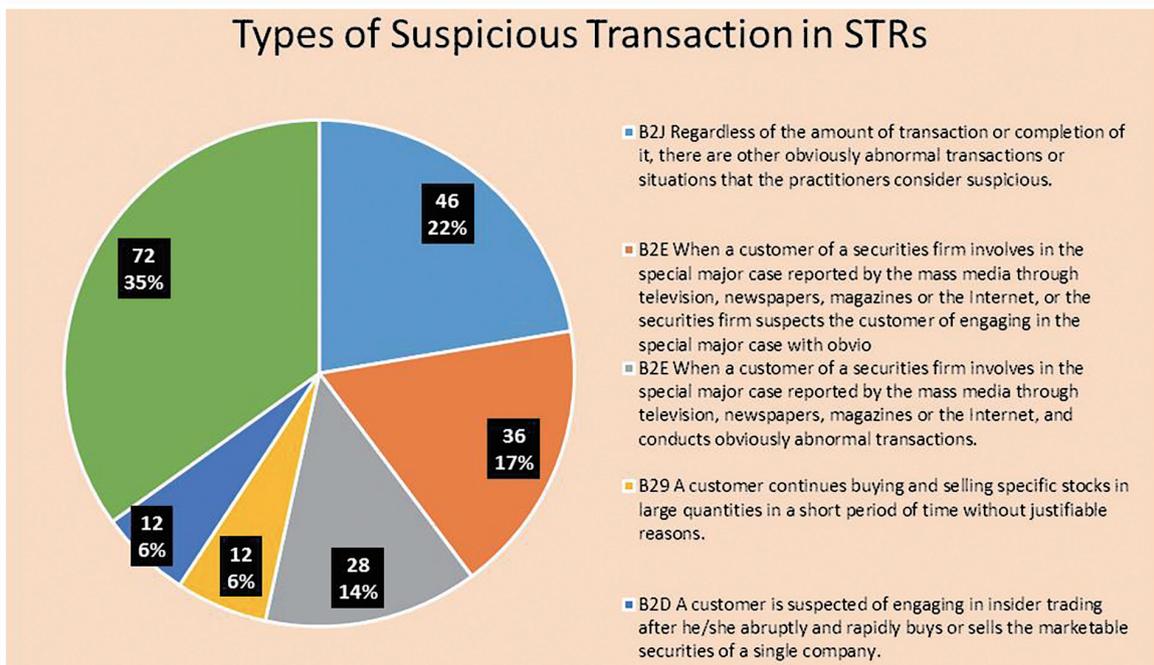
VII. Appendix

A. Supplementary Information of the AMLD Statistics

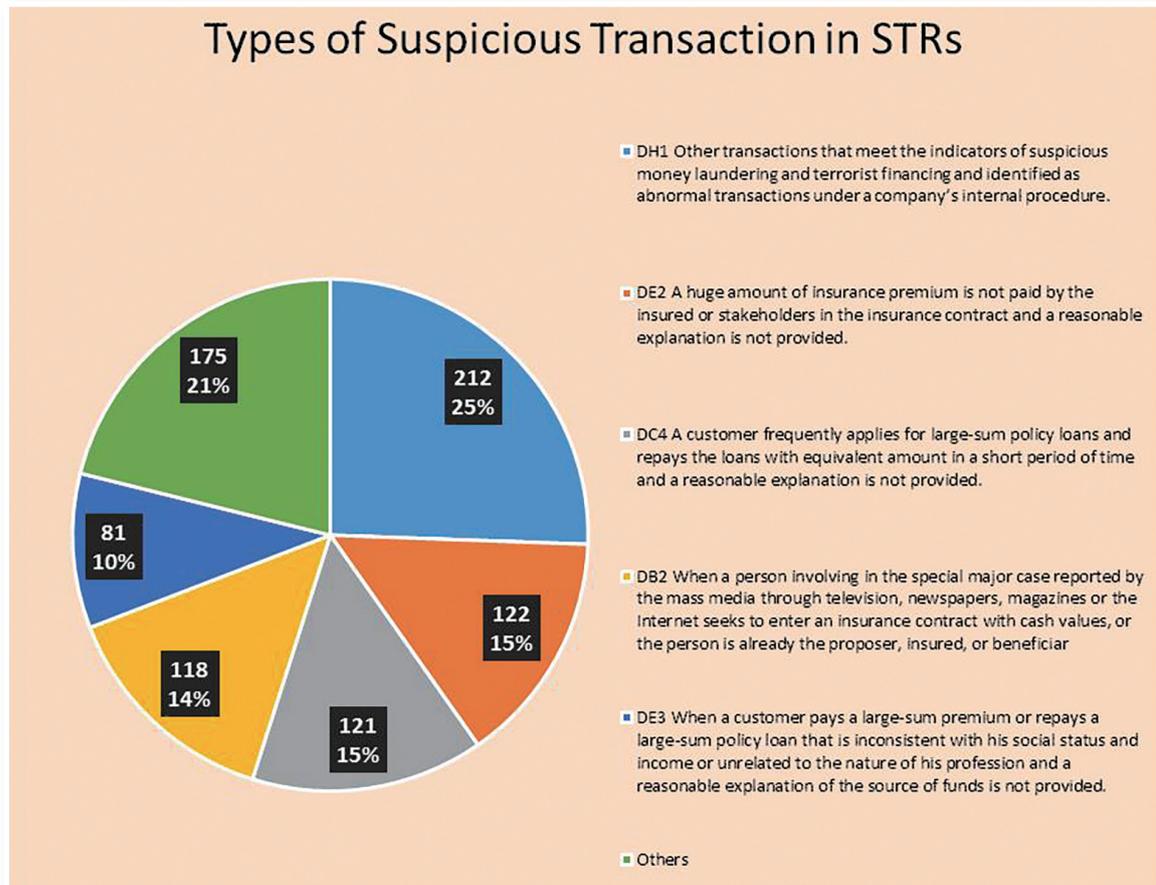
1. Domestic Banks



2. Securities Industry



3. Insurance Industry



B. Trade-Based Money Laundering

1. Introduction

The FATF released its first report on trade-based money laundering (TBML) as early as 2006.⁵ It pointed out three main methods—the use of the financial system, the physical movement of money, and the physical movement of goods through the trade system—by which criminal organizations and terrorist financiers move money for the purpose of disguising its origins and integrating it back into the formal economy. In this report, the FATF defined trade-based money laundering as the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimize their illicit origins. Subsequently, the FATF Global Network issued a series

⁵ <http://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaundering.html>

of reports, including “Best Practices on Trade-Based Money Laundering” (2008),⁶ APG Typology Report on Trade-Based Money Laundering” (2012),⁷ “Trade-Based Money Laundering: Trends and Developments” (2020, in collaboration with the Egmont Group),⁸ and “Trade-Based Money Laundering: Risk Indicators” (March 2021, in collaboration with the Egmont Group).⁹

2. An Excerpt from the FATF Report— “Trade-Based Money Laundering: Risk Indicators”

This report was completed by the FATF and the Egmont Group (EG) and released in March 2021. It mentioned that a risk indicator demonstrates or suggests the likelihood of the occurrence of unusual or suspicious activity. The existence of a single indicator in relation to a customer or transaction may not alone warrant suspicion of TBML, nor will the indicators necessarily exist in such TBML activities, but it could prompt further monitoring and examination, as appropriate.

Related risk indicators can be categorized into four major types, including structural risk indicators, trade activity risk indicators, trade document and commodity risk indicators, and account and transaction activity risk indicators. These aspects are summarized below.

◆ Structural risk indicators: focusing on observing a trade entity’ s registered address, operation address, number of employees, online presence that suggests business activity, and whether it intends to conceal the actual beneficial owners; e.g. it is registered in a jurisdiction with weak AML/CFT compliance; it is registered at a mass registration address such as a post-box or a high-density residential building; its registered owner is not the actual beneficiary; and its low operation costs are apparently inconsistent with its active business activity.

⁶ <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/bestpracticesontradebasedmoneylaundering.html>

⁷ <http://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaunderingtypologies.html>

⁸ <http://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-based-money-laundering-trends-and-developments.html>

⁹ <http://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-based-money-laundering-indicators.html>

- ◆Trade activity risk indicators: focusing on whether a trade entity's business activity is inconsistent with its stated line of business, whether its transactions are inconsistent with standard business practices, and whether the prices of its commodities are unreasonable; e.g. its shipping routes are uneconomic; it uses overly complex financial products for receipt and payment; it displays unreasonably low profit margins in its trade transactions; and it engages in high-volume and high-value trade activity even though it is a newly formed trade entity.
- ◆Trade document and commodity risk indicators: focusing on whether there are inconsistencies across trade documents (contracts, invoices, or other trade documents), whether trade documents appear to be counterfeit, and whether trade documents have vague descriptions of the traded commodities.
- ◆Account and transaction activity risk indicators: focusing on whether a trade entity's account appears to be a transit account with a rapid movement of high-volume transactions and a small end-of-day balance, whether payment for imported commodities is made by an entity other than the consignee of the commodities, whether transaction activities associated with a trade entity increase in volume quickly and significantly, and then goes dormant after a short period of time, and whether payments are abnormally routed in a circle.



Anti-Money Laundering Division Copyright
Address : 74, Chung-Hua RD., Hsin-Tien Dist.
New Taipei City 231209, Taiwan, R.O.C.
Tel : +886-2-29189746 ; Fax : +886-2-29131280
E-mail : aml@mjib.gov.tw
Website : www.mjib.gov.tw/mlpc